

# Annual Report 2004 >>





# Living space ...

# Contents

Letter from the Board of Management >> 4

Private Customer Business Sector >> 6

Commercial Lending Business >> 8

Management Report >> 12

Balance Sheet >> 26

Income Statement >> 30

General Information on Accounting Policies >> 34

Report of the Supervisory Board >> 47

Members of the Delegates Meeting >> 50

Contact >> 52

Imprint >> 54

## Dear shareholders and business associates,



Friedrich Munsberg, Erich Rödel, Dr. Bernhard Scholz (from left)

The situation in the banking sector improved slightly during the past year. Although provisions made for risks continued to put pressure on results, unrelenting cuts in personnel levels began to have an effect on costs. The banks' performance reflected a weak willingness to invest and the overall sluggish economic conditions in Germany.

These developments also impacted on the MünchenerHyp in 2004. Our new commitments for mortgages declined by about seven percent to barely EUR 1.5 billion. However, in comparison with the entire mortgage banking industry, this decline was relatively small. Nevertheless, our performance remained unsatisfactory as our results from operations contracted to EUR 16.8 million and net income fell to EUR 8.3 million. Problems surfaced in mortgage banks' loan portfolios in 2004 causing them to increase their provisions for non-performing loans.

The Münchener Hypothekenbank was also affected by these developments – albeit to a lesser extent than seen among its peers. In comparison to the previous year's figures, the Bank's provisions for risks have already passed their high point.

It would be more than naive to solely ascribe these developments to the unfavourable economic environment and then stake our hopes for the future on a business upswing that could lead to improved earnings in the near future:

>> The highly intensive competitive situation, and ongoing efforts to further automate the standard processes in the lending business, will not permit a sustainable improvement in margins to take place in the lending business. Thus, there are clear limits placed on any attempts to increase earnings by raising prices.

>> The situation in the German real estate markets will surely improve in the mid-term. However, before this can take place the debilitating effects of the uncertain labour market, hesitancy among investors, and consumers who prefer saving to shopping have to be resolved. A boom in new business will not diminish the structural problems or the cost problems in the short term. In view of the tough competitive situation, endeavours to increase earnings by raising business volume can only be successful if they are driven by a highly motivated and dedicated sales team, and are fully aligned with market requirements and customer needs.

>> Following our success in streamlining our business processes and shrinking costs, the growth of expenses in the areas of personnel, materials and depreciation has already evened out. However, following the investments we made in previous years (for example, our conversion to an SAP IT system,) expenses have reached a high level.

For these reasons MünchenerHyp must continue its efforts to cut costs and increase earnings if it is to outperform its rivals on a permanent basis and sustainably raise its earnings potential.

Measures we initiated in previous years – our cost reduction programme and relocating certain business functions back to our main office from regional offices – have already led to measurable benefits. In addition, last year we also initiated further cost-cutting measures that could be implemented on a short-term basis. These steps enabled us to stabilise the sharp decline in operating results experienced during the first half of the year and get MünchenerHyp back on track for future growth.

The heavy burdens placed on the Münchener Hypothekbank's earnings have spurred the Bank to initiate a comprehensive package of measures aimed at reducing costs and raising earnings in order to meet future challenges. As these measures are implemented, the Münchener Hypothekbank's strategy and perspectives will remain forward-looking as the Bank pursues its goal of sustainably strengthening its earnings.

We will only be able to progress further towards increasing the volume and quality of our business if we vigorously trim our costs and sustainably increase our earnings by forcefully exploiting market opportunities in Germany and abroad. For this reason it is absolutely vital that we energetically eliminate weaknesses within the MünchenerHyp and further develop its undeniable strengths whilst applying them even more effectively.

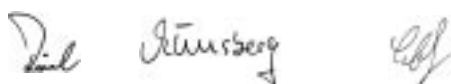
Our goal is to further expand our position of quality leadership in the area of mortgage finance within the cooperative FinanzVerbund.

We are particularly confident that we can achieve this goal because the MünchenerHyp has a forward-looking business model that includes the following characteristics:

- >> solidly anchored within the cooperative FinanzVerbund
- >> above-average quality of its loan portfolio, supported by a resolute risk strategy and a broadly diversified structure of regions and loan amounts within the portfolio
- >> good standing within the capital markets and a favourable basis for refinancing
- >> solid amounts of capital and reserves
- >> qualified and flexible team of employees
- >> future-oriented IT capabilities

In a 2004 study conducted by the FinanzVerbund the Volksbanken and Raiffeisenbanken gave top scores to the MünchenerHyp for its level of co-operation. We view this achievement as both praise and an obligation. Praise for our work, and an obligation to further reinforce the trust others have placed in us.

Sincerely yours,



Erich Rödel Friedrich Munsberg Dr. Bernhard Scholz

# The Münchener Hypothekbank eG in the private customer business sector

For many years the wish to own their own four walls has topped the wish list of many Germans. “My home is my castle” reflects a popular German sentiment. In their own homes owners can arrange their personal sphere as they wish and, very importantly, they don’t have to pay rent after retirement.

Münchener Hypothekbank eG converts this wish into reality within their traditional and future core business area, Private Customer Property Lending. This area includes all aspects of private property lending such as new construction, building expansion, modernisation and the purchase of existing housing.

## Partner of the Volksbanken and Raiffeisenbanken

Within this area of business the Münchener Hypothekbank works closely at the local level with the Volksbanken and Raiffeisenbanken within the cooperative FinanzVerbund. This banking network has 14,500 locations across Germany where customers can receive professional financing advice. This constellation has proven its worth because private customers rarely finance anything more expensive or important in their lives than their own home. For this reason 90% of private customers prefer personal counselling.

Within this successful constellation the Münchener Hypothekbank provides ideal support to the Volksbanken and Raiffeisenbanken. Two factors are of key importance here: attractive conditions, which our first-class refinancing operations make possible, and professional handling of the lending process with fast decisions and great flexibility. Our efficient business relationships with the banks at the local level are supported to a great extent by IT-based processes

operating on an SAP platform and an intelligent process management system. Münchener Hypothekbank has twelve regional offices to provide expert advice and support services to the local banks, especially in the optimisation of relevant processes, the use of “Hypoline” (our front-end IT system), and in the event of more complex financing transactions.

## Information, market support and innovative products

... are the three pillars of our central support for our partner banks. We provide information about property financing to the loan officers in the banks, which is then passed on by them to the end-customers. This is a continuous support programme to assist our partner banks in the market.

Innovative and flexible products are additional success factors, and their importance has risen significantly in recent years – we are certain they will continue to gain importance. This is because individually tailored financial solutions are the best way for the Volksbanken and Raiffeisenbanken to respond to their customers’ individual needs for financial solutions; this personalised added value makes the difference in the market and distinguishes our partner banks from the competition. For this reason we are dedicated – now and in the future – to continually providing our partner banks with the latest market and product development information to help them permanently hold their number one position with end-customers.

Thanks to our strong performance in this area the Münchener Hypothekbank has achieved a solid market position in its core business area of Private Customer Property Lending as a



The headquarters of the Münchener Hypothekbank. The Bank has two core areas of business: providing property financing for private customers within the cooperative FinanzVerbund, and commercial property finance.

specialist provider of private property loans in the B2B business sector.

## The market is there

Only 40 percent of German households live in their own four walls, fewer than in any other European country. Along with Switzerland, Germany is the only country where tenants outnumber homeowners. Today, three-quarters of all tenants view home ownership as the safest form of retirement planning. This makes one thing clear: even if new home construction is currently a bit sluggish, the mid and long-term outlook for demand remains high. Another facet driving demand is the rising need to invest in home renovation and modernization projects. We anticipate that these factors will lead to an increase – albeit a modest one – in demand for property loans.

## Partnering with the housing industry

We work together with cooperative banks at the local level as well as with specialised national partners to finance building cooperatives and other housing companies. In doing so the Münchener Hypothekbank never loses sight of its business strategy and focuses on financing properties in good locations and with assured, sustainable returns.

We have also gained a reputation as a reliable partner in this market because of our highly competitive conditions and quick lending decisions. We place great value on a high degree of flexibility in the lending terms. This ensures tailor-made solutions for our partners – the basis for optimal financial planning and payment flows.

# The Münchener Hypothekbank eG in the commercial lending business

The Münchener Hypothekbank conducts its commercial property business

>> with its cooperative partner banks, the Volksbanken and Raiffeisenbanken, which act as intermediaries and forward commercial property mortgage loans to us (intermediary business)

>> directly with institutional investors, acquired by our own sales team

Our sales channels for acquiring direct commercial property business are the direct acquisition of clients in Germany and abroad, plus the consortium business deals we engage in with German and international partner banks. We do not compete with our cooperative partner banks in this area due to the structure of the targeted clients and the generally larger volume of the individual deals common in this area of business.

Within the direct commercial property business, the Münchener Hypothekbank sees itself as a specialist provider for institutional property investors: open and closed-end real estate funds, property firms, residential housing firms, leasing companies and major private investors. We significantly enhanced our relationships with these institutional investors in recent years as we sharpened our market profile and expanded our activities in this area of business both in terms of added personnel and the extent of our dealings.

## Market penetration in Germany and abroad

The primary target markets are: Germany, Great Britain, the USA and France. In addition, we are also active in the Benelux countries, Austria, Switzerland, Denmark, Sweden and Spain.

Our headquarters office in Munich is responsible for providing support and care to our clients in Germany. Outside of our home market we rely on well-connected local partners, with years of experience in their local markets, to acquire direct customers. In addition to generating new business, our local partners also administer existing business projects and advise us on market conditions, risks and property valuations in their local markets.

We currently have cooperation partnerships in London, New York, Madrid and Vienna. We plan to be represented by a partner in Paris in 2005. High fixed costs in the start-up phase have deterred us from establishing our own sales offices abroad. However, our goal is to establish a representative office in each of the most important foreign markets within the foreseeable future.

## Consortium business in Germany and abroad

In our consortium business we participate in property finance deals offered to us by our partner banks in Germany and abroad – this sales channel gives us access to customers and markets which we cannot acquire directly. The target markets and risk criteria are identical with those encountered in the direct commercial property business sector.

After gaining numerous years of experience in the consortium business we are now also increasingly acting as the lead bank in consortiums, and in doing so we offer our partner banks the chance to participate in loans for major property projects acquired directly by the Münchener Hypothekbank. As sole underwriter we make a binding commitment for a specific loan amount – with the proviso that a portion of



the underwritten loan amount will be placed with other banks.

Outside of Germany our cooperating partners maintain contacts to the partner banks and thereby play a key role in our consortium business sales channel.

## What distinguishes us from the competition?

Our clients in Germany and abroad demand competitive conditions, highly flexible finance products, quick decisions, smooth handling and maximum reliability, plus proven expertise in resolving the challenges inherent in this business.

And this is precisely our performance promise: our very good ratings (compared to our peers) permit us to obtain the most favourable re-financing conditions, and this in turn gives us a significant competitive advantage.

Lengthy discussions with a parent company do not take place because we are fully independent and do not belong to a corporate group. Our decision paths are short and lending decisions are made quickly. We place the greatest value on reliability, quality and speed when we process a business deal.

This means that our clients experience the individual benefits of a private bank when they work with us, including our treasury expertise.

In addition, foreign banks are happy to work with us in syndicated deals in their home markets because we do not compete with them for their direct clients. We are solely engaged as a financing partner offering competitive conditions when assuming a portion of the loan amount.

## Consistent low risk approach to business

We have traditionally followed a low risk business policy in our direct commercial property business. This consistent low risk approach to business has paid off in the high quality of our loan portfolio and the hitherto negligible level of write-downs and non-performing loans.

In principle we only finance multi-use commercial properties, primarily office buildings, retail trade properties, shopping centres, logistics properties and hotels in good locations.

Interest and capital payments must be covered by current and long-term sustainable rents – after deduction of appropriate operating/maintenance costs. The prerequisite for financing is that the property generates an adequate and stable income flow, and there is a plausible exit scenario based on conservative assumptions.

We do not finance property developments and we only engage in start-up loans if our risk reducing criteria are met. Property appraisals of German properties are conducted by certified appraisers employed by M-Wert, our fully-owned property appraisal company. Outside of Germany we use local appraisers to evaluate local properties.

The direct commercial property business is one of the growth areas within our business strategy. Our goal is to expand this business via organic growth and thus realise quality growth that will complement our private customer Verbund business.



# A dialogue...

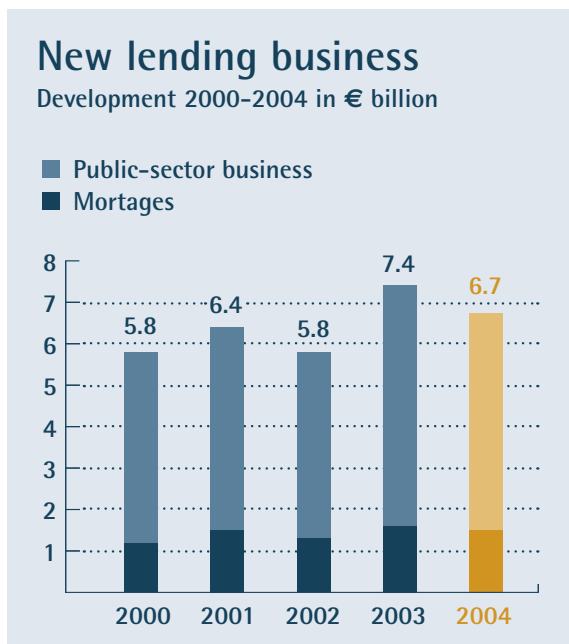
... has the power to initiate change.

> Erich Rödel >>

# Management Report

## Overall economic conditions

After almost three years of sluggish performance the German economy was able to advance temporarily in 2004, although its progress was not strong enough to generate a sustainable recovery. The 1.6 percent increase in Germany's gross domestic product was below optimistic expectations and too small. Above all, the domestic market's performance lacked dynamism. Nearly three-quarters of recorded growth was owed to the booming global economy, which grew by nearly five percent – a rate last seen in 1976 – helping German exports to rise by over eight percent.



Germany's domestic economy generally underperformed in comparison to other EU countries as its rate of unemployment did not decline and in fact reached a new record, rising to more than 4.4 million. Consumer spending was restrained by news from the miserable labour market, higher prices for energy and healthcare services and, finally, a growing awareness that retirement requires greater individual efforts.

Moreover, average inflation of 1.6 percent negated any real increases in disposable income after low salary rises and higher take-home pay generated by tax reforms. Consumer spending declined again by 0.3 percent, while savings advanced by nearly two percent in 2003. And lastly, consumer lending decreased yet again.

A survey conducted by the Allensbach Institute in autumn 2004 revealed very high levels of pessimism and uncertainty: almost half of the respondents were very concerned that their income and personal wealth would decline in the future and that they would have considerably less money available in their old age. The only sliver of good news was reserved for tenants, as rents trailed the overall rise on prices and rose by only one percent.

With the exception of the dynamic export sector, the majority of firms were hit by the depressed mood across the country. Although business problems faced by some of Germany's major traditional firms were widely commented on, they only represented the tip of the iceberg. Weak domestic demand primarily impacted on Germany's small and mid-sized companies which traditionally focus on domestic markets. Their earnings contracted along with their financial reserves and many gave up as almost 40,000 companies were forced to file for insolvency.

While the rate of insolvencies was just 0.2 percent at the beginning of the 1970s, by the end of 2004 the average industry-wide figure had risen to 1.3 percent. In addition, personal bankruptcies also set a new record in 2004 as consumer insolvencies rose by 25 percent to 76,100.

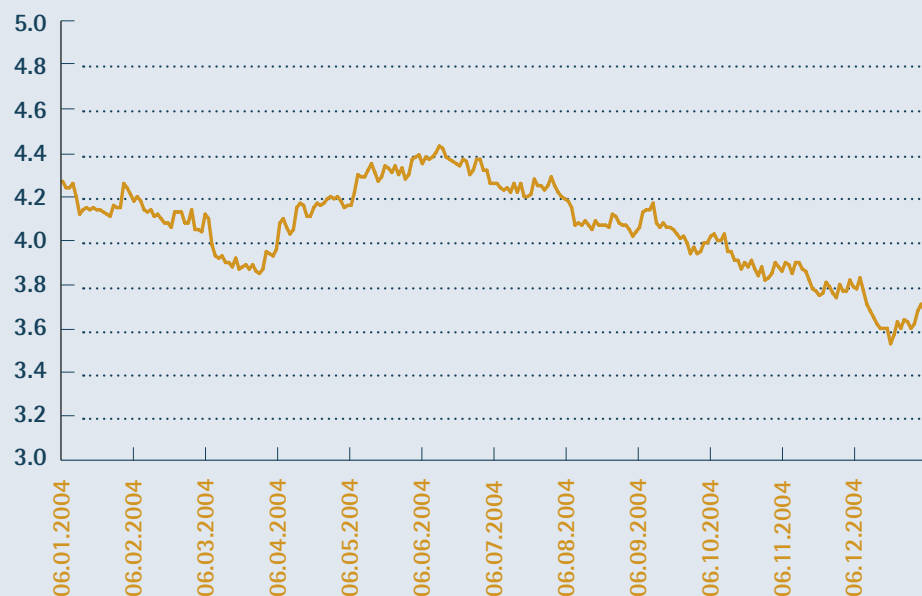
## Financial markets

Declining stock prices initially led to rising bond prices during the first quarter of last year. The yield for the benchmark ten-year Bund fell to 3.85 percent. Bond prices, however, fell in anticipation of a turnaround in interest rates. In June the yield on the ten-year Bund had risen to its highest level for the year of 4.43 percent.

However, interest rates steadily declined until the end of the year as the expected turnaround in interest rates did not materialise, as the rapidly declining dollar led to a bull market in euro-denominated bonds. On 15 December the yield on the ten-year Bund fell to its lowest point in 2004: 3.53 percent, close to the previous low of 3.47 percent noted in June 2003.

After deducting inflation, long-term interest rates stood at approximately 1.5 percent and were thus lower than rates seen during all of the recessions since the 1960s. Mortgage rates followed interest rates down and fell by approximately 15 percent over the course of the year. Yet, despite these very low interest rates, demand for real estate in Germany remained dormant.

## Yield on ten-year Bunds



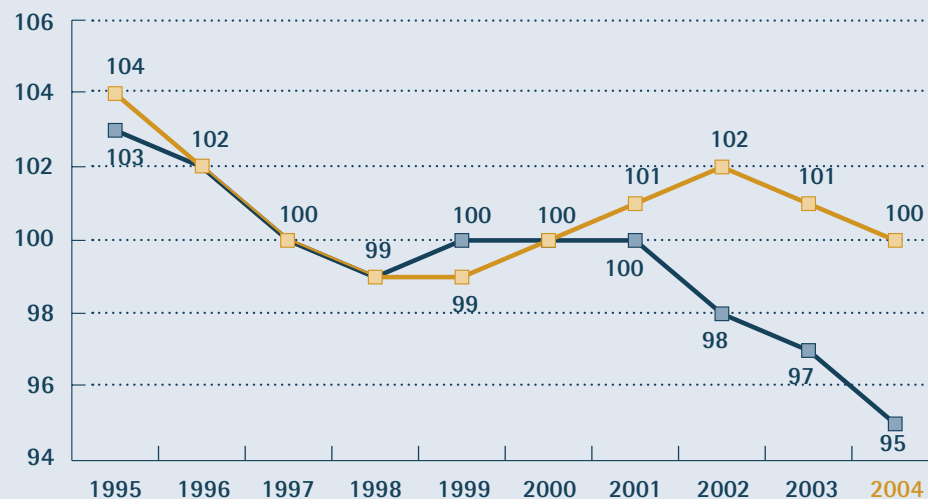
## Property markets

The uncertain outlook for personal income facing households, and the less-than-satisfactory sales opportunities experienced by some sectors of the economy led to a significant decline in building activity. The desire to purchase privately used property as part of a private retirement plan, the rising number of households, and the effects of bringing forward building plans due to political discussions about ending private building subsidies all helped to stabilise demand a bit.

## Development of property prices in Germany

(Year 2000 = 100)

■ New buildings  
■ Existing property



However, in light of the weak economy, job insecurities and general uncertainty, the low level of interest rates could not generate demand. Building activity in Germany was quite lively during the first quarter of 2004 as approximately 30,000 building permits were issued per month for private housing. But this figure fell sharply to less than 20,000 permits per month in subsequent months. By the end of November 2004 approximately 246,300 residential housing permits had been issued in Germany, or approximately 30,000 less (-7.5 percent) than were issued during the same eleven month period in 2003.

Concurrently, the trend towards one or two-person households led to a steady decline in the average space per residential unit as this figure declined from 122 m<sup>2</sup> in 2003 to 114 m<sup>2</sup> in November 2004.

By the end of the year total investments in residential construction were 1.6 percent less than in the previous year. The number of newly built apartments fell to about a quarter of the figure noted in 1995.

While cheap money was driving property prices higher by up to 15 percent in the USA and in our neighbouring European countries – above all France and Spain – prices in Germany continued to slide for the third year in a row. According to the German Central Bank (Bundesbank), average prices for privately owned homes and apartments fell by two percent during the previous year. Prices fell by approximately one percent in the western half of Germany and approximately 3.1 percent in the eastern half. The Bundesbank noted the sharpest decline in the used properties sector in 2004, where prices declined to levels last seen in 1993.

Construction of commercial property in Germany showed a similar picture. Vacancies in the office property sector and reductions in clients' office space requirements due to cuts in costs and personnel led to a declining investments in non-residential property as they again fell by four percent under the previous year's level.

But a sustainable upswing also remained elusive in most of the European commercial property markets in 2004. Instead, varying developments were noted. Amsterdam had to cope with a major increase in available space, which was not absorbed by the market and led to price reductions. Paris, Brussels and London stood above the rest. Prices in the French capital began to show signs of stabilising. The office property market in the Belgian capital profited from the city's function as Europe's administrative seat and from a special demand situation arising from the expansion

of EU member states. These factors allowed it to come through the most recent economic decline almost unscathed. Rising rents in the London property market were reliable indicators of a business upswing.

## Mortgage market

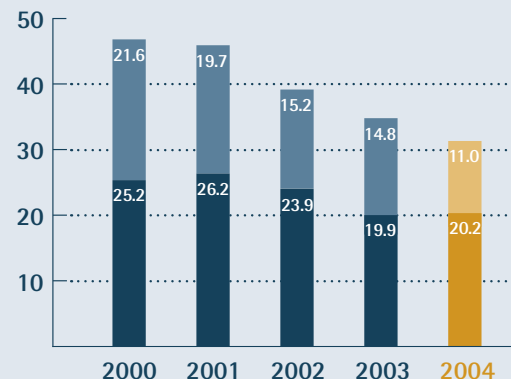
Weak demand for real estate was reflected in the sluggish demand for residential construction loans. While the overall volume of lending in this property category rose by ten percent across Euro-land, in Germany it remained almost unchanged from the previous year's level and increased by just 0.3 percent.

Residential housing loans made by member banks in the Association of German Mortgage Banks totalled €11.0 billion during the previous year or 26.1 percent less than in the same year-ago period. When compared to the year 2000, the volume of new business in the residential construction sector declined by about half. Only the 1.6 percent increase in commercial property lending, which totalled €20.2 billion, helped hold the overall decline in new commitments for mortgage loans to 10.2 percent for a total of €31.2 billion.

### New business German mortgage banks

Figures in € billion

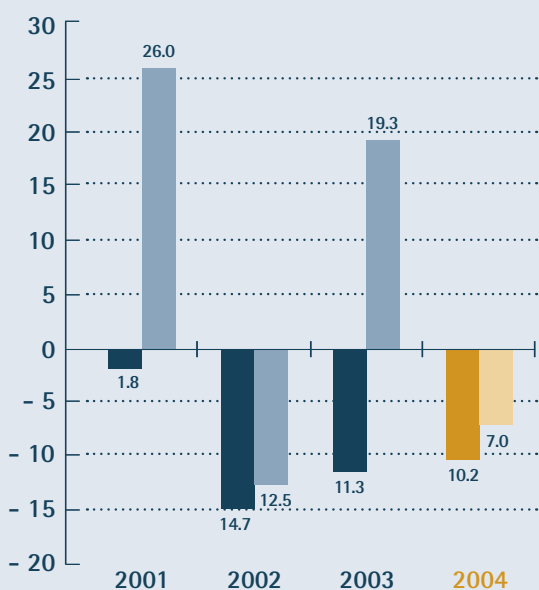
■ Private housing  
■ Commercial property loans



## Rates of change in new mortgage business

Figures in %

■ MHB  
■ VdH average



## The MünchenerHyp in 2004

MünchenerHyp could not attain its ambitious goals in an economic environment that offered the mortgage banking industry few opportunities to grow. However, the Bank's results were still favourable in comparison to the average performance noted within the industry.

While the Bank's total assets rose by 5.6 percent to €32.9 billion we incurred significant declines in our operational results and our annual results.

Following a weak first six months we focused our efforts during the second half of the year on strengthening our earnings abilities within the framework of the limited opportunities given to us. The negative influences linked to the development of interest rates during the first half were more than compensated for in the second half.

Furthermore, individual write-downs peaked in 2004. As a result MünchenerHyp left 2004 behind it in a stronger position – albeit at a lower level. Measures initiated to reduce costs and strengthen earnings will generate additional effects in 2005 and in subsequent years.

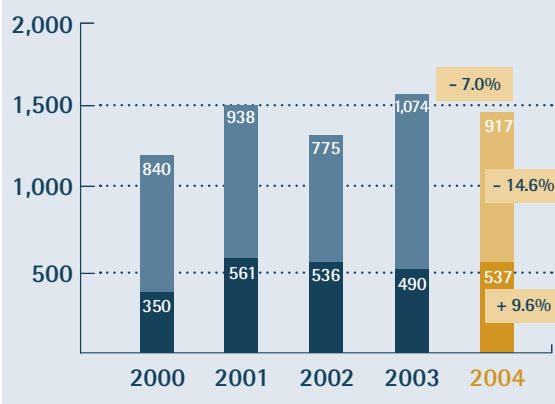
## Mortgage business

MünchenerHyp also had to pay tribute to the weaker demand for real estate. We couldn't avoid the effects of the downward trend in the industry. Our new lending commitments in the residential housing segment weakened by 14.6 percent from €1,074.2 million in 2003 to €917.1 million in 2004. In addition to the less than supportive economic conditions, the main reason behind the decline was the lower number of mortgage transactions brokered by the Volksbanken and Raiffeisenbanken. They also suffered from the effects of their private customers' tentative demand for financing and preferred to carry new mortgages in their own books.

### MHB new mortgage business

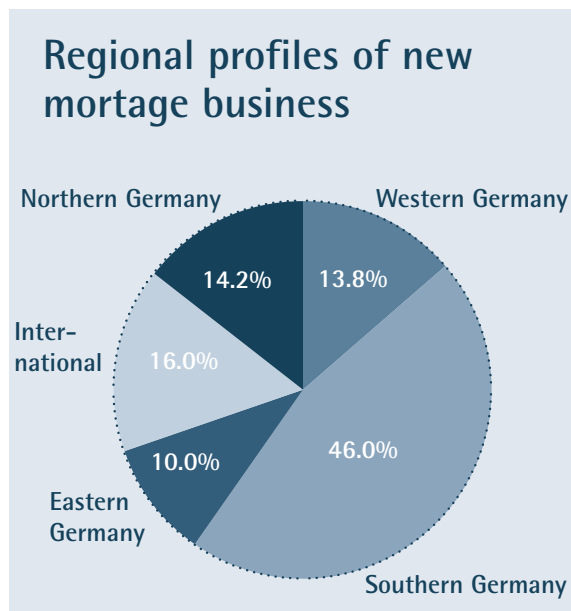
Commitments in € million

■ Private housing  
■ Commercial property loans



We were successful in the commercial property financing segment, which rose by 9.6 percent from €490.0 million in 2003 to €537.1 million in the previous year. This segment's share of total new business increased from 31.3 percent to 36.9 percent. Growth was primarily generated by our direct business activities. We were able to sign up new customers and improve our share of the market without compromising our high standards of creditworthiness.

Thanks to our good performance in the commercial property finance business our overall new mortgage business decline was limited to 7.0 percent and amounted to €1,454.2 million, which was comparatively moderate vis-à-vis the average posted for our industry.



The regional distribution of our new mortgage business once again showed a familiar pattern: 23.8 percent or nearly a quarter of our commitments were for loans in Bavaria, followed by North Rhine-Westphalia with a 13.8 percent share and Baden-Württemberg with 10.7 percent. Our international business contributed 16 percent to our overall new business results.

- >> Great Britain remained our most important foreign market with a 41.5 percent share of our international volume.
- >> The Netherlands remained unchanged in second place with 21.8 percent.
- >> The USA moved up to the number three spot as its share climbed from 9.9 percent to 17.9 percent pushing
- >> France back to the number four position with an 11.9 percent share of business.

## Public-sector finance business

Commitments in the public-sector lending sector, which mainly consisted of negotiable promissory notes issued by federal states, regional and local authorities, and public-sector credit institutions, depend on rapidly changing earnings opportunities. Because we do not pursue volume targets in this sector, lending commitments fell by 9.9 percent to €5.2 billion.

Within Germany, MünchenerHyp's originating municipal lending business is limited to loans where regional or local authorities are liable for payment or loans where these authorities assume the full performance guarantee or are guarantors of the loans. Borrowers in this area of business include cities, state districts, special-purpose associations, and other associations as well as private borrowers, whose loans are one hundred percent secured by modified indemnity bonds issued by a local authority. When making these loans we generally work together with the Volksbanken and Raiffeisenbanken in order to reinforce and support the strategically close links within the cooperative FinanzVerbund.

## Refinancing

Our main focus in our issuing business is to be a reliable player in the capital markets, to conduct investor-oriented market support activities, and to maintain the maximum possible levels of transparency in our dealings. This market approach paid off anew in 2004. MünchenerHyp enjoyed a reputation as a high quality issuer and was once again an attractive address for our domestic and foreign investors.

Lively demand for our paper enabled us to sell approximately €7.3 billion worth of securities. While sales of classic Pfandbriefe rose by approximately 34 percent to €2.8 billion, sales of structured bonds slipped by nearly 47.0 percent to €1.2 billion.

Sales of variable rate paper fell by 50.0 percent to €1.5 billion. The volume of our Jumbo issues amounted to €1.75 billion, or approximately five percent below the previous year's level. On an overall basis our gross sales volume was 20.0 percent less than in 2003.

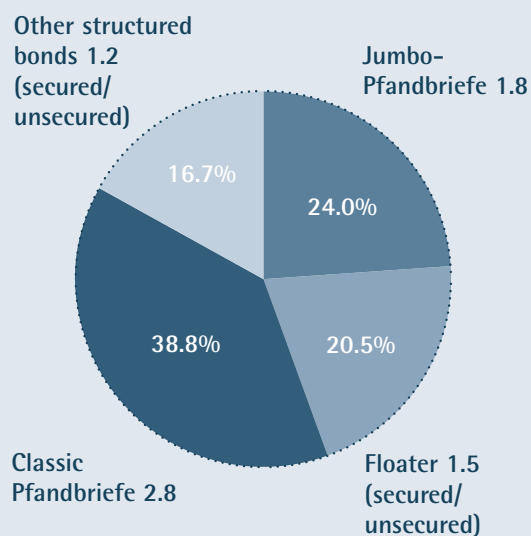
After deduction of return flows, net sales amounted to €1.2 billion, or 7.2 percent lower than in 2003 due to reduced refinancing requirements.



In 2004 the insurance business was once again the most important source of demand for our structured issues. We were able to place an especially high volume of long-term paper with insurers as well as callable bonds redeemable at single and multiple dates, and we also won new international investors. The Bank mainly placed floating rate paper and short-term fixed-rate paper in the market due to overall weak demand for long-term financing paper and a similarly subdued demand on the part of banks and funds. This paper was well received by money market funds and other institutional cash managers.

## Summary of refinancing sources in 2004

Figures in € billion



Our largest individual issue in 2004 was a €1.0 billion Jumbo Public Pfandbrief. Due to demand we expanded existing Jumbo issues by issuing an additional €750.0 million which was bought by a wide range of European and German Pfandbrief investors. We were particularly pleased that a number of Volksbanken and Raiffeisenbanken were among the buyers.

The volume of derivatives increased by approximately 12 percent to €44.9 billion, with the lion's share (€42.8 billion) represented by interest rate swaps, which rose by 16.9 percent.

## Rating

Moody's announced its ratings for the MünchenerHyp in July of last year. The Public Pfandbriefe and Mortgage Pfandbriefe ratings remained unchanged at triple-A. Moody's also left the remaining ratings unchanged, thereby expressing their confidence in MünchenerHyp's business model. However, based on the first-half report dated 30 June 2004, Moody's changed their outlook for the Bank's senior unsecured obligations rating and the Bank's financial strength rating from stable to negative. As before, Moody's viewed MünchenerHyp's membership in the cooperative Finanz Verbund with its comprehensive safety system and the Bank's high-quality pools of coverage as additional plus points. The individual ratings for the MünchenerHyp are as follows:

	Rating	Outlook
Public-sector Pfandbriefe	Aaa	stable
Mortgage Pfandbriefe	Aaa	stable
Senior Unsecured	Aa3	negative
Bank Deposits	Aa3/P-1	stable
Bank Financial Strength	B-	negative

## Balance sheet structure

Total assets rose by 5.5 percent to €32.9 billion. The value of our loan portfolio increased by 4.5 percent to €23.2 billion.

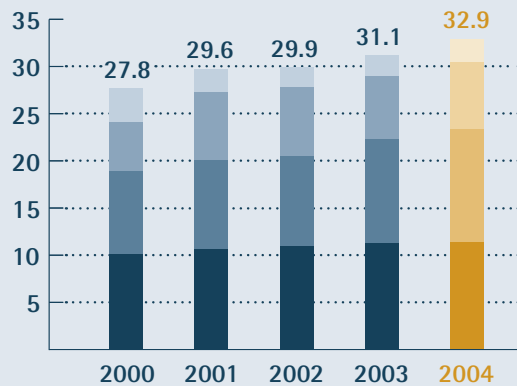
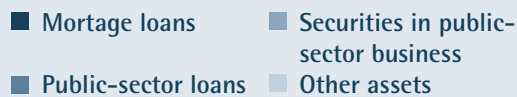
Our pool of coverage for Pfandbriefe remained very diversified and mainly consisted of loans to finance smaller residential construction projects and was widely spread across various industries, property categories and regions. At the end of the year the average size of a residential construction loan in our portfolio was approximately €100,000, while the average size of a commercial property loan was about €700,000. Our pool of coverage had the required quality and low levels of risk indispensable for maintaining MünchenerHyp's reputation as a top issuer, and serving as the foundation for the triple-A ratings of our Mortgage Pfandbriefe and Public Pfandbriefe.

Because MünchenerHyp is a non-trading book institution it does not actively trade securities in its portfolio. For this reason the Bank places great importance on congruent liquidity in refinancing to avoid follow-up refinancing risks. In 2004 we primarily bought securities and – minor amounts of – promissory notes issued by federal state banks (Landesbanken).

The largest portion of paper, which issuers floated on the market, is due in 2015 when the guarantor's obligation ends. Spreads for this issue narrowed sharply over the course of the year in comparison to the swap curve. We acquired appropriate paper to the extent possible within our large-scale lending limits. In our international public-sector lending business, differences in yields within our investment spectrum, which is limited to securities with good ratings, also narrowed. Overall our portfolio of securities within the public-sector lending business rose by 7.5 percent to €7.1 billion.

## Balance sheet growth

Figures in € billion



The sum of refinancing funds expanded by €1.4 billion, a plus of 5.0 percent, to €30.5 billion. After an increase in paid-in capital, the Bank's liable equity capital rose by 5.3 percent to €861.8 million at the end of 2004.

## Development of earnings

Our annual results reflect the impact of unavoidable negative factors such as the unexpected low level of interest rates, tighter margins, and declining new business transactions. The effects are visible in many of the items in our income statement. Our net income for the year was a quarter of what it was in the previous year.

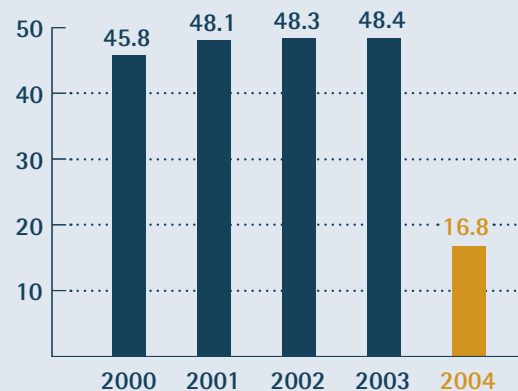
Net interest income less commissions paid amounted to €84.8 million, or 26.1 percent less than the comparable year-ago figure. The decline was limited by assigning the costs of brokerage commissions paid to our partners over the lifetime of the individual loans.

The key factor behind the drop in the net interest income less commissions figure was a 29.1 percent reduction in net interest income to €86.8 million. There were several reasons for the decline: first, our Treasury department did not attain the results posted in 2003 because the anticipated turnaround in interest rates did not occur and thus interest rates remained unexpectedly low. Secondly, lower interest rate levels meant that interest income from our slower expanding loan portfolio was cut even further than it would have been had interest rates remained constant. Finally, in previous years our net interest income had been boosted by special factors which ended in 2004.

In 2004 cost-cutting measures already introduced in 2002 and 2003 gained traction and showed results. Other administrative costs totalled €20.4 million and were 4.6 percent below the previous year's figure. The additional measures initiated during the second half of 2004 to reduce costs and increase earnings will begin to unfold their effectiveness successively over the coming years. A total of €1.8 million was already reserved for restructuring measures scheduled to begin in 2005. This allocation led to a €1.3 million increase in personnel costs and an overall increase in general administrative costs by about one percent to €54.4 million.

## Operating results after provisions for risk

Figures in € million



These individual measures led to a 43.2 percent decline in our operational results before allocations to reserves as this figure decreased to €34.8 million from €61.3 million.

Total results from operations after making provisions for risks contracted by 65.3 percent from €48.4 million to €16.8 million. The sharp fall does, however, obscure a positive development: due to a comprehensive restructuring of procedures and processes in our Work-out Management department we were able to significantly improve our realisation ratio. This meant that despite renewed high, yet reduced, provisions made for risks, total individual adjustments to value fell sharply by 26.6 percent.

Taxes paid by the Bank declined from €5.1 million to €0.1 million. After deduction of costs for undisclosed participations we posted a net income of €8.3 million, or 76.1 percent below the previous year's results.

## Subsidiary companies

MünchenerHyp holds the entire proprietor's capital of two subsidiary companies: M-Wert GmbH, and M-Service-GmbH.

M-Wert GmbH's core business is preparing appraisals of properties used as collateral for loans per Article 12 of the Mortgage Bank Act, and determining market/current values. In addition, M-Wert is also active in evaluating building plans and project developments, property reviews, documenting construction progress, examining external appraisals and providing expert advice during compulsory measures. During the year under review the firm's nine existing locations were expanded by a new regional office in Stuttgart in order to provide optimal service to Germany's economically strong south-west region.

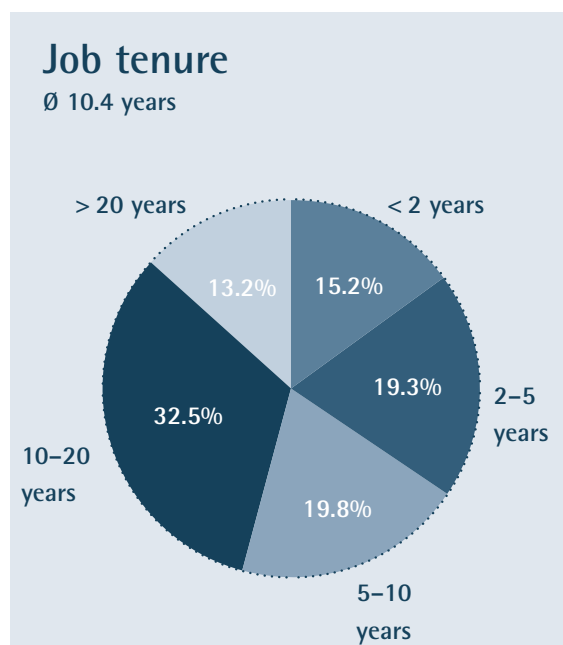
The expertise of the M-Wert appraisers was once again in high demand in 2004 against a background of ever higher needs for accurately ascertaining value in the property lending sector. Assignments from within the cooperative FinanzVerbund, in particular, grew at a disproportionate rate and contributed strongly towards increased revenues.

Within its core business area M-Service GmbH provides support to the Bank's Work-out Management department and the MünchenerHyp's properties and services. As part of the measures needed to provide this support the company expanded its scope of business by assuming the role of a general partner in a

property-related limited partnership. In this function M-Service GmbH is currently handling efforts to realize the potential of the Bank's old headquarters building on Nussbaum/Mathildenstrasse. In addition, M-Service GmbH also owns a small portfolio of property.

## Employees

Our employees are the basis for MünchenerHyp's business success. Their abilities and competencies form a strong platform for the realisation of our sales goals, our customers' demands, our risk and controlling requirements, as well as the necessary change processes. An average of 388 persons were employed by MünchenerHyp in 2004. The temporary increase by 11 persons over the previous year resulted from structural changes in our processes. The age structure of our employees covers a broad range and at the end of the year the average age of all employees was barely 40. The percentage of female employees was 52.1 percent.



Our employees responded with great commitment and exemplary performance as they fulfilled demanding tasks arising from the required adjustments MünchenerHyp had to make in light of the changing overall economic conditions and markets. In order to more closely involve our employees in the Bank's future developments the Board of Management held numerous information events and closed meetings.

Our personnel activities reflected these changes. Their goal was to decisively accompany the reorganisation of our structures and processes in response to market requirements and at the same time ensure that our Bank's sales and management areas, in particular, were reinforced with qualified specialists. Required adjustments in our employment levels were made in full observance of social acceptability within the framework of early retirement and partial retirement plans. In addition, individual arrangements were also made.

We wish to thank all of our employees for their dedication, their understanding and their willingness to work together for the future of MünchenerHyp. We also wish to extend our thanks to the employees' representative bodies for their critical and constructive cooperation, which was marked by a high sense of responsibility for our Bank.

## Risk report

Business decisions are always made in an environment marked by varying degrees of uncertainty. This also applies to the banking business. No bank transaction is totally risk-free. The acceptance and management of risks are fundamental and mandatory activities banks and mortgage banks have to master if they are to realise their business opportunities.

The purpose of our risk strategy is to determine the type and extent of risks we are exposed to. The terms of our strategy are primarily defined by legal and supervisory stipulations in addition to business requirements. As of 1 July 2004 a new legal requirement was added with the introduction of the official Minimum Requirements for the Lending Business (Mindestanforderungen für das Kreditgeschäft - MaK), which defined extensive standards of required quality for the organisation of lending operations. These requirements mainly affect the internal organization and related processes, the internal controlling system as well as the management of lending risks. MünchenerHyp meets these requirements. A loan risk report is regularly prepared and presented to MünchenerHyp's internal supervisory bodies in order to assure full compliance with the terms of the MaK. In addition to fulfilling legal and supervisory requirements, the goals of our risk management programme are primarily focused on sustainably increasing the Bank's overall economic capital.

Measuring risk, monitoring limits and preparing risk reports are the responsibilities of the Controlling/Corporate Planning department and Transaction Management | Treasury at MünchenerHyp.

Risk management, one responsibility of the Board of Management, is organisationally and functionally independent within the Bank. The entire Board of Management is responsible for formulating the Bank's risk strategy and for risk budgeting. The Supervisory Board examines the Bank's risk profile.

Typical risks associated with the banking business are split into four risk categories: borrower failure, market price, liquidity and operational risks. Borrower failure risks consist of all possible losses of value that could arise due to default or a deterioration in the creditworthiness of business partners. We try to minimise these risks by reviewing each individual risk and by prudently making loans within the framework of our credit risk management policy.

The MünchenerHyp's Credit Handbook is the basis for managing our lending risks. This basic document describes how MünchenerHyp implements the MaK requirements. Examples of subjects covered include: lending risk strategy; determining collateral requirements needed to provide cover against risks; budgeting requirements to meet risks; standards for measuring and managing credit risks at the individual loan level and the portfolio level; defining responsibilities and processing rules applicable to departments involved in the lending business. Furthermore, the Handbook also sets out rules for the new product process, and also catalogues and documents the Bank's loan products.

Managing lending risks begins with the selection of the target business when drafting the terms of the loan. This is accomplished using risk-cost functions which are validated by continuous back-testing. Various scoring measures are used depending on the amount and category of risk involved in a deal. The Bank uses an IT-supported early-warning system to ensure timely detection of risks.

A limit supervision system is in place and used to manage borrower-related risks pursuant to MaH/MaK, and overall business-related limits per Article 13 of the Banking Act (KWG). In addition to the continuous monitoring of risks, the Board of Management receives a comprehensive risk report on a quarterly basis. This report closely examines the Bank's risk profile, and, in particular, reviews the status of the Bank's portfolio management activities. Lending risks are detailed in the report and shown by business area, score, volumes and property categories based on regions and countries.

Our broadly diversified portfolio of property loans, with the main emphasis on residential property loans, and our credit approval process – which has remained stable for years – has led to an

inventory of loans with a lower-than-average credit risk. Our public-sector finance business is limited to central and regional governments, public authorities at the regional and local levels, and public-sector banks with excellent credit standings. Our current lending risk limitation projects involve the implementation of Basel II and the introduction of a credit risk model that will be used to improve portfolio management by taking economic capital into consideration.

**Market price risks** refer to potential losses of value due to detrimental price changes on the financial markets, or factors which could influence prices for securities, exchange rates and derivatives. Risk categories considered as market price risks include risks arising from changes in interest rates, and risks associated with foreign exchange rates. Risks arising from changes in interest rates is the more important of the two categories for MünchenerHyp. The Bank's dealings outside of Germany are hedged against currency risks.

All of the MünchenerHyp's positions are determined every day on a present-value basis. Positions whose values are determined by discounting cash flows are valued by the Bank's main host SAP system. The value of structured deals – primarily interest rate caps, Swaptions as well as legal and agreed-upon termination rights – is determined by a dedicated system.

The backbone of our risk control operations is the Deltavector, which is calculated on a daily basis. This figure is determined by the present value of the loss incurred per range of maturities when the mid-swap curve is raised by one basis point. This Deltavector is limited to specific maturities. The overall level for limiting interest rate risks is determined by the value-at-risk figure that is used by the MünchenerHyp. This figure is quantified by applying a given Deltavector to determine the risk of a loss over three months. The third value used in limiting interest rate risks is the BaFin interest rate risk score, which is reported monthly to the Federal Financial Supervisory Authority. This score measures the ratio of the present value of a loss to the Bank's liable equity capital when a parallel shift of 100 basis points occurs in the interest rate curve. The BaFin score did not exceed a value of ten percent at any time during the year under review and thus remained within the BaFin "Green Zone" throughout 2004. The Bank's average score for the year was 2.9 percent.

**Liquidity risks** refer to risks arising from late or incomplete payment of obligations which could endanger the Bank's net income and capital. The most important principle of our liquidity management is to maintain the supervisory requirements defined

in Article 11 of the Banking Act and in Principle II, which define liquidity reserve requirements for banks. In addition to observing these rules, MünchenerHyp uses a proven conservative approach to maintaining liquidity standards. The Bank's basic principle is to maintain congruent maturities in capital commitments entered on the assets and liabilities sides of the balance sheet and to hold sufficient liquidity reserves in the form of securities deemed eligible to serve as reserves by the European Central Bank (ECB).

Short-term liquidity planning is supported by IT systems which present all inflows and outflows of payments on an exact daily basis over a one year period. IT applications used for strategic liquidity planning purposes, on the other hand, cover a period of thirty years and show differential and cumulative liquidity requirements as well as the maximum cash outflow. Callable balance sheet items are shown in varying liquidity outlook analysis scenarios as being (1) redeemed at the next termination date, or (2) on their legal date of termination, or (3) weighted based on their individual probability of being redeemed. The outlooks for liquidity and the collateral pools are linked via IT operations because a mortgage bank's liquidity management is closely linked to cover used for Pfandbriefe.

**Operational risks** consist of possible losses due to human misconduct, process or project management weakness, technical failures, or negative external influences. These risks also include legal risks and other general risks. Human misconduct encompasses illegal acts, inappropriate sales practices, unauthorised acts and transaction errors. We act to minimise our operational risks by employing qualified persons; having clearly organised and well documented processes; automating standard procedures; having fixed job descriptions and work assignments; extensively testing all functions; having appropriate emergency plans, and preventive measures in place. Insurable risks are covered by insurance policies to the normal extent required by banks. The quantification of operational risks is the subject of the currently on-going Basel II project.

#### Use of financing instruments for hedging purposes

We engage in hedging activities – interest rate and currency derivatives – to further reduce our risks and to hedge our business activities. We do not employ credit derivatives. We do use asset swaps as micro-hedges at the individual deal level. Structured basic business deals, like callable securities, are hedged accordingly with structured asset swaps. Cross-currency swaps are used to hedge exchange rate risks arising from commitments made outside of Germany. We primarily use interest rate swaps to hedge

our positions at the portfolio level. Bermudian options on interest rate swaps (Swaptions) or interest rate options (Caps and Floors) are employed as macro-hedges in the case of embedded legal rights to call or arrangements to limit interest rates.

## Basel II

The new Basel agreement on equity capital requirements was approved in mid-2004. We anticipate that appropriate European Union guidelines will be adapted as national law in 2005 and take effect in 2007 and 2008. MünchenerHyp is actively tracking the process and has already begun to implement the new Basel rules.

As emphasis shifts towards more risk-appropriate equity capital requirements, we anticipate relief as we are a mortgage bank with a typically high share of private customer loans as well as first-class government and municipal loans on our books.

The related required build-up of processes and systems does necessitate high investments. However, benefits generated by these investments will not only help to reduce the burden on equity capital requirements. The new guidelines represent a further step towards the development of more risk-appropriate conditions and greater transparency of the contributions made by the individual areas of business towards the return on equity capital.

## Pfandbrief Act

The Pfandbrief market is valued at €1.1 trillion and it is the biggest segment within the overall bond market. Pfandbriefe are known as particularly safe investments because they are backed by either property or public-sector loans. Up until now there have been strict limitations on issuing Pfandbriefe. Only twenty mortgage banks, eleven federal state-owned banks, five public-sector institutions and two ship mortgage banks may issue Pfandbriefe, which are especially attractive because they are so safe. Issuance is regulated by the terms of the Mortgage Bank Act (HBG), the Ship Mortgage Bank Act, and the Act Related to Pfandbriefe Issued by Public Credit Institutions. German issuers most recently represented nearly three-quarters of the collateralised securities market.

The end of the guarantor liability (unlimited liability on the part of the Federal Government, the federal states, towns and cities and local authorities for all existing and future obligations by

the credit institutions supported by them, in particular the savings banks) and the modification of institutional liability (falling on a federal state in respect of a state bank) in the area of public credit institutions were the initial reasons to rewrite the legal requirements for issuing Pfandbriefe. On 13 October 2004 the Federal Government enacted the Pfandbrief Reform Act (Gesetz zur Neuordnung des Pfandbriefrechts), which will affect both the Mortgage Bank Act (HBG) as well as the Law Concerning Pfandbriefe and Related Promissory Notes Issued by Public Credit Institutions (ÖPG) and replace them with a new Pfandbrief Law that will take effect on 19 July 2005. The new law will permit every credit institution to engage in the Pfandbrief business if they fulfil strict minimum requirements to safeguard the Pfandbrief business and are also licensed to do business by the Federal Financial Supervisory Authority (BaFin).

We welcome the efforts to modernise the German Pfandbrief market and raise the Pfandbrief's competitiveness in international markets, while retaining the Pfandbrief's high levels of product quality.

Despite the end of the specialty bank principle, property finance will continue to be MünchenerHyp's main area of business in the future. Even if the new legal framework unlocks new business opportunities, MünchenerHyp will only exploit them to the extent that they fit in our core area of business and do not increase risks.

## Outlook

Germany's economic situation will remain fragile in 2005. After the economy already began to significantly slow down during the second half of 2004, and even contracted again during the last quarter, experts have disagreed if this was just a soft patch or if the German economy was once again on the road back to stagnation. Sceptics see their views confirmed by the unexpected darkening of the business mood reflected in the February 2005 ifo Business Confidence Index.

Hopes for a revival of the domestic economy are dependent on labour market developments as well as private consumption. Unemployment figures at the beginning of the year surpassed the 5.0 million mark and do not encourage hopes for an upswing in consumer spending and investments that will exceed the results recorded in 2004. Risks facing the economic upswing, which is estimated at approximately one percent by experts, include sagging exports, rising oil prices and the US dollar exchange rate.

Despite the fact that the European Central Bank commented on risks arising from the recent acceleration of growth in the money supply, an increase in interest rates is not anticipated before the second half of 2005, and then only in the event of a sustained rise in prices.

In light of this situation we do not believe that residential construction will experience any notable stimulus during 2005. The rising number of households and the latent wish to buy a home will not be enough to revive demand. Furthermore, an overall improvement in the economic situation cannot be expected at this time. For these reasons business forecasts for 2005 foresee total residential construction declining by about six percent. It is anticipated that this situation will similarly impact on the volume of lending required to finance residential construction.

We believe, however, that we will be able to counter a contraction in our new business activities in the residential housing sector, and even exceed the number of new commitments made in 2004, as we will intensify our sales efforts.

Against a comparatively stable property situation in our selected foreign target markets, we expect that our commercial property direct business will benefit from additional business opportunities. Following the good start of our USA business activities in the second half of 2004 we look forward to seeing an increase in new business activities related to office and retail business properties in the USA and the UK.

Extensive measures to achieve a sustained improvement in earnings, reduce costs, and improve processes at the MünchenerHyp will be decisively put in place and implemented in 2005 and the coming years. These measures will create the preconditions necessary to achieve a noticeable improvement in the Bank's key business figures and thus the basis for the Bank's continued good standing.

Risks that could endanger the value of the Bank's holdings or risks that could have a significant influence on our net worth, financial or earnings situation are not visible.

In light of the difficult economic conditions facing the Bank, our goals for 2005 are indeed ambitious. However, they are realistic because of MünchenerHyp's competence and resources. The signs are favourable that we will be able to successively and sustainably improve MünchenerHyp's earnings abilities in addition to securing and strengthening its competitiveness.

## Proposed appropriation of distributable income

Our net income for 2004 amounted to €8,283,262.62. Pursuant to the Bank's rules, at least 25.0 percent of net income, in this case €2.1 million, must be first allocated to statutory reserves, which will thereby increase to €260.5 million. With the consent of the Supervisory Board the Board of Management will propose at the delegates' meeting that a dividend of 5.5 percent should be distributed to the members. The remaining net income – including profit brought forward from the previous year – amounting to €6,623,884.79 should therefore be allocated as follows:

5.5 percent dividend	€6,201,495.96
Carried forward to the new year	€422,388.83

Together with €112.8 million in member share capital, undisclosed participations valued at €133.5 million, profit sharing rights capital of €100.7 million, subordinated liabilities of €66.3 million, and members' uncalled liability, the MünchenerHyp has adequate equity capital to realise its planned growth.

Concluded in February 2005

A photograph of an office interior. A person in a dark suit is seated at a desk, their back to the camera. The desk is cluttered with a black office telephone, a laptop, and other electronic equipment. A large, multi-paned window is in the background, letting in bright light. A vertical yellow bar is on the right edge of the image. The text 'Under' is overlaid in a large, bold, yellow font.

Under

of





standing  
the world  
business ...

... is a success factor. For us and for our customers.

> Friedrich Munsberg >>

# Balance Sheet, 31 December 2004

## Assets

		31 Dec. 04	31 Dec. 03
	€	€	€000
<b>1. Cash reserve</b>			
a) Cash on hand	25,074.91		38
b) Balances with Central Banks	52,913,350.07		61,833
of which with			
Deutsche Bundesbank €52,913,350.07			
		52,938,424.98	61,871
<b>2. Claims on banks</b>			
a) Mortgage loans	283,312,925.61		296,038
b) Public-sector loans	4,583,297,583.14		4,142,960
c) Other claims	1,466,467,704.35		1,247,631
of which payable			
on demand €577,065.47			
		6,333,078,213.10	5,686,629
<b>3. Claims on customers</b>			
a) Mortgage loans	11,120,737,676.73		11,011,704
b) Public-sector loans	7,303,135,405.09		6,833,029
c) Other claims	22,995,283.98		55,734
Of which with securities			
pledged as collateral €805,913.56			
		18,446,868,365.80	17,900,467
<b>4. Bonds and other</b>			
<b>fixed-income securities</b>			
a) Bonds and notes	7,230,581,516.14		6,733,486
aa) Public-sector issuers €2,063,273,499.48			(2,018,536)
Of which eligible as collateral for			
Deutsche Bundesbank advances €1,557,770,160.35			
ab) Other issuers €5,167,308,016.66			(4,714,950)
Of which eligible as collateral for			
Deutsche Bundesbank advances €4,710,484,367.86			
b) Own bonds and notes	155,580,459.08		44,392
Nominal value €154,891,234.83			
		7,386,161,975.22	6,777,878
Carried forward		32,219,046,979.10	30,426,845

## Liabilities, capital and reserves

		31 Dec. 04	31 Dec. 03
	€	€	€000
<b>1. Liabilities to banks</b>			
a) Registered mortgage Pfandbriefe issued	695,485,991.16		644,668
b) Registered public-sector Pfandbriefe issued	417,408,350.74		392,838
c) Other liabilities	1,227,132,610.34		864,988
of which			
Payable on demand €1,191,284.08			
Delivered to lenders as collateral for loans received			
registered mortgage Pfandbriefe €1,518,882.08			
and registered public-sector Pfandbriefe €2,004,107.44			
		2,340,026,952.24	1,902,494
<b>2. Liabilities to customers</b>			
a) Registered mortgage Pfandbriefe issued	2,582,413,693.55		2,929,554
b) Registered public-sector Pfandbriefe issued	4,187,785,112.20		3,056,488
c) Savings deposits	0.00		15
with agreed notice periods of three months €0.00			(15)
d) Other liabilities	601,312,729.95		576,503
of which:			
Payable on demand €3,687,310.53			
Delivered to lenders as collateral for loans received			
registered mortgage Pfandbriefe €9,652,756.12			
and registered public-sector Pfandbriefe €5,112,918.81			
		7,371,511,535.70	6,562,560
<b>3. Certificated liabilities</b>			
a) Mortgage Pfandbriefe issued	5,765,571,317.23		5,482,119
b) Public-sector Pfandbriefe issued	11,997,436,492.61		13,257,180
c) Other bonds issued	4,495,476,932.83		3,032,162
		22,258,484,742.67	21,771,461
<b>4. Liabilities incurred as trustee</b>		438,286.00	489
Of which loans €438,286.00			
<b>5. Other liabilities</b>		146,625,743.05	191,756
Carried forward		32,117,087,259.66	30,428,760

# Balance Sheet, 31 December 2004

## Assets

		31 Dec. 04	31 Dec. 03
	€	€	€000
Brought forward		32,219,046,979.10	30,426,845
<b>5. Equities and other variable-yield securities</b>		<b>223,310,883.36</b>	<b>256,624</b>
<b>6. Participating interests and shares in cooperatives</b>			
a) Participating interests	39,840,142.05		25,159
b) Shares in cooperatives	1,084,500.00		1,084
Of which in credit cooperatives €1,081,500.00			
		40,924,642.05	26,243
<b>7. Shares in affiliated companies</b>		<b>801,601.64</b>	<b>551</b>
<b>8. Assets held in trust</b>		<b>438,286.00</b>	<b>489</b>
Of which loans €438,286.00			
<b>9. Tangible assets</b>		<b>103,709,681.12</b>	<b>107,564</b>
<b>10. Other assets</b>		<b>60,828,999.28</b>	<b>70,240</b>
<b>11. Deferred items</b>			
a) From issuing and lending business	232,719,236.12		263,877
b) Other	593,597.42		847
		233,312,833.54	264,724
<b>Total assets</b>		<b>32,882,373,906.09</b>	<b>31,153,280</b>

## Liabilities, capital and reserves

		31 Dec. 04	31 Dec. 03
	€	€	€000
Brought forward		32,117,087,259.66	30,428,760
<b>6. Deferred items</b>			
From issuing and lending business	50,878,999.69	50,878,999.69	51,455
<b>7. Provisions</b>			
a) Provisions for pensions and similar obligations	15,173,885.00		14,510
b) Provisions for taxes	3,660,000.00		2,850
c) Other provisions	15,099,114.91		12,154
		33,932,999.91	29,514
<b>8. Subordinated liabilities</b>		66,300,000.00	66,300
<b>9. Profit-participation certificates</b>		100,724,500.61	103,281
Of which €9,714,545.74 are due within two years			
<b>10. Capital and reserves</b>			
a) Subscribed capital	246,287,920.68		210,114
aa) Members' capital contributions €112,754,472.01			(76,581)
ab) Silent participations €133,533,448.67			(133,533)
b) Revenue reserves	260,538,340.75		254,438
ba) Legal reserve €259,004,465.11			(252,904)
bb) Other revenue reserves €1,533,875.64			(1,534)
c) Unappropriated profit	6,623,884.79		9,418
		513,450,146.22	473,970
<b>Total liabilities, capital and reserves</b>		<b>32,882,373,906.09</b>	<b>31,153,280</b>
<b>1. Contingent liabilities</b>			
Contingent liability on guarantees and indemnities		30,776,644.13	12,267
<b>2. Other commitments</b>			
Irrevocable loan commitments		386,216,855.89	471,183

# Income Statement

## for the year ended 31 December 2004

### Expenses

	31 Dec. 04	31 Dec. 03
€	€	€000
1. Interest expense	1,457,367,080.87	1,453,196
2. Commission paid	7,049,715.75	12,738
3. General administrative expenses		
a) Personnel expenses	27,919,723.05	26,666
aa) Wages and salaries €22,565,777.76		(21,248)
ab) Social security contributions and cost of pensions and other benefits €5,353,945.29 Of which for pensions €2,100,459.03		(5,418)
b) Other administrative expenses	20,405,111.46	21,384
	48,324,834.51	48,050
4. Amortization and depreciation of intangible and tangible assets	6,030,812.48	5,775
5. Other operating expenses	1,520,704.19	2,242
6. Write-downs on and adjustments to claims and certain securities and additions to provisions for possible loan losses	30,177,447.89	21,070
7. Taxes on income	86,126.83	5,097
8. Other taxes not included under “Other operating expenses”	38,144.23	87
9. Profits paid out due to a profit pooling agreement, a profit transfer agreement or a partial profit transfer agreement	8,398,651.20	8,399
10. Net income	8,283,262.62	34,828
<b>Total expenses</b>	<b>1,567,276,780.57</b>	<b>1,591,482</b>
1. Net income	8,283,262.62	34,828
2. Retained earnings brought forward from previous year	440,622.17	590
	8,723,884.79	35,418
3. Transfer to legal reserve	2,100,000.00	26,000
4. Unappropriated profit	6,623,884.79	9,418

## Income

	€	31 Dec. 04 €	31 Dec. 03 €000
<b>1. Interest income from</b>			
a) Lending and money market operations	1,248,986,656.61		1,254,658
b) Fixed-income securities and government debt register claims	280,753,493.78		305,672
		1,529,740,150.39	1,560,330
<b>2. Current income from</b>			
a) Shares and other variable-yield securities	13,894,900.28		15,200
b) Participating interests and shares in cooperatives	515,045.98		151
		14,409,946.26	15,351
<b>3. Commission received</b>		5,105,745.21	5,118
<b>4. Income from reversals of write-downs on participating interests, shares in affiliated companies and securities treated as fixed assets</b>		12,176,205.92	8,216
<b>5. Other operating income</b>		5,844,732.79	2,467
<b>Total income</b>		<b>1,567,276,780.57</b>	<b>1,591,482</b>

# Living

... our business is creating them.

> Dr. Bernhard Scholz >>





spaces ...



# General Information on Accounting Policies

All claims are stated at nominal amounts as permitted by section 340e (2) of the German Commercial Code. Differences between amounts disbursed and nominal amounts are included under deferred items. All identifiable individual credit risks are covered by specific value adjustments and provisions set up against claims for repayment of principal and payment of interest. Contingent risks are covered by general value adjustments. In addition, the Bank has also provisioned against general banking risks as permitted by section 340f of the Commercial Code. Securities held in the liquidity portfolio are valued at the lower of cost or market.

Securities acquired in the course of the Bank's public-sector lending business are treated as fixed assets and valued at cost. Discounts and premiums are recognized as interest income or expense over the terms of the securities. Securities associated with swap agreements are valued together with these agreements, as a single item. To the extent that they are used to hedge risks, derivative financial instruments are not valued individually. Commissions paid to intermediaries for mortgage loans are distributed over the fixed interest term of the loan.

Tangible assets are stated at cost or production costs less accumulated depreciation. In addition to scheduled depreciation, which was taken in accordance with the standard operating lifetime, minor value items were fully written off in the year they were acquired.

Liabilities are stated at the amounts repayable. Zero bonds are carried in the accounts at the issuing price plus earned interest based on the yield at the time of purchase. Differences between nominal amounts and actual amounts disbursed are included under deferred items. Provisions have been made for uncertain liabilities in the amounts expected to become payable. Provisions for pension obligations were computed based on the "Teilwert" method and on principles of actuarial mathematics using a six percent rate of interest.

Balance sheet items denominated in a foreign currency are valued at the year-end exchange rate in accordance with section 340h (1) of the Commercial Code. Income and expense items are valued at the historical exchange rate.

# Notes to the Balance Sheet

## Maturity analysis by residual term

### ASSETS

	31 Dec. 04 €000
Claims on banks	6,333,078
≤ Three months	1,324,219
> Three months ≤ one year	604,264
> One year ≤ five years	3,296,360
> Five years	1,108,235
Claims on customers	18,446,868
≤ Three months	268,756
> Three months ≤ one year	546,659
> One year ≤ five years	4,479,114
> Five years	13,152,339
Bonds and other fixed-income securities ≤ One year	617,887

### LIABILITIES

	31 Dec. 04 €000
Liabilities to banks	2,340,027
≤ Three months	847,975
> Three months ≤ one year	114,353
> One year ≤ five years	800,981
> Five years	576,718
Liabilities to customers (excluding savings deposits)	7,371,512
≤ Three months	266,952
> Three months ≤ one year	261,579
> One year ≤ five years	1,936,030
> Five years	4,906,951
Certificated liabilities	22,258,485
≤ Three months	1,523,181
> Three months ≤ one year	2,291,054
> One year ≤ five years	12,343,580
> Five years	6,100,670

## Claims on and liabilities to companies in which participating interests are held

	31 Dec. 04 €000	31 Dec. 03 €000
Claims on		
- Banks	0	0
- Customers	64,466	66,085
Liabilities to		
- Banks	231,000	0
- Customers	0	0

## Claims on and liabilities to affiliated companies

	31 Dec. 04 €000	31 Dec. 03 €000
Claims on customers	7,421	1,917
Liabilities to customers	1,628	1,341

## Securities marketable on the stock exchange

Asset category	31 Dec. 04 €000		31 Dec. 03 €000	
	listed	unlisted	listed	unlisted
Bonds and other fixed-income securities	7,112,405	136,534	6,429,967	215,104
Participating interests	0	0	332	0

## Repurchase transactions

The book value of pledged assets (real repurchase transactions) was €52,369,000. Within the framework of our open market transactions with the European Central Bank we pledged securities with the equivalent value of our €50,000,000 in liabilities.

## Details of fixed assets

	Cost	Additions	Disposals	Depreciation provided in 2004	Accumulated depreciation	Net book value 31 Dec. 04	Net book value 31 Dec. 03
	€000	€000	€000	€000	€000	€000	€000
Tangible assets	133,072	3,796	5,899	6,031	27,259	103,710	107,564
			Changes + - *)				
Participating interests and shares in cooperatives	26,243		+ 14,682			40,925	26,243
Shares in affiliated companies	551		+ 251			802	551
Bonds and other fixed-income securities	3,722,260		+ 466,437			4,188,697	3,722,260

\*) The Bank has exercised the option, available under section 34 (3) of the Accounting Regulation for Banks and Financial Services Institutions, to combine certain items. The additions to securities carried as fixed assets consisted of public-sector issues as referred to in the Third Financial Market Promotion Act.

As of the date of record there was no indication that the present value of the Bank's participations and capital holdings at cooperatives or the value of the affiliated companies was less than their book value. In 2004 the Bank was the sole partner in Nussbaumstrasse GmbH & Co. KG, the company founded to market the Bank's previous headquarters location.

The item "Bonds and other fixed-income securities" includes securities with a book value of €726,155,000 and a present value of €719,940,000. As of the date of record we had no knowledge of a permanent reduction in value that would warrant unscheduled depreciation.

## Trust transactions

	31 Dec. 04 €000	31 Dec. 03 €000
Trust assets		
Claims on customers	438	489
Trust liabilities		
Liabilities to banks	438	489

## Tangible assets

The portion of the total value attributable to the land and buildings used by the Bank is €72,540 thousand (31 Dec. 03 €73,485 thousand), and of equipment €7,809 thousand (31 Dec. 02 €8,289 thousand).

## Subordinated assets

Claims on banks include an amount of €10,000 thousand (31 Dec. 03 €11,534 thousand).

## Subordinated liabilities

Subordinated liabilities incurred interest expenses of €4,236 thousand (31 Dec. 03 €4,229 thousand).  
Subordinated liabilities which individually exceed 10% of the overall statement amount to:

Nominal amount	Currency	Interest rate	Maturity date
15,000,000.00	euro	6.28%	02.07.2011
30,000,000.00	euro	6.25%	06.01.2011

Fund-raising activities did not include any conditions that deviated from Art. 10 Para. 5a. of the Banking Act.  
Premature repayment obligations are excluded in all cases.  
The conversion of these funds into capital or other forms of debt has not been agreed on or is not foreseen.

## Profit-participation certificates

The amount of profit-participation certificates of €100,725 thousand satisfying the criteria of section 10 (5) of the Banking Act is €90,821 thousand.

## Details of revenue reserves

	Legal reserve €000	Other revenue reserves €000
1 January 2004	252,904	1,534
Transfer from 2003 retained earnings	4,000	0
Transfer from 2004 net income	2,100	0
31 December 2004	259,004	1,534

## Members' capital contributions

Members' capital contributions disclosed under capital and reserves consisted of:

	31 Dec. 04 in €	31 Dec. 03 in €
Capital contributions	112,754,472.01	76,580,448.73
a) Of remaining members	111,965,710.94	76,060,978.73
b) Of former members	714,561.07	498,890.00
c) In respect of shares under notice	74,200.00	20,580.00
Outstanding obligatory payments in respect of shares	617.99	881.27

## Silent participations

The silent participations of €133,533 thousand satisfy the criteria of section 10 (4) of the Banking Act.  
The interest expense attributable to these participations amounted to €8,399 thousand.

## Foreign currency items

Assets and liabilities included items denominated in foreign currencies as follows:

Assets €604,172 thousand (31 Dec. 03 €572,634 thousand) and liabilities €866,091 thousand (31 Dec. 03 €936,899 thousand).

## Futures and derivatives

The following transactions were entered to hedge swings in interest rates, or exchange rate risks, and to increase our margin.

Nominal amounts (in millions of €)

	Residual term ≤ one year	Residual term > one year ≤ five years	Residual term > five years	Total	Counterparty risk
<b>INTEREST-RATE-RELATED TRANSACTIONS</b>					
Interest rate swaps	4,697	15,784	20,286	40,767	-469
Interest rate options					
- Calls	5	290	237	532	10
- Puts	90	400	224	714	-30
- Other interest rate contracts	1,000	500	888	2,388	2
<b>CURRENCY-RELATED TRANSACTIONS</b>					
Cross-currency swaps	586	411	366	1,363	-48

The derivative financial instruments noted involve premiums stemming from option trades in the amount of €160,000, or €871,000, which are contained in the balance sheet items "Other assets" and "Other liabilities".

All of the counterparties are exclusively banks and insurance companies located in OECD countries.

Hedging arrangements were entered into with the individual business partners in order to reduce the credit risks associated with these contracts. Within the framework of these arrangements collateral was provided for the net claims | liabilities arising after the positions were netted.

Because the transactions serve to hedge against swings in interest and exchange rates, the related present values of the derivatives area are reflected in the appropriate on-balance-sheet transaction items.

\*) Valuation methods:

The value of interest rate swaps is calculated using the present value method on the date of record using the current interest rate curve.

In doing so the cash flows are discounted using market interest rates appropriate for the related risks and remaining terms to maturity. The value of options is calculated using option pricing models using generally accepted basic assumptions. In general, the price of the underlying value, its volatility, the agreed strike price, a risk-free interest rate and the remaining term to the expiration date are used to calculate the particular value of an option.

## Commission expenditures

The decline in commission expenditures from €12,738,000 to €7,050,000 was primarily due to the first total limitation of brokerage commission costs to the fixed interest period of the brokered mortgages.

## Analysis of cover for Pfandbriefe

### A. MORTGAGE PFANDBRIEFE

	31 Dec. 04 in €000
Ordinary cover	9,908,040
1. Claims on banks (mortgage loans)	242,314
2. Claims on customers (mortgage loans)	9,609,513
3. Tangible assets (charges on land owned by the Bank)	56,213
Surrogate cover	200,000
Other claims on banks	200,000
Total cover	10,108,040
Total mortgage Pfandbriefe requiring cover	8,852,160
Surplus cover	1,255,880

### B. PUBLIC-SECTOR PFANDBRIEFE

	31 Dec. 04 in €000
Ordinary cover	17,863,892
1. Claims on banks (public-sector loans)	4,395,151
2. Claims on customers (public-sector loans)	6,985,873
3. Bonds and other fixed-income securities	6,482,740
4. Other assets (offsetting currency derivatives)	128
Surrogate cover	380,000
Other claims on banks	380,000
Total cover	18,243,892
Total public-sector Pfandbriefe requiring cover	16,229,095
Surplus cover	2,014,797



# Other Disclosures

## Repayments in mortgage portfolio

	€000
- Scheduled redemptions	315,632
- Redemptions due to non-acceptance of prolongation offer	465,136
- Non-scheduled redemptions	379,952

## Analysis of mortgage loans employed as cover

### A. BY SIZE

	> €000	≤ €000	Number of loans	€000
		50	38,841	1,257,227
	50	500	63,044	6,266,672
	500		1,323	2,327,928
			103,208	9,851,827

### B. BY GEOGRAPHICAL LOCATION OF PROPERTIES CHARGED

	Number of loans	€000
Baden-Württemberg	19,059	1,604,355
Bavaria	24,306	2,276,985
Berlin	939	241,459
Brandenburg	1,032	92,514
Bremen	151	17,082
Hamburg	485	166,355
Hessen	7,945	891,989
Mecklenburg-Lower Pomerania	1,007	91,446
Lower Saxony	9,461	654,986
North Rhine-Westphalia	20,111	1,780,251
Rhineland Palatinate	3,445	273,100
Saarland	995	61,898
Saxony	3,137	342,058
Saxony-Anhalt	1,134	111,437
Schleswig-Holstein	7,831	672,157
Thuringia	2,122	173,323
Foreign countries	48	400,432
Total	103,208	9,851,827

Mortgage loans employed as cover were granted on

	Numbers of loans	€000
- Residential properties	97,962	8,119,834
- New buildings with no revenue-generating capacity as yet	1,376	111,225
- Mortgages on construction sites	69	6,978
- Business properties	2,943	1,588,953
- Agricultural properties	858	24,837
Total	103,208	9,851,827

## Interest outstanding

Unpaid interest on mortgage loans due for payment between 1 October 2003 and 30 September 2004 has been written off or value adjustments have been provided for the full amount of the interest outstanding. Interest outstanding consisted of

	€000	of which housing sector €000	of which business sector €000
Interest on mortgage loans	9,126	7,316	1,810

## Forced auctions and receiverships

		of which housing sector	of which business sector
The number of proceedings pending at 31 December 2004 was			
- Forced auctions	536	465	71
- Receiverships	339	294	45
	257*)	226*)	31*)
The number of forced auctions conducted in 2004 was			
	162	146	16

\*) Of which included in pending forced auctions

It was not necessary for the Bank to take over any property to obtain satisfaction for amounts owed.

## Membership data

	Number of members	Number of shares	Members' liability for additional contributions €
Beginning of 2004	94,737	1,086,598	277,788,778.70
Additions in 2004	2,271	534,100	136,542,665.00
Reductions in 2004	1,962	21,180	5,414,667.00
End of 2004	95,046	1,599,518	408,916,776.70
Increase in members' capital contributions in 2004			35,904,732.21
Increase in members' liability for additional contributions in 2004			131,127,998.00
Amount of each share			70.00
Liability for additional contributions			255.65

## Personnel statistics

The average number of persons employed by the Bank in 2004 was as follows

	Male	Female	Total
Full-time employees	180	139	319
Part-time employees	1	46	47
Total employees	181	185	366
Apprenticed trainees	5	17	22

## Shareholdings

	Percentage of capital held %	Capital €000	Prior-year profit/loss [ - ] €000
M-Wert GmbH, Munich	100	50	166
Immobilien-service GmbH der Münchener Hypothekenbank eG (M-Service), Munich	100	500	3
Nussbaumstrasse GmbH & Co. KG, Munich	100	250	0
Patio Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Mainz	33	24	-302



# Space ...

... for a successful business model –  
we design it. > Erich Rödel >>

## Bodies

### Supervisory Board

Prof. Dr. Willibald J. Folz ... Munich,  
Attorney, Chairman

Michael Glos ... Prichsenstadt, Master Miller,  
Deputy Chairman

S.K.H. Herzog Max in Bayern ... Tegernsee

Dr. Hans-Ludwig Bungert ... Strasslach,  
Bank Director (ret.)

Heinz Hilgert ... Frankfurt am Main,  
Member of the Board of Management  
of DZ Bank AG Deutsche Zentral-  
Genossenschaftsbank

Dr. Rainer Märklin ... Reutlingen,  
Bank Director (ret.)

Wilfried Mocken ... Rheinberg,  
Chairman of the Board of Management  
of Semper Idem-Underberg AG

Jürgen Partenheimer ... Munich,  
Bank Director (ret.)

Hans Pfeifer ... Düsseldorf, Member of the  
Board of Management of WGZ-Bank  
Westdeutsche Genossenschaftszentralbank eG

Hans-Joachim Tonnellier ... Frankfurt am Main,  
Chairman of the Board of Management  
of Frankfurter Volksbank eG

### Board of Management

Erich Rödel, Dr. Hans-Rainer Förger  
(until 31 December 2004), Friedrich Munsberg,  
Dr. Bernhard Scholz (deputy member as of  
1 May 2004), Horst-Dieter Thiel  
(until 31 December 2004)

Loans to members of the Board of Management  
amounted to €194 thousand and €31,245  
thousand to members of the Supervisory Board.  
Pension provisions for former members of the  
Board of Management amounted to €6,225  
thousand. Total emoluments of members of the  
Supervisory Board during the year under review  
amounted to €267 thousand. Total emoluments  
of former members of the Board of Management  
or their surviving dependants amounted to €744  
thousand.

## Auditing Association

Deutscher Genossenschafts- und Raiffeisenverband e.V., Berlin, Pariser Platz 3

## Contingent liability

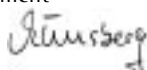
The Bank is a member of the Security System of the Federal Association of German Commercial and Rural Credit Associations (Sicherungseinrichtung/Garantieverbund des Bundesverbandes der Deutschen Volksbanken und Raiffeisenbanken e.V. (BVR)). The Bank may thus be obligated to indemnify the BVR up to a maximum amount of €8,239 thousand.

Munich, 10 February 2005

MÜNCHENER HYPOTHEKENBANK EG  
The Board of Management



Erich Rödel



Friedrich Munsberg



Dr. Bernhard Scholz

# Auditors' Report

We have audited the annual financial statements, together with the bookkeeping system, and the management report of Münchener Hypothekenbank eG for the business year from 1 January to 31 December 2004 in accordance with § 53 (2) of the Cooperatives Act and § 340k of the German Commercial Code. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law and supplementary provisions in the articles of incorporation are the responsibility of the company's Board of Management. Our responsibility is to express an opinion on the annual financial statements, the bookkeeping system and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 of the German Commercial Code and the generally accepted German standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer in Deutschland (IDW). Those standards require that we plan and perform the audit so that misstatements and violations which materially affect the presentation of the net assets, the financial position and results of operations as presented in the annual financial statements and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Bank and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on the basis of random samples within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by

the company's Board of Management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, the annual financial statements give a true and fair view of the net assets, financial position and results of operations of the company in accordance with German principles of proper accounting. On the whole the management report provides a suitable understanding of the company's position and suitably presents the risks of future development.

Berlin, 16 March 2005

DEUTSCHER GENOSSENSCHAFTS- UND  
RAIFFEISENVERBAND e.V.

Spanier  
Wirtschaftsprüfer

i.V. Huber  
Wirtschaftsprüfer

# Report of the Supervisory Board

During the year under review the Supervisory Board carried out its assigned tasks in accordance with legal requirements and the Bank's Articles of Association. The Supervisory Board kept itself continuously informed of the Bank's business situation, financial status and significant matters by means of regular discussions and written reports submitted by the Management Board. The Supervisory Board regularly reviewed business matters and gave its approval to these actions after noting that they were handled in an orderly manner.

Basic business policy issues affecting the Bank were jointly reviewed by the members of the Supervisory Board and the Board of Management during numerous meetings. The strategic course of the Bank, in particular, was discussed in special committees and during meetings of the entire Supervisory Board with the Board of Management, and agreement was reached on the Bank's future strategy.

Various committees dealt with special issues. These committees met numerous times during the 2004 business year with the Board of Management to make required decisions. The Supervisory Board is kept continuously informed about the committees' work; during the year under review the relevant committees reporting were the Personnel Committee, the Lending Committee and the Audit Committee.

The Management Report, the annual financial statements and related accounting documents for the 2004 business year were audited by the Deutsche Genossenschafts- und Raiffeisenverband e.V., Berlin, and received the auditing organizations unqualified certificate. Pursuant to Article 58 of the Cooperatives Law (Genossenschaftsgesetz), the results of the audit examination were discussed in a meeting attended by the auditors and the Board of Management.

The Supervisory Board concurs with the audit results, the 2004 annual financial statements, including the allocation to reserves contained therein. The Supervisory Board also agrees with the 2004 Management Report and recommends that the Delegates' Meeting approve the annual financial statements and endorse the Board of Management's proposal for the allocation of distributable income.

Mr. Bernhard Scholz was appointed a deputy member of the Board of Management effective 1 May 2004.

Dr. Hans-Rainer Förger and Mr. Horst-Dieter Thiel ended their years of service as members of the Board of Management at the end of the business year. Dr. Förger had been a member of the Board since 1990, while Mr. Thiel was appointed to the Board in 1995. The Bank noted successful growth during these years. The Supervisory Board wishes to thank Dr. Förger and Mr. Thiel for their long years of dedicated service to the Bank and wishes them all the best in their retirement.

On 4 November 2004 our ex-colleague and retired member of the Board of Management and Supervisory Board, Dr. Heinz Wirsching (Ministerial Councillor, ret.), died. Thanks to his foresight, his creative strength and his strong unifying personality, he was able to reinforce and advance the position and reputation of the Bank within the cooperative Verbund and far beyond Bavaria. We will always remember him with honour in recognition of his services.

Munich, 16 March 2005

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

Per





# pectives ...

... for the future – we make them possible.

> Your board of Münchener Hypothekenbank >>



# The members of the delegates meeting as of 31 December 2004

Marianne Baalcke ... Managing director	Manfred Kübler ... Bank director
Günther Bartels ... Bank director	Hans-Georg Leute ... Bank director
Manfred Basler ... Bank director	Dr. jur. utr. Harald Limprecht ... Lawyer
Johann Biersack ... Lawyer	Helmuth Lutz ... Bank director
Walter Bühl ... Bank director	Jürgen Maag ... Bank director
Horst Dieling ... Gardener	Werner Maaß ... Bank director
Gerd W. F. Dollenmayer ... Engineer	Michael Müller ... Lawyer
Rolf Domikowsky ... Bank director	Dr. Hans-W. Neumann ... Mathematician
Karl-Heinz Dunkel ... Banker	Klaus Pohl ... Auditor
Wolfgang Frey ... Lawyer	Dr. Günter Reimund ... Bank director
Hans-Wilhelm Gehr ... Bank director	Frank Ritter ... Lawyer, Notary
Dr. Roman Glaser ... Bank director	Albrecht Ruchser ... Bank director
Jens Gomille ... Bank director	Heinrich Rupp ... Businessman
Klaus Graf ... Chemical engineer	Franz J. Schäfer ... Car appraiser
Dr. rer. pol. Albert Gresser ... Member of Board of Management	Hans Schmitt ... Bank director
Bodo Guthke ... Businessman	Wolfgang Schrader ... Businessman
Michael Haas ... Bank director	Dieter Schramm ... Bank director
Theo Hauber ... Bank director	Professor Dr. Leo Schuster ... University professor
Dr. Christoph Hiltl ... Lawyer	Jochen Seiff ... Bank director
Dr. Manfred Hofbauer ... Lawyer	Professor Dr. Hartmut Söhn ... University professor
Franz-Josef Hörbelt ... Association director	Dieter Söll ... Builder
Michael Jung ... Bank director	Ludwig O. Stadler ... Auditor
Jürgen Jung ... Legal advisor	Dr. Rainer Sturies ... Lawyer
Peter Koch ... Bank director	Johann Süß ... Farming expert
Gerhard Kötter ... Bank director	Helmut Turi ... Member of Board of Management
Klaus Korte ... Bank director	Horst Volz ... Bank director

## Agenda – General (delegates) meeting on 23 April 2005, 10.30 a.m.

1. Report on the 2004 business year by the Board of Management and presentation of the annual statement of accounts and the 2004 Management Report
2. Report of the Supervisory Board
3. Auditor's report
4. Resolutions to approve
  - a) 2004 annual statement of accounts
  - b) distribution of profits
  - c) the acts of the Board of Management and the Supervisory Board
5. Amendment to rules (Art. 7 par.1, Art. 22 par 3.)
6. Supervisory Board emoluments
7. Other issues

## Trustees

Walter Hermann ... Ministry director (ret.), Puchheim  
 Klaus Jasper ... Ministry director, Munich, Deputy

## Board of Management

Erich Rödel ... Spokesman  
 Friedrich Munsberg  
 Dr. Bernhard Scholz (deputy as of 1 May 2004)

## Supervisory Board

Prof. Dr. Willibald J. Folz ... Munich, Chairman  
 Michael Glos ... Prichsenstadt, Deputy Chairman  
 S.K.H. Herzog Max in Bayern ... Tegernsee  
 Dr. Hans-Ludwig Bungert ... Strasslach  
 Heinz Hilgert ... Frankfurt am Main  
 Dr. Rainer Märklin ... Reutlingen  
 Wilfried Mocken ... Rheinberg  
 Jürgen Partenheimer ... Munich  
 Hans Pfeifer ... Düsseldorf  
 Hans-Joachim Tonnellier ... Frankfurt am Main

## Executive Directors

Bernhard Heinlein  
 Reinhard Raab

# Contact

## HEADQUARTERS

Münchener Hypothekenbank eG  
Karl-Scharnagl-Ring 10 | 80539 Munich  
Postfach 22 13 51 | 80503 Munich  
Phone +49 (0) 89 / 53 87 - 800  
Fax +49 (0) 89 / 53 87 - 900

E-mail: Serviceteam800@muenchenerhyp.de  
Internet: www.muenchenerhyp.de  
Lotus Notes Address: mhb\_Hotline@mhb\_eg

## SERVICE TEAM 800

Phone +49 (0) 89 / 53 87 - 800  
Fax +49 (0) 89 / 53 87 - 900

## HYPOLINE HOTLINE

Phone +49 (0) 89 / 53 87 - 145

## CONTROLLING

Dr. Peter Knorr, Phone +49 (0) 89 / 53 87 - 231

## DIRECT BUSINESS COMMERCIAL REAL ESTATE CUSTOMERS DOMESTIC | INTERNATIONAL

Leonhard Goebel, Phone +49 (0) 89 / 53 87 - 605

## PROPERTIES | SERVICES

Hubert Mayr, Phone +49 (0) 89 / 53 87 - 639

## INFORMATION PROCESSING

Andreas Werner-Scheer  
Phone +49 (0) 89 / 53 87 - 555

## MUNICIPAL FINANCING

Ingeborg Eitler, Phone +49 (0) 89 / 53 87 - 608

## MARKETING | COMMUNICATION

Egmont Kakarot-Handtke  
Phone +49 (0) 89 / 53 87 - 514

## TRANSACTION MANAGEMENT PROPERTY FINANCE

Private Customers  
Ingo Schramm, Phone +49 (0) 89 / 53 87 - 940

## Individual Customers

Kurt Herold, Phone +49 (0) 89 / 53 87 - 167

## Property Portfolio Management

Kurt Korell, Phone +49 (0) 89 / 53 87 - 810  
Ursula Baumann, Phone +49 (0) 89 / 53 87 - 815

## International

Dr. Peter Ditges, Phone +49 (0) 89 / 53 87 - 359

## TRANSACTION MANAGEMENT TREASURY

Johann Hupfer, Phone +49 (0) 89 / 53 87 - 104

## PERSONNEL | ORGANISATION

Manfred Schnaitter  
Phone +49 (0) 89 / 53 87 - 650

## ACCOUNTING | TAXES

Reinhard Raab, Phone +49 (0) 89 / 53 87 - 202

## LEGAL

Ernst Feichtmeier, Phone +49 (0) 89 / 53 87 - 311

## INTERNAL AUDIT

Klaus Brnabic, Phone +49 (0) 89 / 53 87 - 516

## TREASURY

Richard-Peter Leib  
Phone +49 (0) 89 / 53 87 - 127

## PRIVATE CUSTOMERS | PRIVATE HOUSING BUSINESS | VERBUND

Bernhard Heinlein  
Phone +49 (0) 89 / 53 87 - 206

## OFFICE OF THE BOARD OF MANAGEMENT

Erich Rödel (Spokesman)  
Phone +49 (0) 89 / 53 87 - 403  
Friedrich Munsberg  
Phone +49 (0) 89 / 53 87 - 404  
Dr. Bernhard Scholz  
Phone +49 (0) 89 / 53 87 - 407

## WORKOUT-MANAGEMENT

Karl-Heinz Reisach  
Phone +49 (0) 89 / 53 87 - 645

## M-WERT GMBH

Rudolf Baumgartner  
Phone +49 (0) 89 / 53 87 - 507

# Representative Offices | Cooperation Partners

## GREAT BRITAIN

### LONDON

B.U.W. Finance Ltd.  
13 Austin Friars  
London EC2N 2JX  
Phone +44 (0) 20 / 76 70 16 92  
Fax +44 (0) 20 / 76 70 17 17  
E-mail: ray.mowll@btopenworld.com

## SPAIN

### MADRID

REALCIS, S.L.  
Lagasca, 10-1º Izda  
28001 Madrid  
Phone +34 (0) 91 / 4 35 74 57  
Fax +34 (0) 91 / 4 31 26 09  
E-mail: info@realcis.com

## USA

### NEW YORK

Carr Realty Advisors, LLC  
65 West 55th Street  
Suite 8B  
New York, NY 10019  
Phone +1 (0) 212 / 2 62 - 02 59  
Fax +1 (0) 212 / 2 62 - 03 75  
E-mail: rtcarr@carradvisors.com

## FRANCE

### PARIS

Key Decisions S.A.R.L.  
12, rue de Tourmon  
75006 Paris  
Phone +33 (0) 1 / 43 54 65 77  
Fax +33 (0) 1 / 43 25 78 93  
E-mail: keydec@noos.fr

## AUSTRIA

### VIENNA

Dr. Georg Formanek GmbH  
Riemergasse 9  
1010 Vienna  
Phone +43 (0) 1 / 5 13 29 38  
Fax +43 (0) 1 / 5 13 48 63  
E-mail: office@formanek-gmbh.at

# Imprint

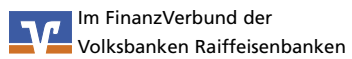
## PUBLISHED BY

© Münchener Hypothekenbank eG  
Karl-Scharnagl-Ring 10 | 80539 Munich  
Registergericht Gen.-Reg. 396

## CONCEPT | DESIGN | PHOTOS | PRINTING

heller & partner  
communication GmbH  
Possartstrasse 14 | 81679 Munich





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](mailto:serviceteam800@muenchenerhyp.de) | Internet: [www.muenchenerhyp.de](http://www.muenchenerhyp.de)