

Dear shareholders and business associates,

both of the classical factors normally associated with expansive economic policies – budget deficits and low interest rates – have been present in the major economies on both sides of the Atlantic for some time. Despite this constellation, however, Germany did not experience a broad-based economic revival during the third quarter. Although an increasing number of leading indicators have been signalling a shift in economic trends, German real estate markets remain unchanged at the present time. Only the private housing sector performed relatively favourably in a business environment marked by uncertainty.

Within our core area of business we increased the volume of mortgage commitments made over the year-ago figure by € 272.4 million to € 1,135 million. This resulted in an above-average 31.6% rate of growth, which, however, cannot be maintained for the entire year because an unusually heavy share of new business was booked in the 4th quarter of 2002. This applies especially to residential construction financing where we posted € 788.7 million (+55.5%) in new commitments up to September 30, 2003. During the same period commitments for commercial property financing declined by a modest 2.8% to € 344.1 million from the same year-ago figure.

As a result, the share of business represented by the commercial sector slipped to about 30% from the 41% posted in the previous year. Outside of Germany we made € 228.2 million in new commitments, or 2/3 of our total commercial sector financing.

Public-sector lending commitments increased over the year-ago period by € 971.3 million (+24.7%) to € 4.9 billion. Thanks to our good ratings, which were reconfirmed in September, and our independent status, MünchenerHyp was again a sought-after address for institutional investors. Demand for our paper exceeded our refinancing requirements, and this is a good indicator of our issuing potential. We benefited

from good business opportunities which we realized using congruent refinancing.

Total assets rose by 7.5% to € 32.1 billion, while our loan portfolio totalled € 22.2 billion; mortgage and municipal loans amounted to € 11.1 billion each. The portfolio of public-sector securities declined to € 6.7 billion.

We tapped the markets for a total of € 75 billion for refinancing purposes. We noted strong demand for our short-term paper with maturities of up to three years. In addition, we also saw demand for our unsecured Aa3 rated securities. Insurance companies, in particular, showed great interest in our structured products and registered securities.

Our profit and loss statement shows net interest income of € 91.3 million, which was virtually unchanged from last year's level, and a sharp 21% drop of the position 'Other administrative expenses'. The lower costs were in line with forecasts for our ongoing project to improve processes and organizational effectiveness within the Bank. General administrative expenses declined by 7.2% from the year-ago figure to € 39.7 million.

Extraordinary items reflected increased provisions for risk due to the continuing difficulties in certain segments of the property market. We continued to apply our conservative valuation standards without change in making these provisions. Together, extraordinary items and the valuation of financial investments increased by € 2.5 million to € -11.5 million.

Results from business operations, after risk provision, were slightly higher than last year's figure and totalled € 34.1 million.

We anticipate that, in cooperation with our partner banks in the FinanzVerbund, new business will continue to develop favourably in the 4th quarter and that our overall business results will be satisfactory.

Munich, October 2003
Management Board

FIGURES FROM THE BALANCE SHEET

in million € . . .

Claims on banks

Of which:

Mortgage loans

Public-sector loans

Other claims

Claims on customers

Of which:

Mortgage loans

Public-sector loans

Other claims

Bonds and other fixed-income securities

Liabilities to banks

Of which:

Registered mortgage Pfandbriefe issued

Registered public-sector Pfandbriefe issued

Liabilities to customers

Of which:

Registered mortgage Pfandbriefe issued

Registered public-sector Pfandbriefe issued

Certificated liabilities

Of which:

Mortgage Pfandbriefe issued

Public-sector Pfandbriefe issued

Other bonds issued

Subordinated liabilities

Profit-participation certificates

Capital and reserves

[without member's uncalled liabilities to capital]

Of which:

Members' capital contributions

Silent participations

Reserves

Balance-sheet total

Sep. 30, 2003 *Dec. 31, 2002*

6,341.7 **4,887.7**

297.7 315.1

4,231.9 3,181.3

1,812.1 1,391.3

17,826.0 **17,066.4**

10,861.7 10,651.2

6,848.0 6,347.1

116.3 68.1

7,174.4 **7,380.9**

2,204.9 **1,892.9**

607.2 754.4

371.3 402.7

6,534.9 **6,373.6**

2,956.1 3,638.1

2,897.9 2,052.1

22,439.1 **20,633.8**

6,091.3 5,874.2

13,561.6 12,947.4

2,786.2 1,812.2

66.3 **66.3**

103.3 **103.3**

438.5 **435.4**

76.5 76.5

133.5 133.5

228.4 225.4

32,108.8 **29,866.8**

FIGURES FROM THE PROFIT AND LOSS ACCOUNT

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

2003 *2002*

Interest income 1,181.7 1,189.9

Interest expense 1,099.0 1,101.8

Current income 8.6 3.1

Net interest income 91.3 91.2

Net commission income -5.7 -5.3

Net interest income and commission income **85.6** **85.9**

General administrative expenses

a) Personnel expenses 20.2 19.6

b) Other administrative expenses 14.4 18.2

Amortization and depreciation of intangible and tangible assets 5.1 5.0

Administrative expense **39.7** **42.8**

Other operating expenses -0.3 -0.3

Net provision for risks -16.8 -11.6

Valuation results of financial investments 5.3 2.6

Operating result **34.1** **33.8**

NEW BUSINESS

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

	2003	2002
Loan commitments	6,038.3	4,794.6
Of which:		
Mortgage loan commitments	1,135.0	862.6
Of which:		
Residential property lending	788.7	507.2
Commercial property lending and other loan commitments	344.1	353.9
Other Property Lendings	2.2	1.5
Public-sector business	4,903.3	3,932.0
Mortgage loan disbursements	5,560.3	4,616.2
Of which:		
Mortgage loans	856.7	729.6
Public-sector business	4,703.6	3,886.6
Gross sales of bonds	7,536.3	6,873.7

EMPLOYMENT FIGURES

	2003	2002
Average number of employees	378	378
Of which:		
Part-timers	42	42
Trainees	19	19

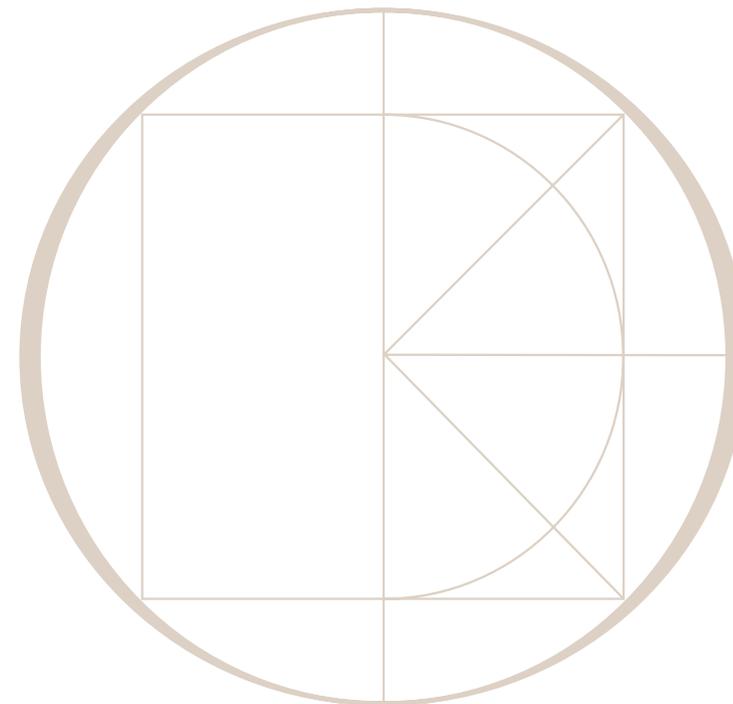
Board of Management

Erich Rödel [Spokesman] | Dr. Hans-Rainer Förger | 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

www.liquide.de

Im Finanzverbund der
 Volksbanken und Raiffeisenbanken



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Münchener
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