

**Dear shareholders and investors,**

the terror attacks of September 11th shocked the world and shook the already weak global economy, which had been declining since the fall of 2000. The previously voiced hopes that the economy would recover rapidly will remain unfulfilled in this year. We do anticipate, however, that the repeated interest rate cuts made by the American and European central banks will have a positive effect on the mortgage banking business, albeit after the normal delay.

Although the demand for our mortgage financing products was generally sluggish, we did note a sharp revival during the 3rd quarter. Mortgage commitments totaled DM 2.1 billion [€ 1.1 billion.] and were 21.3% higher than the results noted in the comparable year-ago period; commercial real estate financing rose at a faster rate.

New loans made in this segment amounted to DM 755.2 million [€ 386.1 million], or 37.8% over the previous year-ago period. Loan commitments made to commercial real estate projects represented one third of all mortgage commitments made. Nearly DM 490 million [€ 250 million] of the real estate commitments were for loans in neighboring European countries. Loans made in our core business area, residential lending, totaled DM 1,337 million [€ 683.6 million], or 14.9% more than in last year.

In light of the accelerated growth of our new mortgage loans business there was no pressure noted from this side, or from the interest rate side, to boost our public-sector lending activities. Loan commitments made in this segment totaled DM 5.6 billion. [€ 2.9 billion.], and were below last year's results

We recorded new loan volume of DM 882 million [€ 451.0 million] in our direct public-sector lending business where we work together with local Volksbanks and Raiffeisenbanks. Both the situation in the capital markets and the business outlook were seriously reevaluated by market players following the tragic events of September 11th. Declining interest rates hurt mortgage banks as the relative changes vis-à-vis swaps became more expensive – especially in the long maturities segment. We noted major demand for short maturity paper (floater 2 - 3 years) and structured issues.

In contrast, activities at the long term end of the interest curve remained relatively minor for most mortgage banks.

Our overall gross refinancing volume amounted to DM 12.3 billion. [€ 6.3 billion.] and moved in tandem with our increased lending activities as it declined 8.4% in comparison with the comparable year-ago figure.

No exceptional major new issues are anticipated in the remainder of the 4th quarter. However, it will be quite interesting to see how our industry manages its refinancing needs during the first quarter of 2002 – in light of the somewhat unusual spread levels vis-à-vis swaps. Total assets rose by 6.7% to DM 58.1 billion. [€ 29.7 billion.].

Our successful performance is marked by continuity and the attainment of strategic goals. Net interest received climbed by 5.2% to DM 168.4 million [€ 86.1 million]. Personal costs rose by 4.5%, or just over the level of the industry-wide salary increase, as the number of employees declined marginally. The – on schedule – construction of our new main office on Karl-Scharnagl-Ring and our conversion to new IT procedures were the main reasons for the 7.7% increase in total administration costs to DM 75.2 million [€ 38.4 million].

Our new mortgage loan business continued to rise during the current quarter and exceeded last year's figures. For this reason we anticipate that we will again post satisfactory results for the entire year.

Munich, in November 2001  
The Board of Management

## FIGURES FROM THE BALANCE SHEET

*in million DM . . .*

	30.9.2001	31.12.2000
<b>Claims on banks</b>	<b>8,814.3</b>	<b>8,665.9</b>
Of which:		
Mortgage loans	604.0	574.2
Public-sector loans	6,390.9	5,979.6
Other claims	1,819.4	2,112.1
<b>Claims on customers</b>	<b>32,100.9</b>	<b>30,697.8</b>
Of which:		
Mortgage loans	19,787.4	19,232.0
Public-sector loans	12,119.3	11,300.0
Other claims	194.2	165.8
<b>Bonds and other fixed-income securities</b>	<b>15,481.2</b>	<b>13,837.1</b>
<b>Liabilities to banks</b>	<b>4,553.2</b>	<b>3,371.5</b>
Of which:		
Registered mortgage Pfandbriefe issued	1,423.9	1,288.8
Registered public-sector Pfandbriefe issued	1,148.0	1,246.6
<b>Liabilities to customers</b>	<b>11,407.1</b>	<b>11,221.1</b>
Of which:		
Registered mortgage Pfandbriefe issued	6,588.6	6,372.9
Registered public-sector Pfandbriefe issued	3,237.1	3,254.4
<b>Certificated liabilities</b>	<b>39,878.6</b>	<b>37,986.5</b>
Of which:		
Mortgage Pfandbriefe issued	10,953.2	8,936.0
Public-sector Pfandbriefe issued	23,913.7	25,045.2
Other bonds issued	5,011.7	4,005.3
<b>Subordinated liabilities</b>	<b>129.7</b>	<b>26.0</b>
<b>Profit-participation certificates</b>	<b>202.0</b>	<b>202.0</b>
<b>Capital and reserves</b>		
[without member's uncalled liabilities to capital]	<b>793.1</b>	<b>750.4</b>
Of which:		
Members' capital contributions	147.7	108.0
Silent participations	261.2	261.2
Reserves	384.2	381.2
<b>Balance-sheet total</b>	<b>58,067.8</b>	<b>54,439.7</b>

## FIGURES FROM THE PROFIT AND LOSS ACCOUNT

*in million DM . . . For period January 1st to September 30th*

	2001	2000
Interest income from	3,446.4	2,893.5
Interest expense	3,280.5	2,734.1
Current income from	2.5	0.7
Net interest income	168.4	160.1
Net commission income	- 11.5	- 13.8
<b>Net interest income and commission income</b>	<b>156.9</b>	<b>146.3</b>
General administrative expenses		
a) Personnel expenses	37.1	35.5
b) Other administrative expenses	33.4	30.5
Amortization and depreciation of intangible and tangible assets	4.7	3.8
<b>Administrative expense</b>	<b>75.2</b>	<b>69.8</b>
Other operating expenses	0.1	0.4
Net provision for risks	- 16.4	- 13.5
<b>Operating result</b>	<b>65.4</b>	<b>63.4</b>

## NEW BUSINESS

*in million DM . . . For period January 1st to September 30th*

	2001	2000
<b>Loan commitments</b>	<b>7,732.0</b>	<b>9,042.6</b>
Of which:		
Mortgage loan commitments	2,096.2	1,727.9
Of which:		
Residential property lending	1,336.8	1,163.6
Commercial property lending and other loan commitments	755.2	547.9
Other Property Lendings	4.2	16.4
Public-sector business	5,635.8	7,314.7
<b>Mortgage loan disbursements</b>	<b>7,150.1</b>	<b>8,709.2</b>
Of which:		
Mortgage loans	1,409.3	1,863.3
Public-sector business	5,740.8	6,845.9
<b>Renewals</b>	<b>482.3</b>	<b>475.4</b>
<b>Gross sales of bonds</b>	<b>12,342.8</b>	<b>13,468.9</b>

## EMPLOYMENT FIGURES

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

	2001	2000
<b>Average no of employees</b>	<b>389</b>	<b>392</b>
Of which:		
Part-timers	38	33
Trainees	21	22

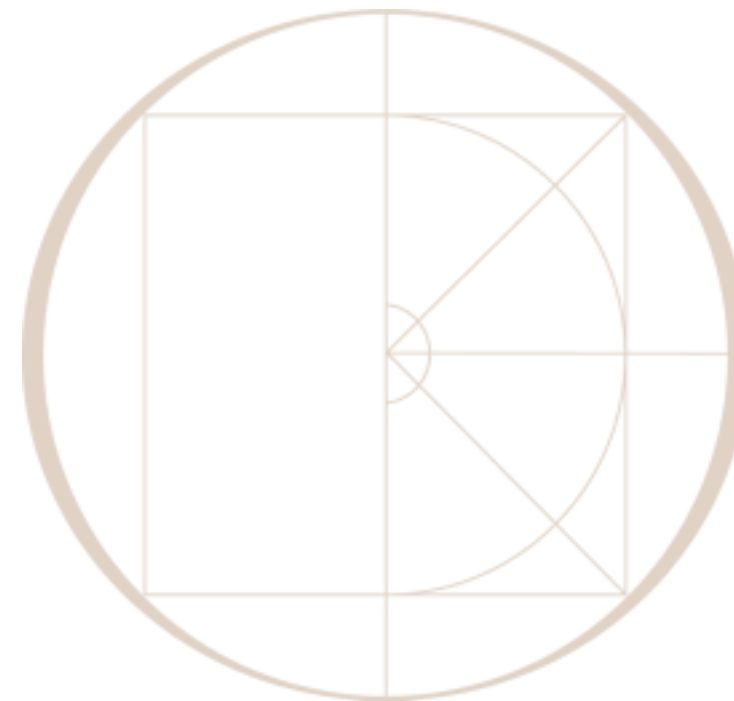
**Board of Management**

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

Im FinanzVerbund der  
 Volksbanken und Raiffeisenbanken

