



Münchener Hypothekenbank eG | **Annual Report 1999**

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Münchener
Hypothekenbank eG

annual report 1999

Münchener Hypothekenbank eG
103rd Year

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The Board of Management

Hans-Rainer Förger, Hans-Ludwig Bungert
and Horst-Dieter Thiel [from left to right]

Dear shareholders and investors,

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With an increase in total assets to over dm 46 billion [€ 23.5 billion], plus new lendings of dm 12.7 billion [€ 6.5 billion] and a double-digit rise in net interest income, the surge in business at the turn of the millennium saw the achievement of our growth and income targets. Following a significant interest rate rise, the typical cycle for mortgage banks in new lendings has reached an initial peak, and we now anticipate a somewhat calmer phase.

Constant coordination of strategic goals is born of a common understanding between all partners in the cooperative FinanzVerbund. For this reason, we too considered it really significant that, in April 1999, the Bundesverband der Volksbanken und Raiffeisenbanken presented a study on the competitive dynamics of the banking sector from which it derived priorities for the long-term development of the entire group.

The consensus resulting from the discussion confirms the division of roles between universal banks on the primary level and the specialized enterprises of the Verbund; this division has for many years formed the basis of collaboration with our partner banks.

In the project work which is now getting under way, we will support all measures that lead to more intensive market penetration. The radical structural changes in the banking sector are providing the Volksbanken and Raiffeisenbanken, as well as the enterprises of the Verbund, with new market opportunities. The right operating framework, as well as technical and organizational conditions, must be jointly created in order to further strengthen the market position. Above and beyond these internal measures, synergies need to be realized by coordinating marketing and communication efforts.

As a mortgage bank, we assume the role of intermediary between the international capital markets and the regional Volksbanken and Raiffeisenbanken. Mortgage banks differ significantly in terms of asset risk structure and refinancing arrangements. For the players on the capital market, these differences are of vital importance, and this is evident both through ratings and in the investment rules for major domestic and foreign institutional investors.

The developments in real estate markets and interest rate trends on the financial markets each have different effects

on every mortgage bank. Thus, from the perspective of risk diversification and market access, overall, it is advantageous for the FinanzVerbund to rely on several independent issuing houses. In the context of increased market volatility, this will apply even more in the future than was the case in the past. The higher the standing of a Verbund mortgage bank on the capital markets, the more favourable are the financing conditions that the Volksbanken and Raiffeisenbanken can offer their end customers.

In line with our role as a provider of long-term financing, it was logical that we should increase our staff at our regional offices. We envisage further considerable potential in real estate financing, both for the local banks and for the enterprises of the Verbund. With decentralized customer service by our field network in all regions of Germany as well as the authorization granted to our partner banks to accept applications and set out terms and conditions, we are as close as possible both to the market and to the customers. This concept has proven invaluable over many years and is being developed further. We are therefore building both on the close customer relations enjoyed by our partner banks, and on their know-how in real estate financing.

M-Wert GmbH, which commenced operations in July 1999, was formed with the same vision in mind. Also on behalf of our partner banks, this subsidiary company prepares valuation reports nationwide, particularly for larger or commercial properties and special-purpose real estate. M-Wert GmbH contributes its certified expertise to the acquisition of prospective commercial clients. The market has taken well to the expansion in our service range: in the first four months alone, almost 20 % of turnover was generated by business with Verbund partners.

In cross-border business, we have made good progress. The newly created team for commercial financing in the UK and the Netherlands concluded with an impressive volume of new business from the middle of the year onwards. We consider such success to be confirmation of our targeted business strategy.

In refinancing too, we were able to expand our customer base. In autumn 1999, we presented our € 1.5 billion internationally targeted Jumbo Pfandbrief issue to institutional investors in the leading European financial centres. Such offerings require first-class ratings, above all the Aaa rating

given to our Pfandbriefe. In the derivatives business too, this is becoming ever more important.

With several years of growth in volume and earnings behind us, we have created a solid platform for the more major investments planned for the coming few years, for strengthening capital assets, and for the attractive dividend which our 94,450 members expect.

Munich, February 11, 2000
Yours sincerely



Dr. Hans-Ludwig Bungert



Dr. Hans-Rainer Förger



Horst-Dieter Thiel

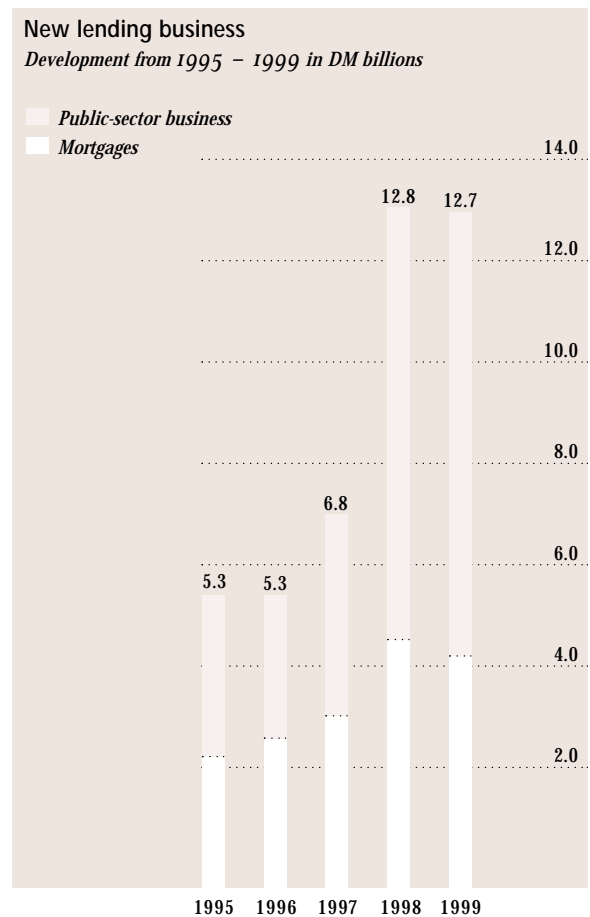
Management report

Interest rates change on the long-term capital market

“Millennium” was unsurprisingly voted word of the year 1999 by the German Society for the German Language. If the observers of the long-term capital market had been asked for an opinion, the words “Interest rate change” would certainly have been near the top of the list. The world was a place for the optimists among the interest rate watchers until mid-April. A friendly economic development, which caused barely a murmur of inflationary fear, led to steadily falling interest rates in Euroland and on the German bond market. The European Central Bank underlined this development in April by cutting its key interest rate from 3% to 2.5%. However, this also marked the end of the bull run in the bond market. Soon thereafter, a robust upwards trend became established in the long-term capital market interest rates, and even exceeded the periods of increased interest rates noted in 1989 and 1994. Volatility quickly rose to 1994 levels.

New lending business at last year’s level

The effect of this interest rate development differed greatly on the various aspects of our lending business. In principle, the mortgage lending business is primarily driven by the level of interest rates. Introductory rates, which



“ ... DM 4 billion level exceeded in the mortgage sector for the second time.”

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allow long-term financing conditions to be offered at considerably less than 7%, mean a favorable interest rate situation. The situation is different for public-sector lending. Here, a foreseeable, ideally downward, move of interest rates is more important than the absolute rate of interest. On an overall basis, our new lending business reached last year's very high level and amounted to dm 12.7 billion.

More stable, higher share of residential construction financing

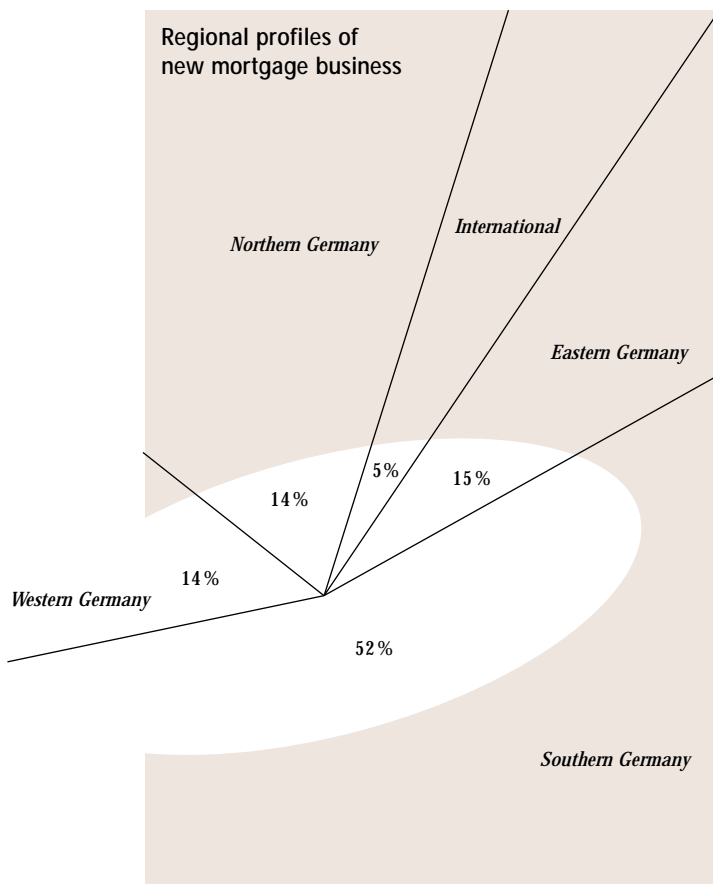
The dm 4 billion mark was exceeded for the second time in the mortgage business. We made dm 4.1 billion in new commitments following dm 4.3 billion recorded in 1998. In addition, we noted dm 876 million in loans which were prolonged following the end of their fixed interest periods. The mortgage business thus totalled dm 4.9 billion [1998 dm 5.2 billion].

The relationship between residential and commercial construction lending remained quite stable. The proportion of commitments made for residential construction has been around the 85% mark for the past five years, and in 1999, as in 1998, was 84%.

In its core business area, MünchenerHyp stands significantly above the mass of German mortgage banks: the average share of residential construction financing noted within the industry was 56% [as at 30.09.99].

Within the residential construction financing business, more than 60% of the commitments made were for financing existing property, i.e. for refinancing, renovation measures, etc. However, there was a reversal in the trend during 1999. The percentages shifted for the first time in years in favour of new construction, which, in contrast to the overall trend, increased by 11%. Commitments for financing privately owned residences rose sharply by 19%.

These figures reflect the economic developments in the residential construction industry. Both statistics for construction permits and completions rose within the single family housing sector. These figures, however, as in the case of numerous items of good economic news, only applied to the western part of the country. The market situation for multi-family buildings and, generally, large scale apartment buildings remained difficult.



Commercial lending business benefits from the expansion of business outside of Germany

Commitments of dm 627 million were made for commercial financing. This corresponds to the previous year's amount [dm 636 million]. The repeat of this high level of commitments was possible due to the contribution from our international business in 1999.

As expected, it was not easy to achieve adequate margins while concurrently maintaining strict risk principles in the German market for property financing. The reasons for this continued to be the frequently unfavourable general business conditions, especially for many medium-sized businesses, the main customers of Volksbanken and Raiffeisenbanken. The average loan amount of the 459 commitments is again around dm 1 million.

The market for commercial property in Germany showed mixed development in 1999. Most west German centres saw a significant improvement in their market situations, especially for modern office properties. By comparison, the expected improvement in the markets has not occurred in the less desirable regions of western and eastern germany states.

“ ... good initial conditions for entering European property financing.”

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Thus it is sometimes almost impossible to rent properties in less attractive areas or older properties, which do not meet today's requirements. Compared to this, the initial conditions for entering into the European property financing business in selected markets were good.

In accordance with our strategy, we concentrated on cities and regional centres in Great Britain and Netherlands. The ground is ready for German mortgage banks in these markets and potential customers know how we conduct our financing business. Subject to the strict risk policy, which has hitherto been observed in Germany, dm 191 million has been committed.

In these areas we are working closely with experienced local experts and consortium partners. Moreover, we have also established a separate department in Munich that is headed by experts in this field.

Southern Germany generates over half of the new mortgage business

The regional profiles of our business remained almost unchanged: southern Germany is still the leader and accounted for 52% of our new mortgage business in 1999.

The development of new business in Lower Saxony was particularly successful as we posted commitments of dm 295 million in this state, or about dm 100 million more than in the previous year. We were only able to achieve stronger growth in Bavaria, where commitments rose from dm 1.04 billion to dm 1.18 billion. The property financing business was again difficult in the eastern Germany in 1999. In particular, the necessary self-restraint for commercial financing led to fewer new commitments. In addition, demand for residential construction also fell, especially for older properties.

Heavy demand for fixed interest rate mortgages with terms of over ten years

In 1999, above all, long-term fixed interest rate mortgages were preferred: 86% of the new mortgages carried interest rates that were fixed for 10 years or longer [previous year 90%]. This is a clear sign that, despite the interest rate rises in 1999, interest rate levels are still viewed as favorable, based on the previous long-term average. Apart from the traditional standard product, loans with 10-year fixed interest rates are becoming increasingly important, and in the interim have achieved a share of 40%. This reflects both the

market success of our product Münchener Forward as well as the fact that demand for MünchenerHyp's long-term lending expertise within the range of products offered by the Volksbanken and Raiffeisenbanken is rising.

MünchenerHyp is making its property valuation know-how available via its subsidiary, M-Wert

The founding of our M-Wert subsidiary enables us to utilise a traditional core competence: property valuation. For many years, MünchenerHyp has had a department with highly qualified appraisers; they are now employed by the legally independent M-Wert. This makes it possible for the cooperative finance association [FinanzVerbund] to more extensively utilise this know-how than before. In addition to the previous tasks related to our Bank's mortgage business, M-Wert now offers Volksbanken and Raiffeisenbanken value appraisals for larger and/or commercial properties as well as specialized properties located outside the brokering business.

Furthermore, M-Wert employees are cooperating in calculating the new valuation reserves of partner banks and are bringing their expertise into the regular valuations of commercial real estate lending portfolios.

The lively demand for the new subsidiary's services shows that M-Wert is one of the most important elements within the range of services offered by the cooperative finance association institutions. In addition to its available expertise, the decisive factor for the firm's acceptance is its regional presence: M-Wert has offices in Munich, Berlin, Dresden, Düsseldorf, Frankfurt, Freiburg and Hanover.

Our municipal lending competence strengthens the Volksbanken and Raiffeisenbanken in local competition

In 1999, we were also able to continue the high level of new business activities noted in the municipal lending sector in the previous year. As in 1998, dM 8.6 billion was agreed, including coverage-eligible securities. The basis for this was the favourable development of interest rates, which continued into the second quarter.

However, even in the second half of the year, capital market developments still offered good business conditions during certain phases. We paid particularly close attention to the segment of the original local authority loan business, i.e., loan business with local municipalities and other public-sector bodies. In this sector we fulfil our brief within the context of work distribution within the cooperative finance

“ ... the Pfandbrief success story continues with innovative issues.”

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association, and provide support to the Volksbanken and Raiffeisenbanken in their local markets.

In view of the development in the capital market and the extremely tough competition in this market segment, it is very pleasing that we were able to repeat last year's success and record commitments of dm 1.4 billion. Our know-how in the area of forward loans was helpful here. With this product it was possible for us and our cooperative partners to make attractive offers to local authorities based on the prevailing rates of interest. Within the framework of follow-up financing, the current favorable capital market interest rates were ensured, even in cases where the fixed rates of the previous financing ends within periods of up to three years. This makes it possible for municipal decision-makers, as well as our private customers, to utilise the opportunities available during periods of low interest rates without forsaking the security of a long-term fixed interest rate.

Large institutional investors in Europe are the most important target group for our Pfandbriefe sales

In 1999 we continued to issue our securities based on the successful strategy we initiated in previous years. This

means that MünchenerHyp is participating in the successful Pfandbrief story in national and international capital markets, and is actively promoting this development. Thus, for the first time we placed € 1.5 billion Jumbo Pfandbrief as an internationally targeted Jumbo. This type of activity requires active marketing and a corresponding presence in the important European stock exchanges. MünchenerHyp presented itself and its scheduled issues in roadshow presentations given in five European financial centres, and faced the questions of institutional investors. In early October, the Jumbo was successfully placed on European capital markets.

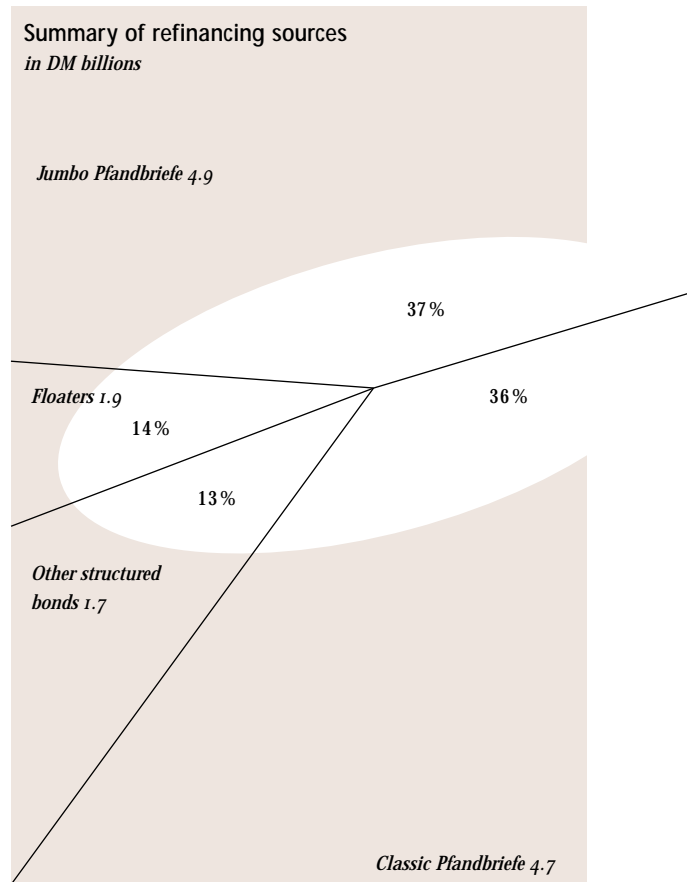
Jumbo Pfandbriefe accounted for 37% of gross refinancing funds of dm 13.2 billion [+13%] raised in 1999. Floaters represented 14%, below the 20% share noted last year. Furthermore, structured products continued to be in demand with a share of 13% [previous year 15%]; in 1999 investors were particularly interested in phased interest rate bonds and index-linked bonds. The classic fixed-interest Pfandbriefe, which in the early 1990's were nearly the sole refinancing instrument employed by mortgage banks, have stabilised at a share of about 1/3 of gross sales. Within the

current market environment, insurance companies and institutional investors also dominate this product segment.

MünchenerHyp represents the cooperative finance association in important capital markets

Within the division of labour in the cooperative finance association, MünchenerHyp has been allocated these important segment of the capital market. This market responsibility is strengthened by the fact that the cooperative finance association, compared to the private and public banking sector, has fewer issuers.

In addition, MünchenerHyp is the only institution that can write “eG” [registered cooperative], similar to a brand mark, on its Triple-A rated Pfandbriefe. MünchenerHyp also offers investors an additional attractive feature: because MünchenerHyp is fully independent and not wholly or partially owned by another bank or financial institution it’s issues do not have to be included as part of total volume issued by a parent or subsidiary bank. This feature assists investors in diversifying their portfolios. It also provides MünchenerHyp additional refinancing advantages in the cash market as well as in the increasingly important derivatives market. Another feature also helps to explain the Bank’s continuing



“Moody’s gave both our Mortgage Pfandbriefe and our Public Pfandbriefe the top rating: Aaa.”

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success in market segments where highly professional investors are active: most mortgage banks have ratings from Moody’s or Standard & Poor’s for their Pfandbriefe; MünchenerHyp, however, also has received a rating for the Bank itself and ratings for non-covered material. This is becoming ever more important in the derivatives market. The use of interest rate derivatives, in particular interest rate swaps, can no longer be ignored within the framework of the issuing activities of a mortgage bank. Without the use of derivatives to hedge risks it would be extremely hazardous to float Jumbos or other large-volume bonds. Therefore, the use of derivatives rises in line with the use of large-volume, partially structured, issues. In 1999, MünchenerHyp recorded a total volume of dm 20.5 billion in derivatives, of which the majority [90 %] involved interest swaps. This permits very efficient steering of market risks and also assumes the availability of equally efficient instruments for risk steering.

MünchenerHyp employs modern, robust processes to control risks

MünchenerHyp risk steering procedures are based on the present value concept. For larger national and international

institutions, this is state-of-the-art. Within our procedures, MünchenerHyp includes all risk items that affect the balance sheet, as well as off-balance sheet items and thereby exceeds the “minimum requirements for the operation of credit institutions’ trading activities.”

The Bank’s entire interest rate risk position is permanently monitored and reported to senior management on a daily basis. Strict benchmarks are used to define limits: we ensure that, even under worst case conditions in the capital markets, potential interest rate risks can be covered by current income. In addition, conservative limits and the risk steering process employed ensure that, even under extreme conditions, interest income is sufficient to pay the standard dividend and to strengthen the Bank’s reserves to the necessary extent.

To limit default risks, a detailed system is in place to define and monitor counter-party limits, and monitors limits depending on type of transaction, country and individual party. In addition, for the lending business, there are instructions, regulations and organisational guidelines which guarantee risk-conscious lending decisions based on the principles of

prudence and diligence. These are part of our matured loan culture. Additionally, supervising and reporting procedures for individual transactions and portfolios ensure that the Bank always has an up-to-date, accurate view of the risk situation. The range of instruments is continuously being adjusted to incorporate new economic methods and knowledge.

In 1999 in particular, the processes for assigning outstanding loans to specific risk categories was further developed by the introduction of a scoring procedure.

Measured in terms of balance sheet totals, the Bank expanded by almost 25 %

Just like new business, the balance sheet grew by 25 %, or similarly to the previous year's level. Balance sheet totals increased from dm 38.1 billion to dm 46.7 billion.

Within the mortgage portfolio, the favourable structures remained practically unchanged: of dm 18.5 billion, 85 % is for residential properties with a broad spread [average size dm 180,000]. In public-sector loans, the second pillar of the mortgage bank business, securitized receivables are

becoming more important. They already make up $\frac{1}{3}$ of the coverage funds for Public Pfandbriefe. Issues of overseas public-sector debtors represent 44 % of this figure. As a result of purchasing securities, we are able to be more involved in Europe. Compared to the international promissory note business with its complicated legal and documentation requirements, this is substantially easier to manage. Strict criteria have been established for the selection of debtors including, in particular, good ratings from one of the large rating agencies. The volume of outstanding loans to public-sector bodies rose by 27 % to dm 25.0 billion.

Income were mainly influenced by notable growth in net interest income and major investments in advanced IT structures

The Bank's earnings situation is marked by a steady increase – for many years – in net interest income and major investments, especially in the IT area.

Thus, net interest income grew, as in the previous year, by 12 %, due mainly to the strong loan business. Commissions paid rose by the same amount: commissions paid involve amounts paid to our cooperative partners for brokering

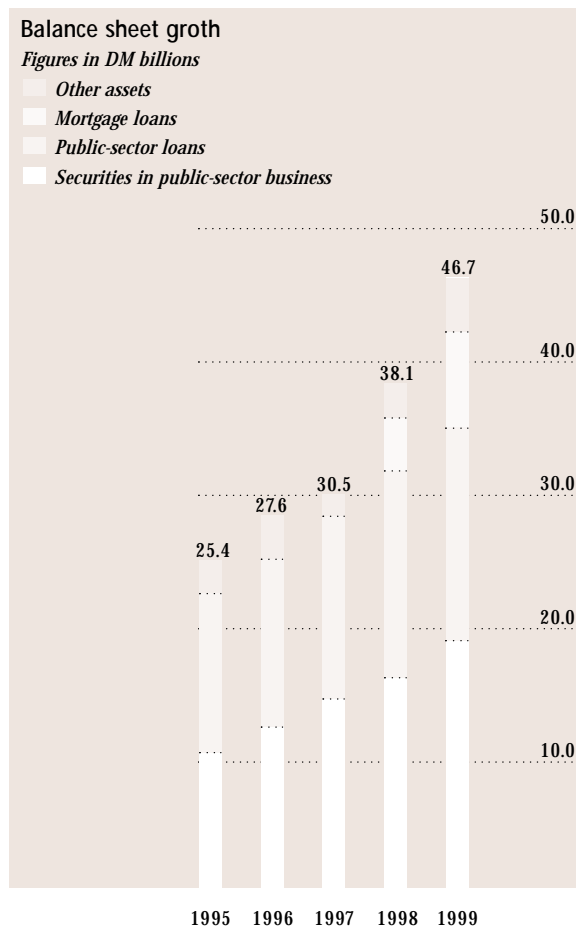
“ ... and our balance sheet grew by 23%
to DM 46.7 billion.”

mortgage loans and totalled dm 33 million in 1999. This is an accepted contribution in the sense of a fair value-added service within the cooperative finance association, and for us represents an investment in a first-class portfolio of loans. Among the expenses items, IT investments, in particular, caused general administration costs to rise by 19% to dm 81 million. In 1999, just dm 3 million was spent as part of our Y2K preparations. The new focal point is the conversion of all IT applications to SAP standard software. MünchenerHyp is currently at the start of a three-year development program, at the end of which the productive data processing structures of the 1980's and 90's, which only possess limited potential for technical expansion, will be replaced by forward looking IT structures.

In view of the good earnings situation, we estimate that during this phase, despite the high level of investments, our operating income will continue to grow. In 1999, operating income, before provisions for risks, grew by 7.5%.

Reserves strengthened again

After allocating dm 11.2 million to risk provisions, our operating income amounted to dm 85.2 million [previous



year dm 80.9 million]. This enables us to again add to reserves. The financial statements for 1999 contain an advance allocation to reserves of dm 20 million [previous year dm 18.0 million]. The remaining unappropriated profit of dm 12.5 million shall be used according to the profit allocation proposal as follows:

The Board of Management proposes that the annual profit – including profits carried forward, and after transfer of dm 20 million to reserves, – [unappropriated profit] shall be used as follows:

A] 8.75 % dividend	dm 9,302,217.81
B] Further allocation to legal reserves	dm 3,000,000.00
C] Carry forward to new year	dm 175,733.02

If this proposal is approved at the Delegates' Meeting, the Bank's reserves will grow to dm 361 million, plus dm 106 million in proprietor's capital held by our 94,450 members. Furthermore, our equity capital position, supported by the favorable interest rate situation, is strengthened by income from other silent participations totalling dm 151 million. Thus, the core capital of the Bank increased by 32 % to dm 728 million.

Including non-core capital, MünchenerHyp has a good level of equity capital – the best prerequisite for further, quality-based growth.

The employees are the Bank's most important potential

No matter how important the equity capital situation of the Bank is for its growth and capabilities, employee qualifications and motivation are key to the Bank's success. Therefore, we view our extensive and wide-ranging training offers as an investment in the Bank's value. In 1999, about 90 % of the employees took part in external or internal training. The increased business volume and rising demand for services made it necessary to hire additional staff.

Although the job market is characterised by a high level of unemployment, it took several years of hard work to find the number of specialized employees required. Accordingly, the annual average number of employees grew from 350 to 377 in 1999.

Plans for the Bank's new main building are taking shape

After acquiring a suitable site for our new building in a representative location on the Munich Altstadttring at the end

“ ... the Board of Management proposes that a dividend of 8.75% be paid again.”

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of 1998, we began planning and making preparations in 1999. In addition to clarifying the required needs and functions of the building, an architecture competition was also prepared, issued and evaluated.

The planned building, with two floors below ground and about 12,500 sq. m. of total above-ground floor space, should form an optimal framework for operational communications and interaction. It will be distinguished by low administration costs, flexible planning features and maximum space. Integrated into the surroundings, our new building will provide the Altstadttring with a modern urban accent. The building's transparent structure and highest construction quality, will make it an architectural expression of MünchenerHyp's identity.

The cooperative finance association is working on structures for the future

The Federal Association of German Volksbanken and Raiffeisenbanken [BVR] set a course for the future with its 1999 study, "Focussing power: one association – one strategy." The resolution passed by the members' Annual General Meeting on November 9, 1999, set the direction

for an extensive strategic redirecting of the cooperative finance association and introduced the implementation phase of far-reaching projects.

MünchenerHyp greets the objective of the BVR study and is helping to define the association's strategy. Moreover, MünchenerHyp is adjusting to the described scenarios: if the Volksbanken and Raiffeisenbanken are expected to perform even better, then this is also an advantage for us. Of course, the local requirements of the banks vis-à-vis the mortgage bank will also change. The mortgage bank is in demand to serve as the partner of an independent universal bank. This is to our advantage. Because this type of arrangement has always formed the platform of our cooperation with our partners it has been, and will remain, a central element of our strategic positioning.

A calm start on the capital market – positive expectations for 2000

The year 2000 began with spectacular fireworks around the world and without the computer crises forecast by pessimists. On the capital market, the year began unspectacularly. Long-term interest rates continued their upward trend.

In general, we do not expect this trend to change for the remainder of 2000. However, small, dramatic interest rate increases are also unlikely, because a series of probable developments and factors, such as interest rate hikes in the USA and in Euroland, have already been factored into interest rates.

We expect interest rate developments to remain highly volatile and possibly lead to phases of rising bond prices. The outlook for the economy is generally positive. GNP is estimated to grow by 2.7%. The construction sector will only benefit from this growth on a delayed basis. The important segments that drive the development of our main business area, private residential construction, are already showing first signs of the positive trends.

Against this forecast scenario we are confident that our mortgage business will develop well. Business performance within our specialized segment, which focuses on long-term fixed interest loans, is heavily dependent on interest rates; we foresee that we will be able to continue offering our mortgages at conditions below 7%. In the public-sector financing area, we do not foresee that the year 2000 will

provide such positive business opportunities. In this business area the interest rate trend and the forecasting of interest rate developments are more important for success than the current level of interest rates. For this reason our planning does not foresee a repeat of the new business generated in 1999. However, the business segment of association-oriented original loans to municipalities is excluded from this forecast. Within this area, all efforts will be made to provide maximum support to Volksbanken and Raiffeisenbanken against their local competition.

Again, we expect positive impetus from the European property financing business which, however, we are not stepping up, but which – as in 1999 – we are working on selectively, both in respect of return and risk. We will also continue with our strategy in selling securities. For the year 2000, we are also assuming that the target markets will continue to remain promising and will repay our market activities. In January we floated our first Jumbo issue of 2000. This was a Mortgage Pfandbrief, and a first for the MünchenerHyp.

The positive development of the Pfandbrief market will, in our opinion, continue in the medium term and form the

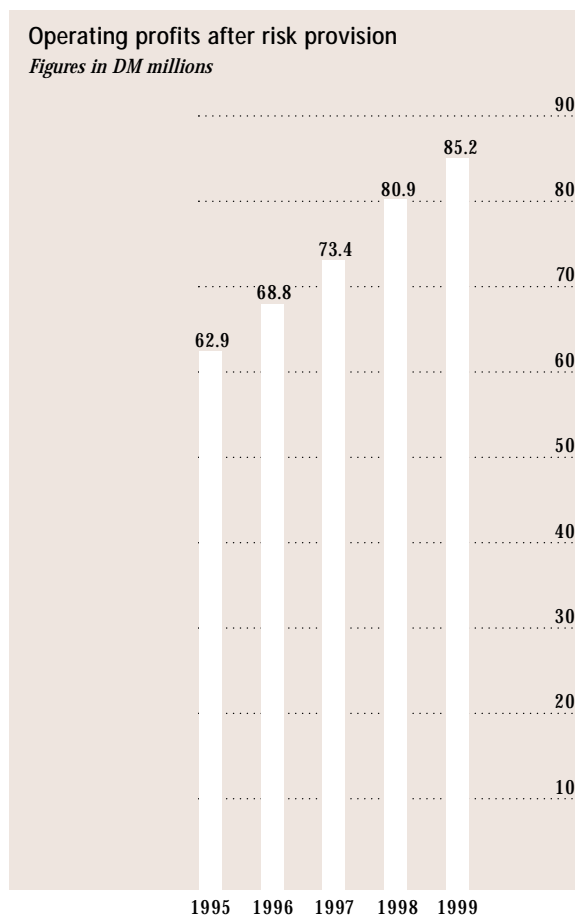
“ ... positive economic outlook for the year 2000.”

basis for our continuing success in the securities business. In the loan business, long-term forecasts for new business volume are difficult because of the dependence on interest rate movements. However, the long-term status of our business, even with strong fluctuations in new business, ensures a stable balance sheet structure.

As in the past, this also forms the basis for the continuous development of our earnings. In the coming three years, the described investments in our new building and IT measures will require more than just financial efforts. However, in line with our mid-term plans, our operating profits will continue to increase.

Overall, we are confident that, based on these key decisions and firm integration within the finance association of VolksBanken and RaiffeisenBanken, MünchenerHyp will continue to develop successfully.

February 2000



Financial Statements

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Balance Sheet, December 31, 1999

Income Statement for the year ended December 31, 1999

Notes

assets	dm	dm	dec 31, 98 dm'000
1. Cash reserve			
a) Cash on hand	335,303.40		313
b) Balances with central banks	14,296,277.88		20
<i>Of which with Deutsche Bundesbank DM 14,296,277.88</i>		14,631,581.28	333
2. Claims on banks			
a) Mortgage loans	459,483,567.60		433,051
b) Public-sector loans	6,790,125,413.27		5,872,827
c) Other claims	1,254,126,124.42		601,045
<i>Of which payable on demand DM 489,805,675.17</i>		8,503,735,105.29	6,906,923
3. Claims on customers			
a) Mortgage loans	18,037,095,028.75		15,855,322
b) Public-sector loans	9,753,251,818.29		9,754,433
c) Other claims	111,495,176.44		151,431
<i>Of which with securities pledged as collateral DM 50,362.84</i>		27,901,842,023.48	25,761,186
4. Bonds and other fixed-income securities			
a) Bonds and notes	9,125,093,062.96		4,552,343
aa) Public-sector issuers DM 3,055,402,421.04			[1,785,841]
<i>Of which eligible as collateral for Deutsche Bundesbank advances DM 2,850,061,730.07</i>			
ab) Other issuers DM 6,069,690,641.92			[2,766,502]
<i>Of which eligible as collateral for Deutsche Bundesbank advances DM 5,000,140,495.47</i>			
b) Own bonds and notes	443,957,759.37		261,048
<i>Nominal value DM 436,773,448.27</i>		9,569,050,822.33	4,813,391
<i>Carried forward</i>		45,989,259,532.38	37,481,833

liabilities, capital and reserves	dm	dm	dec 31, 98 dm'000
1. Liabilities to banks			
a) Registered mortgage Pfandbriefe issued	1,327,699,189.17		1,421,385
b) Registered public-sector Pfandbriefe issued	1,355,043,391.84		1,384,730
c) Other liabilities	1,570,167,041.02		1,151,614
<i>Of which:</i>			
<i>Payable on demand DM 16,650,972.10</i>			
<i>Delivered to lenders as collateral for loans received</i>			
<i>registered mortgage Pfandbriefe DM 16,833,243.98</i>			
<i>and registered public-sector Pfandbriefe DM 22,509,320.01</i>			
		4,252,909,622.03	3,957,729
2. Liabilities to customers			
a) Registered mortgage Pfandbriefe issued	6,051,784,595.37		5,640,187
b) Registered public-sector Pfandbriefe issued	3,071,414,946.64		2,644,051
c) Savings deposits	80,454.14		92
<i>with agreed notice periods of three months DM 80,454.14</i>			[92]
d) Other liabilities	1,687,095,151.38		1,686,978
<i>Of which:</i>			
<i>Payable on demand DM 36,529,872.20</i>			
<i>Delivered to lenders as collateral for loans received</i>			
<i>registered mortgage Pfandbriefe DM 265,963,725.05</i>			
<i>and registered public-sector Pfandbriefe DM 90,000,000.02</i>			
		10,810,375,147.53	9,971,308
3. Certificated liabilities			
a) Mortgage Pfandbriefe issued	7,195,337,339.84		6,022,407
b) Public-sector Pfandbriefe issued	19,274,941,294.42		14,674,021
c) Other bonds issued	3,612,372,042.52		2,187,266
		30,082,650,676.78	22,883,694
4. Liabilities incurred as trustee			
<i>Of which loans DM 6,254,392.20</i>		6,254,392.20	6,938
5. Other liabilities			
		380,400,758.42	277,709
<i>Carried forward</i>		45,532,590,596.96	37,097,378

Balance Sheet | d e c e m b e r 31, 1999

a s s e t s	d m	d m	d e c 31, 98 d m'000
<i>Brought forward</i>		45,989,259,532.38	37,481,833
5. Equities and other variable-yield securities		177,026,751.19	177,027
6. Participating interests and shares in cooperatives			
a) Participating interests	19,168,284.20		16,704
<i>Of which in banks DM 5,585,747.00</i>			
b) Shares in cooperatives	2,124,000.00		2,124
<i>Of which in credit cooperatives DM 2,080,000.00</i>			
		21,292,284.20	18,828
7. Shares in affiliated companies		97,791.50	0
8. Assets held in trust		6,254,392.20	6,938
<i>Of which loans DM 6,254,392.20</i>			
9. Tangible assets		100,899,684.24	81,388
10. Other assets		160,674,670.74	92,100
11. Deferred items			
a) From issuing and lending business	211,925,215.99		198,071
b) Other	6,287,838.25		4,637
		218,213,054.24	202,708
Total assets		46,673,718,160.69	38,060,822

liabilities, capital and reserves	dm	dm	dec 31, 98 dm'000
<i>Brought forward</i>		45,532,590,596.96	37,097,378
6. Deferred items			
a) From issuing and lending business	159,448,446.44		165,883
b) Other items	57,271.74		65
		159,505,718.18	165,948
7. Provisions			
a) Provisions for pensions and similar obligations	19,363,574.00		16,364
b) Provisions for taxes	11,634,938.00		10,252
c) Other provisions	10,465,597.00		6,847
		41,464,109.00	33,463
8. Profit-participation certificates		202,000,000.00	202,000
9. Capital and reserves			
a) Subscribed capital	367,479,785.72		214,485
aa) Members' capital contributions DM 106,311,060.72			[104,485]
ab) Silent participations DM 261,168,725.00			[110,000]
b) Revenue reserves	358,200,000.00		336,200
ba) Legal reserve DM 355,200,000.00			[333,200]
bb) Other revenue reserves DM 3,000,000.00			[3,000]
c) Unappropriated profit	12,477,950.83		11,348
		738,157,736.55	562,033
Total liabilities, capital and reserves		46,673,718,160.69	38,060,822
1. Contingent liabilities			
Contingent liability on guarantees and indemnities		187,742,610.95	176,814
2. Other commitments			
Irrevocable loan commitments		2,197,383,484.19	1.856,348

Income Statement | for the year ended december 31, 1999

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e x p e n s e s	d m	d m	d e c 31, 98 d m'000
1. Interest expense		2,196,934,182.90	1,933,475
2. Commission paid		33,066,066.33	29,785
3. General administrative expenses			
a) Personnel expenses	44,585,319.74		39,533
aa) Wages and salaries DM 34,010,399.57			[30,917]
ab) Social security contributions and cost of pensions and other benefits DM 10,574,920.17 <i>Of which for pensions DM 5,024,446.49</i>			[8,616]
b) Other administrative expenses	30,761,017.98		23,966
		75,346,337.72	63,499
4. Amortization and depreciation of intangible and tangible assets		5,725,822.57	4,785
5. Other operating expenses		3,295,272.66	3,175
6. Write-downs on and adjustments to claims and certain securities and additions to provisions for possible loan losses		11,229,336.30	6,492
7. Taxes on income		59,936,084.43	51,584
8. Other taxes not included under "Other operating expenses" [recovered]		- 7,041,792.06	91
9. Net income		32,271,903.15	29,238
Total expenses		2,410,763,214.00	2,122,124
1. Net income		32,271,903.15	29,238
2. Retained earnings brought forward from previous year		206,047.68	110
		32,477,950.83	29,348
3. Transfer to legal reserve		20,000,000.00	18,000
4. Unappropriated profit		12,477,950.83	11,348

income	dm	dm	dec 31, 98 dm'000
1. Interest income from			
a) Lending and money market operations	2,062,630,753.95		1,948,050
b) Fixed-income securities and government debt-register claims	336,842,687.17		163,212
		2,399,473,441.12	2,111,262
2. Current income from			
a) Shares and other variable-yield securities	0.00		4,000
b) Participating interests and shares in cooperatives	965,869.14		651
		965,869.14	4,651
3. Commission received		5,738,966.54	5,120
4. Income from reversals of write-downs on participating interests, shares in affiliated companies and securities treated as fixed assets		2,465,220.81	0
5. Other operating income		2,119,716.39	1,091
Total income		2,410,763,214.00	2,122,124

Notes | general information
on accounting policies

General Information on Accounting Policies

All claims are stated at nominal amounts as permitted by section 340 e [2] of the German Commercial Code. Differences between amounts disbursed and nominal amounts are included under deferred items. All identifiable specific loan losses are covered by specific value adjustments and provisions set up against claims for repayment of principal and payment of interest. Possible losses are covered by general value adjustments. The Bank has also provisioned against general banking risks as permitted by section 340 f of the Commercial Code. Securities held in the liquidity portfolio are valued at the lower of cost and market. Securities acquired in the course of the Bank's local authority 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.

Tangible assets are stated at cost less accumulated depreciation. Depreciation consists of systematic depreciation, and full depreciation of low value fixed assets [costing not more than dm 800 each excluding VAT] in the year of acquisition. Liabilities are stated at the amounts repayable. Differences between nominal amounts and amounts disbursed are included under deferred items. Provisions have been set up for uncertain liabilities in the amounts expected to become payable. Provisions for pension obligations were computed by the "Teilwert" method described in section 6a of the Income Tax Act [roughly equivalent to the "entry-age normal" method] using actuarial methods and an interest rate of 6%. Derivative financial instruments are employed to hedge risks inherent in on-balance sheet transactions and are therefore not valued individually. Balance sheet items denominated in a foreign currency are translated at the year-end exchange rate in accordance with section 340 h [1] of the Commercial Code. Income and expense items are translated at the historical rate.

Notes | notes to the balance sheet and
income statement

Maturity analysis by residual term

a s s e t s	d e c 31, 99 i n d m'000
Claims on banks	8,503,735
≤ Three months	1,664,737
> Three months ≤ one year	834,300
> One year ≤ five years	3,759,989
> Five years	2,244,709
Claims on customers	27,901,842
≤ Three months	61,573
> Three months ≤ one year	925,463
< One year ≤ five years	5,830,978
> Five years	20,527,828
Bonds and other fixed-income securities	
≤ One year	1,609,473
l i a b i l i t i e s	d e c 31, 99 i n d m'000
Liabilities to banks	4,252,910
≤ Three months	1,080,954
> Three months ≤ one year	220,396
> One year ≤ five years	1,699,599
> Five years	1,251,961
Liabilities to customers [excluding savings deposits]	10,810,295
≤ Three months	559,418
> Three months ≤ one year	264,709
> One year ≤ five years	3,546,211
> Five years	6,439,957
Certificated liabilities	30,082,651
≤ Three months	1,689,603
> Three months ≤ one year	2,613,645
> One year ≤ five years	13,155,574
> Five years	12,623,829

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

	dec 31, 99 in dm'000		dec 31, 98 in dm'000	
Claims on				
- Banks		506,332		629,247
- Customers		25,947		47,980
Liabilities to				
- Banks		175,221		210,086
- Customers		0		0

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Claims on and liabilities to affiliated companies

	dec 31, 99 in dm'000		dec 31, 98 in dm'000	
Claims on				
- Customers		101		0
Liabilities to				
- Customers		271		0

Analysis of assets eligible for stock exchange listing between listed and unlisted securities

Asset category	dec 31, 99 in dm'000		dec 31, 98 in dm'000	
	listed	unlisted	listed	unlisted
Bonds and other fixed-income securities	8,942,377	0	4,457,757	0
Participating interests	650	2	450	2

Repurchase agreements

The net book value of assets sold under repurchase agreements was dm 840,712 thousand [dec 31, 98 dm 111,896 thousand].

Notes | notes to the balance sheet and
income statement

Details of fixed assets

	<i>Cost</i>	<i>Additions</i>	<i>Disposals</i>	<i>Depreciation provided in 1999</i>	<i>Accumulated depreciation</i>	<i>Net book value Dec 31, 99</i>	<i>Net book value Dec 31, 98</i>
	d m'000	d m'000	d m'000	d m'000	d m'000	d m'000	d m'000
Tangible assets	112,996	25,912	4,616	5,726	33,392	100,900	81,388
			Changes +/- *]				
Participating interests and shares in cooperatives	18,828		+ 2,464			21,292	18,828
Shares in affiliated companies	0		+ 98			98	0
Bonds and other fixed-income securities	2,271,114		+ 4,358,193			6,629,307	2,271,114

*]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.

Tangible assets

The portion of the total value attributable to the land and buildings used by the Bank is d m 58,319 thousand [d e c 31, 98 d m 54,229 thousand].

Subordinated assets

Claims on banks include an amount of d m 3,000 thousand [d e c 31, 98 d m 0 thousand].

Profit-participation certificates

The amount of profit-participation certificates satisfying the criteria of section 10[5] of the Banking Act is d m 201,071 thousand.

Details of revenue reserves	<i>Legal reserve</i> d m'000	<i>Other revenue reserves</i> d m'000
January 1, 1999	333,200	3,000
Transfer from 1998 retained earnings	2,000	0
Transfer from 1999 net income	20,000	0
December 31, 1999	355,200	3,000

Member's capital contributions

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

	dec 31, 99 in dm	dec 31, 98 in dm
Capital contributions	106,311,060.72	104,484,618.45
a) Of remaining members	105,900,060.72	103,949,218.45
b) Of former members	406,100.00	501,800.00
c) In respect of shares under notice	4,900.00	33,600.00
Outstanding obligatory payments in respect of shares	939.28	1,581.55

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Silent participations

The silent participations of dm 261,169 thousand satisfy the criteria of section 10[4] of the Banking Act.

The interest expense attributable to these participations amounted to dm 13,106 thousand.

Other taxes

Other taxes consisted of dm 91 thousand of other taxes paid and dm 7,133 thousand of prior years' net assets tax and municipal trade tax recovered.

Foreign currency items

Foreign currency items included in assets and liabilities amounted to [in assets] dm 541,979 thousand [dec 31, 98 dm 1,392,607 thousand] and [in liabilities] dm 649,539 thousand [dec 31, 98 dm 591,081 thousand]. All foreign currency transactions were hedged to protect the Bank against the risk of exchange rate movements.

Notes | notes to the balance sheet and
income statement

Futures and derivatives

The Bank entered into the following transactions to protect itself against the risk of interest rate or exchange rate movements.

Nominal amounts [in millions of dm]

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	<i>Residual term ≤ one year</i>	<i>Residual term > one year ≤ five years</i>	<i>Residual term > five years</i>	<i>Total</i>	<i>Counterparty risk [value at risk]</i>
interest-rate-related transactions					
Interest rate swaps	2,083	4,223	12,334	18,640	285
Interest rate options					
– Calls	0	30	10	40	1
– Pulls	158	200	249	607	0
Other interest-rate contracts	0	0	195	195	0
currency-related transactions					
Cross-currency swaps	17	720	236	973	50
Other interest-rate contracts	0	0	5	5	0

The counterparties are all banks in OECD countries. These transactions were entered into to hedge risks inherent in on-balance-sheet items; the only risk associated with them is therefore that of non-settlement. The value at risk is the sum of all positive market values [replacement costs].

Analysis of cover for Pfandbriefe

a. mortgage pfandbriefe dec 31, 99 in dm'000

Ordinary cover	15,235,356
1. Claims on banks [mortgage loans]	292,383
2. Claims on customers [mortgage loans]	14,915,424
3. Tangible assets [charges on land owned by the Bank]	27,549
Surrogate cover	127,571
Total cover	15,362,927
Total mortgage Pfandbriefe requiring cover	14,472,660
Surplus cover	890,267

b. public-sector pfandbriefe dec 31, 99 in dm'000

Ordinary cover	23,391,936
1. Claims on banks [public-sector loans]	6,469,342
2. Claims on customers [public-sector loans]	9,357,562
3. Bonds and other fixed-income securities	7,565,032
Surrogate cover	281,640
Total cover	23,673,576
Total public-sector Pfandbriefe requiring cover	23,244,116
Surplus cover	429,460

Details of the mortgage loans portfolio

dm in thousands

December 31, 1998			dm 16,288.374
Additions in 1999			
- Disbursements	dm	3,416,552	
- Reclassifications	dm	34,277	dm 3,450.829
Reductions in 1999			
- Scheduled repayments	dm	394,576	
- Renewals proposed but not accepted	dm	468,376	
- Unscheduled repayments and other reductions	dm	379,672	- dm 1,242,624
December 31, 1999	<i>Items</i>	105,086	dm 18,496,579
Of which employed as cover			dm 15,207,807

Mortgage loans employed as cover were granted on

	<i>Items</i>		dm
- Residential properties	88,213		13,096,480
- New buildings with no revenue-generating capacity as yet	2,494		378,928
- Mortgages on construction sites	108		17,011
- Business properties	3,298		1,675,051
- Agricultural properties	1,150		40,337
	95,263		15,207,807

Analysis of mortgage loans employed as cover

a. by size

> dm'000	≤ dm'000	<i>Number of properties</i>	<i>Number of loans</i>	dm'000
	100	28,330	29,394	1,964,473
100	1,000	54,941	64,535	11,199,795
1,000		866	1,334	2,043,539
		84,137	95,263	15,207,807

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b. by geographical location of properties charged

	<i>Number of properties</i>	<i>Number of loans</i>	dm'000
Baden-Württemberg	18,283	20,448	3,164,253
Bavaria	18,891	21,585	3,464,392
Berlin	542	689	318,159
Brandenburg	623	721	142,985
Bremen	156	180	19,341
Hamburg	319	377	88,930
Hesse	6,362	7,127	1,299,911
Mecklenburg-Lower Pomerania	543	609	145,898
Lower Saxony	7,449	8,460	1,082,146
North Rhine-Westphalia	16,289	18,712	2,793,407
Rhineland Palatinate	3,452	3,791	561,827
Saarland	1,291	1,381	178,039
Saxony	2,062	2,326	553,563
Saxony-Anhalt	732	825	181,360
Schleswig-Holstein	5,803	6,514	960,979
Thuringia	1,337	1,514	252,327
Foreign countries	3	4	290
	84,137	95,263	15,207,807

Interest outstanding

Unpaid interest on mortgage loans that was due for payment between October 1, 1998, and September 30, 1999, has been written off or value adjustments have been provided for the full amount of the interest outstanding. Interest outstanding consisted of

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		<i>of which housing sector</i>	<i>of which business sector</i>
	d m'000	d m'000	d m'000
Interest on mortgage loans	8,927	7,623	1,304

Forced auctions and receiverships

		<i>of which housing sector</i>	<i>of which business sector</i>
The number of proceedings pending at December 31, 1999, was			
- Forced auctions	228	200	28
- Receiverships	57	45	12
	48*]	40*]	8*]

The number of forced auctions conducted in 1999 was

	71	68	3
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*] Of which included in pending forced auctions

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

Membership data

	<i>Number of members</i>	<i>Number of shares</i>	<i>Members' liability for additional contributions d m</i>
Beginning of 1999	91,195	1,039,507	519,753,500.00
Additions in 1999	4,437	41,837	20,918,500.00
Reductions in 1999	1,182	22,335	11,167,500.00
End of 1999	94,450	1,059,009	529,504,500.00
			d m
Increase in members' capital contributions in 1999			1,950,842.27
Increase in members' liability for additional contributions in 1999			9,751,000.00
Amount of each share			100.00
Liability for additional contributions, per share			500.00

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Personnel statistics

The average number of persons employed by the Bank in 1999 was as follows

	<i>Male</i>	<i>Female</i>	<i>Total</i>
Full-time employees	169	155	324
Part-time employees	2	33	35
Total employees	171	188	359
Apprenticed trainees	5	13	18

Shareholdings

	<i>Percentage of capital held %</i>	<i>Capital d m' 000</i>	<i>Prior-year profit/loss [-] d m' 000</i>
M-Wert GmbH	100	98	0
Patio Grundstücksverwaltungs- gesellschaft mbH & Co. Vermietungs KG	33	17	-680

Supervisory Board and Board of Management

supervisory board

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

Eberhard Heinke ... Chairman of the Board of Management of WGZ-Bank Westdeutsche Genossenschafts-Zentralbank eG
[Deputy Chairman]

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

Dr. Manfred Biehal ... Stuttgart [from April, 24, 1999], Member of the Board of Management of GZB-Bank
Genossenschaftliche Zentralbank AG Stuttgart

Michael Glos Member of the Bundestag ... Berlin

Josef Graßl ... Ingolstadt, Member of the Board of Management of Raiffeisenbank Ingolstadt-Pfaffenhofen-Eichstätt eG

Helmut Koschka ... Stuttgart [until April 24, 1999], Wirtschaftsprüfer

Dr. Rainer Märklin ... Reutlingen, Spokesman for the Board of Management of Volksbank Reutlingen eG

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

Jürgen Partenheimer ... Munich, Chairman of the Board of Management of Münchner Bank eG

Dr. Manfred Wächtershäuser ... Frankfurt/Main, Member of the Board of Management of SGZ-Bank Südwestdeutsche
Genossenschafts-Zentralbank AG

board of management

Dr. Hans-Ludwig Bungert ... Dr. Hans-Rainer Förger ... Horst-Dieter Thiel

Loans to board members amounted to dm 1,158 thousand [to members of the Board of Management] and
dm 62,983 thousand [to members of the Supervisory Board]. Pension provisions for former members of the Board of
Management amounted to dm 9,863 thousand.

Total emoluments of members of the Supervisory Board in 1999 amounted to dm 323 thousand.

Total emoluments of former members of the Board of Management or their surviving dependants amounted to
dm 639 thousand.

Auditing Association

Deutscher Genossenschafts- und Raiffeisenverband e.V., Bonn, Adenauerallee 127

Contingent liability

The Bank is a member of the Security System [Guarantee Association] 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 dm 6,288 thousand.

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Munich, February 11, 2000

münchener hypothekbank eG
The Board of Management



Dr. Hans-Ludwig Bungert



Dr. Hans-Rainer Förger



Horst-Dieter Thiel

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 January 1 to December 31, 1999, in accordance with section 340k of the German Commercial Code in conjunction with section 53[2] of the Cooperatives Act.

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 Bank's statutes are the responsibility of the Bank'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 section 317 of the Commercial Code and the generally accepted 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 such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting 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 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 a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Bank'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 Bank in accordance with German principles of proper accounting. On the whole the management report provides a suitable understanding of the Bank's position and suitably presents the risks of future development.

Bonn, March 9, 2000

deutscher genossenschafts- und raiffeisenverband e.v.



Bergmann
Wirtschaftsprüfer



i.V. Huber
Wirtschaftsprüfer

Report of the Supervisory Board

In 1999 the Supervisory Board carried out the duties incumbent upon it under applicable law and the Bank's statutes and was kept informed of the Bank's situation by the Board of Management by means of oral and written reports. The Supervisory Board satisfied itself that the Bank's affairs were being properly managed and discussed fundamental issues concerning business policies and banking risks with the Board of Management.

The Supervisory Board's long-standing committees [the Working, Internal Audit and Loans Committees] were supplemented some time ago by the formation of a Construction Committee which attends to the planning and construction of the new building for the Bank. The committees met several times with the Board of Management in 1999 for consultations and passed the necessary resolutions.

The Supervisory Board was kept informed of the committees' activities.

The accounting records, financial statements and management report have been audited by the relevant auditing association, the Deutscher Genossenschafts- und Raiffeisenverband e.V., Bonn, which expressed an unqualified opinion on them. The audit revealed no shortcomings. The results of the audit were discussed at a joint meeting with the auditors and the Board of Management in accordance with section 58 of the Cooperatives Act.

The Supervisory Board concurs with the results of the audit, the financial statements for 1999 and the advance transfer to revenue reserves that they contain. It agrees with the management report for 1999 and recommends the Delegates' Meeting to approve the financial statements and to deal with the retained earnings in the manner proposed by the Board of Management. In 1999 Mr Helmut Koschka retired from the Supervisory Board. Elected to the Board in 1986, he was held in high regard during his 13 years of office as a colleague with a profound knowledge of cooperative banking. The Bank takes this opportunity of thanking Mr Koschka for his many years of commitment to the Bank and the furthering of its interests. He will long be remembered.

On April 24, 1999, the Delegates' Meeting elected Dr. Manfred Biehal to the Supervisory Board.

Munich, March 20, 2000

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

History, Performance, Identity

1896 – 1914

MünchenerHyp – known at the time as Bayerische Landwirtschaftsbank eGmbH – was founded in 1896 with twenty-nine members, supported by a business start-up grant from the Royal State Government of Bavaria. The number of cooperative members increased even before the end of the first financial year, climbing to an impressive 1,115. From the outset, Bayerische Landwirtschaftsbank also provided municipal loans. In 1897, Prince Regent Luitpold granted it the right to use a seal bearing the Bavarian coat of arms and the king's crown. Ten years after formation, total assets of 106.5 million marks provided evidence of healthy growth, and the number of cooperative society members had reached over 15,000.

1914 – 1923

The First World War and its consequences inevitably inflicted sustained damage on a mortgage bank providing agricultural loans. The decline in agricultural production led to a large number of insolvencies among borrowers. Soaring inflation, which reached its climax in 1923, threatened the very existence of the bank.

1924 – 1929

Once inflation had slowed down, the bank started up again with total assets of 4.5 million gold marks. Stabilisation of the national currency was essential to the rebuilding of the German economy.

1930 – 1939

The bank survived the banking crisis of 1931 without suffering any losses. However, the agricultural loan business continued to decline. In politics, ideological radicalism was steadily on the increase. When the National Socialists came to power in 1933, they wasted no time in bringing politics and economics into line. The cooperative societies were in a difficult position due to their democratic traditions and structures. The annual report of 1934 stressed the growing importance of residential property lending.

1939 – 1949

During the Second World War, the first bank building in the centre of Munich fell victim to bombing raids. In order to set up operations in premises of its own, the bank purchased a property in Nussbaumstrasse 12, its present location. Business activities were not resumed until 1948.

1950 – 1969

After the destruction caused by the War, the financing of new residential accommodation was an absolute priority. There was also increased granting of public-sector loans. By as early as 1956, the bank's total assets had risen above the 1914 level of dm 167 million. And just ten years later, the total topped dm one billion.

1970 – 1979

In 1971, in its 75th year of business, the bank changed its name to Münchener Hypothekbank in order to take into account the shift in its focus to the financing of national residential and commercial property lending. At the beginning of the 1970s, the proportion of agricultural loans had dropped to approximately 30% of mortgage lending. The residential property market was booming, and with it came the demand for mortgage loans. Public-sector business was intensified and commitments soared to dm 745 million.

1980 – 1999

At the beginning of the 1980s, several national central banks set about fighting inflation in earnest by introducing thorough measures of money supply control. Interest rose to record levels. The declining demand for residential property loans was offset by the growth in demand from the public sector. Then, in the mid-1980s, falling interest rates led to a revival in the residential property market. After the reunification of Germany business operations were extended to the New German States. As early as 1990 an office was opened in Berlin. This led to more regional offices being opened in other states.

International investors value the range of Pfandbriefe which, since 1996, have had a Triple-A rating from Moody's. Total assets have grown constantly since 1990, and today stand at over dm 46 billion.

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