

## Dear shareholders and investors,

unfortunately the anticipated revival of economic conditions did not materialize in the USA or Europe during the first half of the year. Based on the current uncertainty in the markets, which appears to be growing due to the loss of trust in the stock markets, and rising unemployment, we do not see much chance for the economic outlook to strengthen during the second half of 2002. This applies especially to investments in construction projects, which are driven by positive forecasts of future economic developments.

On an overall basis, new lending rose by 8.9% over the comparable year-earlier period to € 2.9 billion. Mortgage lending activities have declined limited by the general business trend. The volume of new commitments amounted to € 501 million. In our residential lending segment we reached new loans amounted to € 306 million.

In the interim, comparable figures in the mortgage lending segment have improved to the 2001 level. We remained at the previous year's level in the commercial real estate segment where we booked loans of € 194.3 million. Commercial real estate loans represented nearly 40% of total new commitments and 40% of this figure stemmed from new commitments made in neighboring countries.

Interest rate developments provided some phases of good business opportunities in the area of public-sector finance. Municipal loan commitments rose by 20.7% over the same year-ago period to € 2.4 billion. Our direct lending business with municipalities climbed 23.5% to € 400 million.

Total assets increased by 4.3 % to € 30.9 Billion. We successfully tapped the capital markets for a total of € 5.4 billion to refinance our lending activities. At the beginning of the year we floated our first Global Pfandbrief [€ 1.5 Billion, due January 16, 2012], which was also offered in the USA. This was a major issue and was welcomed accordingly by the markets.

In general, we noted that our issues remained basically unaffected by the widening spreads vis-

à-vis the swap curve, which at times were quite considerable. We believe this was due to our standing as an issuer and our ratings.

Net interest and commissions improved by 7.1% to € 57.8 million. After making increased provisions for risk due to the increasingly difficult real estate market, our results from normal business operations totaled € 23.5 million, or 2.1 % over the comparable year-earlier period.

The final costs of our new main office and the related moving costs impacted on our profit and loss statement as administrative costs rose by 10.2% over the same year-ago period to € 28.2 million.

We moved into our new main office building in June. As a service provider MünchenerHyp places top priority on maintaining a dialog with its customers. Our primary customers are the Volksbanken and Raiffeisenbanken. In addition, our public sector financing activities, especially with municipalities, are quite significant. In the international lending business we know that a central address is also a good address for doing business. Moreover, our securities trading business, which has become quite international in recent times, is another important business area where institutional investors expect to find their counterpart located in the city center. Our performance and the quality of our service will continue to rise in our new bank building.

We do not anticipate any significant improvement in the overall economic conditions to occur in the second half. We anticipate that this will influence the results of our new mortgage loan business. Expenses have peaked for our two major investment projects: our new main office and our IT modernization program. We expect an operating result comparable the year-earlier period.

The Board of Management  
Munich, July 2002

## FIGURES FROM THE BALANCE SHEET

*in million Euro . . .*

	30.6.2002	31.12.2001
<b>Claims on banks</b>	<b>4,964.2</b>	<b>5,109.2</b>
Of which:		
Mortgage loans	319.4	311.8
Public-sector loans	3,115.9	3,436.5
Other claims	1,528.9	1,360.9
<b>Claims on customers</b>	<b>16,714.2</b>	<b>16,433.5</b>
Of which:		
Mortgage loans	10,451.6	10,244.4
Public-sector loans	6,164.9	6,092.6
Other claims	97.7	96.5
<b>Bonds and other fixed-income securities</b>	<b>8,322.1</b>	<b>7,376.8</b>
<b>Liabilities to banks</b>	<b>1,601.1</b>	<b>2,140.9</b>
Of which:		
Registered mortgage Pfandbriefe issued	660.9	829.9
Registered public-sector Pfandbriefe issued	487.8	525.1
<b>Liabilities to customers</b>	<b>6,108.8</b>	<b>5,880.2</b>
Of which:		
Registered mortgage Pfandbriefe issued	3,583.6	3,426.2
Registered public-sector Pfandbriefe issued	1,764.8	1,671.5
<b>Certificated liabilities</b>	<b>22,030.4</b>	<b>20,578.1</b>
Of which:		
Mortgage Pfandbriefe issued	5,593.7	5,423.8
Public-sector Pfandbriefe issued	14,465.2	12,788.4
Other bonds issued	1,971.5	2,365.9
<b>Subordinated liabilities</b>	<b>66.3</b>	<b>66.3</b>
<b>Profit-participation certificates</b>	<b>103.3</b>	<b>103.3</b>
<b>Capital and reserves</b> [without member's uncalled liabilities to capital]	<b>422.3</b>	<b>418.4</b>
Of which:		
Members' capital contributions	76.4	75.5
Silent participations	133.5	133.5
Reserves	212.4	209.4
<b>Balance-sheet total</b>	<b>30,879.0</b>	<b>29,616.0</b>

## FIGURES FROM THE PROFIT AND LOSS ACCOUNT

*in million Euro . . . For period January 1st to June 30th*

	2002	2001
Interest income from	1,153.9	1,171.8
Interest expense	1,095.6	1,115.1
Current income from	2.8	1.1
Net interest income	61.1	57.8
Net commission income	- 3.3	- 3.8
<b>Net interest income and commission income</b>	<b>57.8</b>	<b>54.0</b>
General administrative expenses		
a) Personnel expenses	13.1	12.5
b) Other administrative expenses	11.8	11.6
Amortization and depreciation of intangible and tangible assets	3.3	1.6
<b>Administrative expense</b>	<b>28.2</b>	<b>25.7</b>
Other operating expenses	0.0	0.4
Net provision for risks	- 6.1	- 5.7
<b>Operating result</b>	<b>23.5</b>	<b>23.0</b>

## NEW BUSINESS

*in million Euro . . . For period January 1st to June 30th*

	2002	2001
<b>Loan commitments</b>	<b>2,856.3</b>	<b>2,622.6</b>
Of which:		
Mortgage loan commitments	501.4	671.0
Of which:		
Residential property lending	305.7	464.0
Commercial property lending and other loan commitments	194.3	206.0
Other Property Lendings	1.4	1.0
Public-sector business	2,354.9	1,951.6
<b>Mortgage loan disbursements</b>	<b>2,753.9</b>	<b>2,208.7</b>
Of which:		
Mortgage loans	468.7	468.1
Public-sector business	2,258.2	1,740.6
<b>Renewals</b>	<b>179.1</b>	<b>183.8</b>
<b>Gross sales of bonds</b>	<b>5,360.5</b>	<b>5,047.4</b>

## EMPLOYMENT FIGURES

*. . . For period January 1st to June 30th*

	2002	2001
<b>Average no of employees</b>	<b>379</b>	<b>391</b>
Of which:		
Part-timers	41	37
Trainees	22	21

**Board of Management**

Dr. Hans-Ludwig Bungert | Dr. Hans-Rainer Förger | Erich Rödel | Horst-Dieter Thiel

**Chairman of the Supervisory Board**

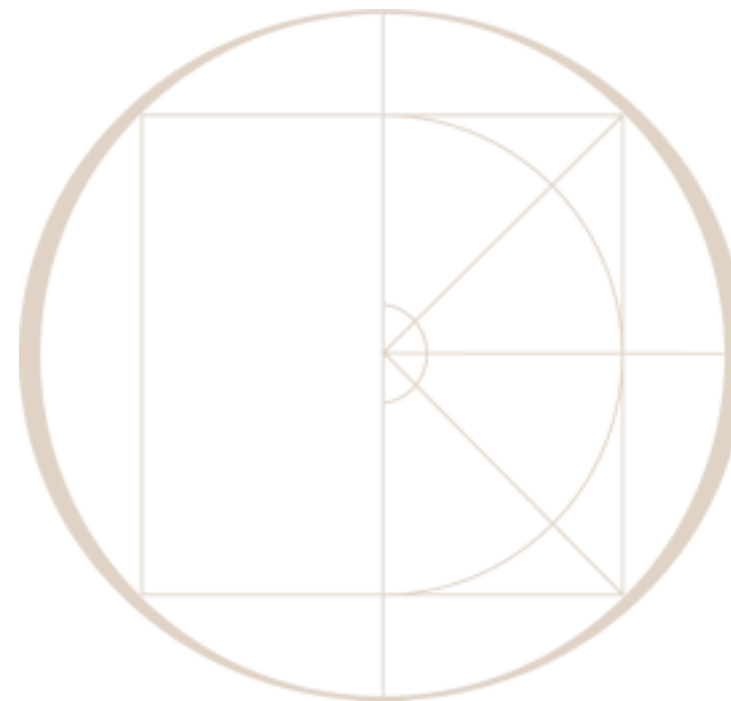
Prof. Dr. Willibald J. Folz

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 FIGURES FROM THE PROFIT AND LOSS ACCOUNT  
 NEW BUSINESS  
 EMPLOYMENT FIGURES

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Im Finanzverbund der  
 Volksbanken und Raiffeisenbanken



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