



MÜNCHENER HYPOTHEKENBANK eG
HALF YEAR FINANCIAL STATEMENTS 2015

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INTERIM MANAGEMENT REPORT

OVERALL ECONOMIC CONDITIONS

ECONOMIC DEVELOPMENT

The global economy lost momentum during the first quarter and grew by just 0.6 percent. This was primarily due to a significant contraction of global trade, declining economic growth in emerging markets and weak economic performance in the USA. America's gross domestic product declined in the first quarter by 0.2 percent due to another harsh winter, lower exports as a result of the strengthened value of the dollar, and because of long strike in west coast ports.

In contrast, the economy in the eurozone stabilised as its gross domestic product grew a bit stronger than in the previous quarters by 0.4 percent. The advance benefited mainly from the European Central Bank's (ECB) expansive monetary policy, the weak euro and the low price of oil.

The upswing seen in Germany continued due to strong domestic demand. Economic growth in Germany slowed, however, in the first quarter with gross domestic product rising by only 0.3 percent. This was primarily attributable to the dampening effects stemming from the negative balance of trade as imports rose faster than exports. Investments in the economy also increased, especially investments in construction, which rose by 1.7 percent over the previous quarter.

According to initial assessments made by economic research institutions, the German economy grew at a slightly better pace in the second quarter by an estimated 0.4 to 0.5 percent.

The rate of inflation recorded in June fell to 0.3 percent after having risen to 0.7 percent in May. The decline was primarily attributable to falling energy prices. The stable economy also allowed the labour market to continue its favourable development as the number of employed persons rose to 42.8 million in June. The unemployment rate fell to 6.2 percent in June, or half a percentage point less than in the same year-ago month while a total of 2.7 million people were registered in Germany as unemployed.

FINANCIAL MARKETS

The financial markets experienced a rather turbulent first half of the year, which began with a surprising move by the Swiss Central Bank to stop pegging the value of the Swiss franc to the euro. This led to a 20 percent surge in the value of the Swiss franc to the euro. At the end of the first half of the year the euro was worth 1.04 Swiss francs, or almost 15 percent less than at the end of 2014.

The Greek crisis worsened increasingly during the first half of the year and led to heightening uncertainty after the newly elected government in Greece denounced previously made reforms. The crisis escalated in June when the Greek government broke off negotiations and called a national referendum on the EU's proposed reforms. Negotiations on a revised assistance programme for Greece began again in July.

In January the ECB announced that it would expand its purchases of sovereign bonds. This move had been anticipated in the capital markets and led to notable gains generated by changing spreads. In combination with unchanging low rates of inflation in the eurozone, the ECB's purchase programme pushed bond yields down to historic lows as the yield on ten-year Bunds fell to 0.05 percent. The situation began to reverse itself by the end of April and in June the yield on ten-year Bunds had climbed to 1.06 percent. The change was driven by an improved outlook for inflation and economic growth in the eurozone, as well as the ECB's announcement that it would tolerate higher volatility levels for sovereign bonds.

The ECB left its key interest rate at 0.05 percent. The American Federal Reserve System (Fed) also kept its key interest rate unchanged within the range of 0 and 0.25 percent since the end of 2008.

The American dollar posted further gains against the euro in the foreign exchange markets and marked a multi-year high of 1.05 dollars per euro in March. This development was mainly due to diverging central bank policies as the ECB continued its easing monetary policy by expanding its purchases of government bonds and the Fed increasingly sent out signs that it would raise interest rates. The value of the British pound vis-à-vis the euro also rose and improved by about 10 percent.

Investors continued to regard the German Pfandbrief very highly with demand primarily focused on liquid benchmark issues of € 500 million and up. Nevertheless, the low level of interest rates combined with tight spreads resulted in very low yields. This situation was additionally reinforced by the ECB's bond purchase programme. The total volume of benchmark covered bonds issued on the primary market declined by about 10 percent to € 59 billion, of which Pfandbrief issues accounted for a good one-sixth of the volume.

PROPERTY AND PROPERTY FINANCING MARKETS

RESIDENTIAL PROPERTY – GERMANY

The German residential property market remained almost unchanged during the first half of the year. Demand for houses and condominiums continued to be strong as did demand for property financing.

Demand was mainly concentrated in the major metropolitan areas, which continued to record a strong influx of new residents. However, development of land for building purposes did not keep pace and led to a further tightening of supply. As a result, demand for residential property increasingly shifted to areas on the fringes of major metropolitan areas. In contrast, vacancy rates of over 10 percent were common in many rural regions.

Prices for residential property continued to rise reflecting the general euphoria associated with property investments. According to the property price index maintained by the Association of German Pfandbrief Banks (vdp), multi-family units recorded the greatest increase during the first quarter gaining 6.8 percent. In addition, prices for one and two-family houses also rose by a very notable 5.8 percent. In contrast, the pace of price gains recorded for condominiums slowed slightly rising by 2.8 percent over prices noted in the same year-ago period. Rents charged in new leases increased by 4.2 percent, which was not as strong as figures seen in previous quarters.

Prices continued to develop at greatly varying rates with the highest increases still noted for major metropolitan areas. Prices in many regions did, however, continue to rise moderately or, in some cases, not at all.

Fear of a property bubble forming remained intact in view of the fast pace of price increases recorded in major metropolitan areas. As a result of these fears, the Financial Stability Committee recommended in its current report to the German Parliament (Bundestag) to create preventive macro-prudential instruments to counter a possible overheating of the property market. At the same time the Committee stated that no acute risks were currently visible in the property market as increasing prices have not been accompanied by strong rise in lending and looser lending standards. According to statistics prepared by the German Bundesbank, the volume of property loans made in the first quarter of 2015 grew by 2.7 percent over same year-ago period, thereby retaining a moderate pace of growth.

Demand for property financing was lively and due to interest rates hitting a new low in the spring. Although rates have risen significantly since then they are still at low level when viewed on a long-term basis. As a result, heavy interest in property financing remains unbroken.

In contrast, the pace of growth noted for new construction slackened as reflected by the number of building permits issued, which only grew by 0.3 percent to 113,500 by the end of May.

Extraordinary demand was noted for residential property, especially among professional investors. The volume of investments made in the first half of the year surged to over € 17 billion, or two-and-a-half times as much as in the same year-ago period. The key reason behind this increase was a series of major volume portfolio transactions that accounted for about two-thirds of the total volume. Most of the investors were from Germany while the share of foreign investors declined from 25 percent to 15 percent in comparison to the previous year's figure.

RESIDENTIAL PROPERTY – INTERNATIONAL

The European residential property market once again developed unevenly, although the overall trend was favourable. Based on Eurostat figures, housing prices in the EU recorded in the first quarter of 2015 rose by 2.5 percent over the same year-ago period. Substantial price increases were noted in Great Britain, Sweden, Denmark and Ireland, among other countries. Prices paid declined especially in France, Italy and Slovenia.

National and international investors continued to show keen interest in residential property as it represents a stable core investment for them. Their priority areas were markets viewed as stable. In addition to Germany, they particularly included Great Britain, France and again the Netherlands.

The rapid rise in prices paid for residential property in Switzerland noted over the past few years slowed. According to figures prepared by the Swiss IAZI Price Index, housing prices only rose by 1.5 percent in the second quarter over the same year-ago figure. A 2.3 percent gain was recorded in the first quarter of 2015. This figure is being viewed in Switzerland as a sign that the residential property market is returning to normal.

The slowed rate of price increases is primarily attributable to the introduction of a countercyclical capital buffer requirement by the Swiss National Bank (SNB), as well as slower economic growth, and heavy building activity that took place in recent years.

Demand for mortgage loans still remained high. The SNB recorded an increase of 3.6 percent in the first quarter of 2015. This was due to the development of mortgage interest rates, which in early 2015 reached low levels similar to those seen in Germany. Swiss rates remained very low even after the rebound in rates seen in the spring. This supported demand for residential property.

Development noted in the residential property market in the USA continued to post gains with investors preferring to put their money into rentable apartment complexes. Rents rose at an above average pace in locations with prosperous labour markets and favourable demographics.

COMMERCIAL PROPERTY – GERMANY

Demand for German commercial property, which was already quite strong, virtually exploded in the first half of the year as the volume of transactions soared by 42 percent over the figure noted for the first half of 2014 to about € 24 billion. The substantial increase was primarily due to major portfolio transactions, which alone accounted for 37 percent of the total volume recorded.

Investment mainly flowed into office and retail properties, which represented about 80 percent of the total volume of transactions. In regional terms, investments made in the seven leading property markets accounted for 54 percent of the total with Berlin the most popular with over € 3 billion. Investors' appetite for risk increased in view of declining returns. This was reflected in rising demand for properties in B and C locations. In comparison to the previous year the share held by B locations declined from 52 percent to 46 percent despite greater investor interest shown. This was mainly because mostly smaller-sized properties were available in this category than in other locations. The share of foreign capital in the market increased further to about € 14 billion or 59 percent of the total volume of transactions.

Pressures on yields remained substantial and especially in the area of core properties. Yields in the office segment in Munich fell below 4 percent for the first time. The average yield recorded for the seven major metropolitan areas fell by seven basis points to 4.30 percent. Other property categories also noted high investor interest. Top yields noted for logistics properties in the seven best property locations declined by over half of a percentage point to 5.5 percent.

Turnover of office property space in the seven top markets increased by over 10 percent and was accompanied by lower vacancy rates. Rents paid for office property did, however, develop quite unevenly as average rents paid fell in Düsseldorf, Munich and Stuttgart. According to vdp Index figures, newly rented space rose by only 0.2 percent across Germany in the first quarter.

Market participants believe that investors were employing a greater percentage of their own capital when financing properties. This is reflected in the Bundesbank's statistics for the first quarter of 2015 that showed that the volume of commercial mortgage financing in Germany was 0.1 percent below the same year-ago period even though sales increased substantially.

COMMERCIAL PROPERTY – INTERNATIONAL

In addition to Germany, numerous other European countries were very popular among investors. During the first half of the year € 111 billion was invested in commercial property across Europe or about 25 percent more than in the same year-ago period.

Once again, Great Britain was the most significant market accounting for an investment volume of € 41 billion. Investments in Great Britain did, however, remain largely at the previous year's level as growth was mainly due to the renewed strength of the British pound vis-à-vis the euro. Germany followed in second place. Spain also recorded a high volume of transactions valued at € 8.4 billion. In comparison to the same year-ago period this figure represents an increase of over 130 percent. Notable growth rates were also posted by Italy, Portugal, Norway and Finland.

Investors' interest remained focused on core properties. Returns in almost all European markets continued to shrink. According to figures prepared by Savills, the average yield attained for office properties in central business districts in major European cities in the first quarter of 2015 was 4.87 percent or 0.34 percentage points below the same year-ago figure. This was accompanied by greater investor willingness to take on more risk as major property brokers noted more interest in properties with potential to rise in value (Value-Add).

The commercial property market in the USA benefited as the overall labour market recorded further improvements and demand for office space, in particular, rose. Thus, conditions in most of the primary and secondary markets were stronger. Core markets remained the unchanged focal point of investors' interest. In response to excess demand for core properties investors increasingly sought higher yielding Value-Add properties, as well as properties located in secondary markets.

The financing market was marked by heavy competition among providers. It was noted that the tough competitive environment had led to looser financing standards. Nevertheless, providers of financing still preferred to lend to first-class investors doing property deals for core and Value-Add properties located in core markets.

BUSINESS DEVELOPMENT

NEW MORTGAGE BUSINESS

Our new business once again developed very favourably, especially because of the unbroken demand for residential property financing.

As a result, we were able to increase our new business results in the first half of 2015 by 19 percent to € 2.4 billion, which was more than forecast.

About € 1.9 billion of this figure was generated by private residential property financing, which represented an increase of 18 percent. In particular, our partnership with the banks in the Cooperative Financial Network flourished. During the first half of the year the volume of loans we made via our partners in the Cooperative Financial Network totalled € 1.3 billion, or 21 percent more than in the same year-ago period.

Financing structures continued to be marked by customers providing high levels of the own capital. Despite rising property prices this factor resulted in conservative property financing with comparatively low loan-to-value ratios.

In contrast, the volume of residential property financing arranged by independent providers of financial services declined by one-third.

Our successful collaboration with Swiss PostFinance was further deepened as new business developed significantly better than planned.

Our commercial property financing business also developed favourably. The volume of new lending commitments made to finance commercial properties surged by over one-third to € 390 million. Our financing business with housing companies was slightly over the previous year's level at about € 160 million.

In total we were able to increase our new commercial property financing business by 24 percent to about € 550 million.

CAPITAL MARKET BUSINESS

In line with our business and risk strategy, we continued to conduct our lending business with the public-sector and banks on a cautious basis. Our new business in this area was substantially reduced due to tighter spreads, the low level of interest rates and the shrinking yield opportunities offered by top-rated bonds. The volume of new lending commitments made totalled € 276 million. Since the beginning of the year the total value of the portfolio held in this area of business fell by € 0.4 billion to € 9 billion due to divestments and maturing paper.

REFINANCING

MünchenerHyp was again able to refinance its business operations at good conditions in the capital markets during the first half of 2015. Our refinancing needs were higher than in the previous year due in part to a higher volume of maturing securities.

During the period under review we very successfully issued two major volume benchmark Mortgage Pfandbriefe, each of which had a volume of € 750 million. The first issue, a 10-year Mortgage Pfandbrief, was placed in March and achieved a price of 14 basis points below the mid-swap rate, which was the highest discount for risk noted to date in this maturity segment. The Pfandbrief carried a coupon of 0.5 percent. The circle of investors was broadly diversified as a total of 70 orders from 16 countries were received. German investors held the lion's share the orders accounting for 70 percent of the issue's volume. Buyers were primarily banks.

The successful issue was followed in early June by an 8-year Mortgage Pfandbrief with a coupon of 0.5 percent that was sold at 17 basis points below the mid-swap rate. A total of 46 orders from twelve countries were received with German investors representing about three-quarters of the issue's buyers. Almost half of the volume issued was purchased by central banks.

The Cooperative Financial Network remained an important partner for our uncovered refinancing needs and provided a major portion of our requirements.

The awards we received in the first half of 2015 were an encouraging recognition of our issuing activities. We defended our top

ranking in the category "Covered Bonds Et Pfandbriefe" in the "Best Borrowers Survey 2015" conducted by Euromoney, a financial trade publication. The vote was based on an international survey of major clients of banks.

We received additional awards for our sustainable Pfandbrief – the first of its kind ever issued in the world – which we had placed last year. The "Covered Bond Report Awards for Excellence 2015" was presented to us in the category "Innovation". The jury expressly honoured our pioneering role in developing a market for sustainable covered bonds. The award was given by the renowned Covered Bond Report magazine. In addition, at the beginning of 2015 we also received the CMD Awards for "Best Covered Bond Issuer" and "Most Innovative Green Covered Bond" from Capital Market Data Network (CMDportal), an international financial market service network.

The volume of new paper issued by the end of the first half of the year was € 3.9 billion, of which Mortgage Pfandbriefe accounted for € 3.1 billion and uncovered bonds € 0.8 billion. In view of the Bank's strategic business aims we only issued a very minor volume of Public Pfandbriefe.

EARNINGS, FINANCIAL AND ASSET SITUATION

BALANCE SHEET STRUCTURE

As of June 30, 2015 total assets amounted to € 37.6 billion following € 36.3 billion recorded at the end of 2014.

We were able to further expand our portfolio of mortgage loans. As of June 30, 2015 the portfolio had grown by € 1.4 billion to € 25.0 billion. The value of the securities portfolio generated by our capital market business fell by € 0.4 billion to € 9.0 billion.

At the end of the first half of the year the unrealised losses for securities held as fixed assets amounted to € 21 million, or € 6.0 million less than at the end of 2014. Securities originated by issuers located in countries on the periphery of the eurozone accounted for € 11 million of the total figure.

The item "Other liabilities to customers" is broken down as follows:

	Remaining term < one year € 000	Remaining term > one year € 000	Total € 000
Other liabilities to customers as of 30.06.2015	356,897	2,085,818	2,442,715
Registered bonds	0	1,117,945	1,117,945
of which institutional investors	0	1,116,945	1,116,945
Promissory note loans on the liabilities side	273,500	967,873	1,241,373
of which institutional investors	267,500	959,673	1,227,173
Other	83,397	0	83,397

Equity capital as shown in the balance sheet amounted to € 1,155 million, while liable equity pursuant to the Capital Requirements Regulation (CRR) totalled € 1,368 million, or about the same level noted at the end of 2014.

The Bank's common equity Tier 1 capital ratio was 12.3 percent at the end of the first half of the year following 12.5 recorded at the end of 2014. The Tier 1 capital ratio was 14.0 percent and the total capital ratio was 17.6 percent.

DEVELOPMENT OF EARNINGS

During the first six months of the year we were able to increase our net interest income¹ by 31 percent over the same year-ago figure to € 107.5 million.

The net commission balance² amounted to a minus € 34.6 million while the net interest income and net commission income³ figure was € 72.9 million, or 36 percent higher than noted for the same year-ago period.

Total administrative expenses⁴ grew by € 4.3 million to € 44.7 million. Personnel expenses rose by about 9 percent to € 20.9 million, while other administrative expenses rose increased from € 17.8

million to € 20.2 million. The about 13 percent increase in other administrative expenses was due, in particular, to the recognition of the fee for the European bank levy amounting to € 5.6 million on a pro rata temporis basis for the first half of 2015. This represents an increase of € 4.8 million over the 2014 bank levy that was paid on a pro rata temporis basis.

Depreciation and write-downs of intangible and tangible assets remained at the previous year's level and amounted to € 3.6 million.

The item "Write-downs and adjustments to claims and certain securities and additions to provisions for possible loan losses" totalled minus € 5.1 million compared to the same year-ago figure of minus € 11.5 million. This item primarily contains € 9.5 million in provisions made for risks related to our lending business and was offset by income of € 4.4 million generated by the sale of securities and promissory note loans.

At the end of the first half of the year the item "Income from reversals of write-downs on participating interests, shares in affiliated companies and securities treated as fixed assets" amounted to € 2.0 million.

1) Net sum of interest expenses, interest income and current income

2) Net sum of commission income and commission costs

3) Net sum of net interest income and net commission balance

4) General administrative expenses and depreciations and adjustments to value of intangible and tangible assets

Due to the good new business results and the favourable business performance in the first half of the year we were able to increase our results from normal business operations by € 6.8 million to € 23.5 million. After deduction of € 9.8 million for tax expenses, we recorded a pro rata temporis net income for the year of 13.7 million (previous year € 11.1 million).

RATING, SUSTAINABILITY AND REGULATORY CONDITIONS

RATING

After revising their rating methodology, the rating agency Moody's adjusted their ratings for all German banks. As a result of this change Moody's raised their outlook for MünchenerHyp's senior unsecured liabilities from stable to positive.

Our current ratings at a glance:

	Rating	Outlook
Public Pfandbriefe	Aaa	
Mortgage Pfandbriefe	Aaa	
Senior unsecured liabilities	A2	positive
Short-term liabilities	Prime-1	

Furthermore, our long-term uncovered liabilities are rated AA- (outlook: stable) by the rating agency Fitch due to the group rating the agency assigned to the Cooperative Financial Network.

SUSTAINABILITY

The sustainability rating agency imug revised their methodology. As a result, they downgraded their rating for MünchenerHyp's Public Pfandbriefe to favourable. All other sustainability ratings remained unchanged.



BODIES AND PERSONNEL

BODIES

Erich Rödel, the former Chairman of MünchenerHyp's Board of Management, stepped down as planned as a member of the Supervisory Board due to reasons of age at the conclusion of the delegates meeting. Mr. Rödel had been a member of the Supervisory Board for five years. The Chairman of the Supervisory Board, Konrad Irtel, thanked Erich Rödel for his successful and dedicated service to the bank in key positions over many years.

The delegates meeting elected Gregor Scheller, Chairman of the Board of Management of the Volksbank Forchheim eG, as a new member of the Supervisory Board.

The development of our sustainability ratings since 2012 at a glance:

	2012	2013	2014	2015
oekom research	D	C-	C*	C*
				
	Public Pfandbriefe: favourable	Public Pfandbriefe: very favourable	Public Pfandbriefe: very favourable	Public Pfandbriefe: favourable
	Mortgage Pfandbriefe: neutral	Mortgage Pfandbriefe: neutral	Mortgage Pfandbriefe: neutral	Mortgage Pfandbriefe: neutral
	Uncovered bonds: neutral	Uncovered bonds: neutral	Uncovered bonds: neutral	Uncovered bonds: neutral
imug				
Sustainalytics	44 of 100 points	47 of 100 points	47 of 100 points	57 of 100 points

EMPLOYEES

The Bank's growth strategy as well as the numerous regulatory requirements continued to require that we hire higher numbers of new personnel. Up until the end of June we had hired 20 new employees, which allowed us to successfully fill almost all open positions.

CORPORATE PLANNING

CORPORATE PLANNING

The business and risk strategy defines the formal planning framework for MünchenerHyp's key business activities and is regularly reviewed. The Bank's business strategy remains focused on the earnings-driven growth of our mortgage portfolio and a successive reduction of our lending business with the public sector and banks. Minor adjustments to our risk strategy were made due to new regulatory requirements.

OUTLOOK

OUTLOOK – OPPORTUNITIES AND RISKS

The weak first quarter continues to impact on the outlook for the global economy. This led the IMF and the World Bank to slightly reduce their outlook for global economic growth in their summer reports. Currently, the world's gross domestic product is expected to grow between 2.8 percent (World Bank) and 3.3 percent (IMF) in 2015. However, the economic experts do agree that the pace of global economic growth will pick up again in the second half of 2015 and also extend into 2016. Above all, unbroken strong volatility in the financial markets is viewed as the primary risk facing the global economy.

The economy in the eurozone is anticipated to show increasing signs of stabilisation with the IMF forecasting economic growth of 1.5 percent in 2015 and 1.7 percent in 2016. The main drivers here are the ECB's loose monetary policy and the weaker euro that has improved the competitiveness. Economic experts view the possible effects of the continuing uncertain situation surrounding the future of Greece as limited.

The German economy continues to benefit from strong domestic demand. Based on this, economic researchers anticipate that the upswing will continue and that Germany's gross domestic product will expand by 1.8 percent this year with a similar level of growth expected for 2016. The upswing will also lead to a continuation of favourable conditions in the labour market and allow private households to benefit from higher incomes. The construction industry is expected to benefit from these good overall conditions with the DIW anticipating investments in residential construction to rise by 1.9 percent and construction of commercially used buildings to increase by 3.4 percent.

It appears likely that the Fed will begin to raise interest rates in the fall of 2015 and slightly tighten liquidity conditions in the USA. In contrast, the ECB and the Bank of Japan are expected to retain their expansive monetary policies in 2016 and are likely to continue their quantitative easing measures. We expect that these divergent policies will lead to a stronger dollar, which could lead to parity with the euro. The level of interest rates in Europe is expected to remain low as loose monetary policy provides further support to the recovering economy. Favourable financing conditions are not expected to change in the near future as thus far no inflationary pressure has been noted.

Investor interest in the covered bond and Pfandbrief markets will remain high, especially for liquid benchmark issues. However, a significant increase in yields is not expected due to the ECB's bond purchase programme. Moreover, as overall issuer needs are likely to be low, we anticipate that issuers will continue to benefit from attractive refinancing conditions. In the event that the ECB ends its covered bond purchase programme in 2016 we believe that this will lead to a moderate increase in spreads.

Higher premiums are, however, likely for uncovered bonds due to the effects of the new supervisory regulations regarding bail-in-able paper. On one hand these rules result in higher risks for investors and, on the other, require credit institutions to issue higher volumes of bail-in-able paper.

We expect that the strong demand noted in the German residential property markets will remain fundamentally unchanged as interest rates for property loans, in particular, are still quite low. A rise in long-term interest rates cannot, however, be ruled out. This would slightly weaken the booming demand seen in recent years.

Demand will mainly be driven by a strong influx of persons moving to the major metropolitan areas, which in turn keeps demand high for new residential housing. However, as the increase in building permits slowed in 2015, it is not expected that the widening gap between demand and supply of new housing seen in recent years will narrow quickly. Experts estimate that the number of building permits issued in 2015 will increase moderately to 295,000. In view of these facts we do not expect that the danger of a nationwide overheating of the residential property market will worsen over the remaining course of 2015. Developments noted in certain separate markets – especially in the major metropolitan areas – does, however, continue to require special attention.

Experts believe that the Swiss residential property market will continue to be marked by good demand in view of unbroken immigration. They also anticipate that the pace of price rises will slow further as the Swiss economy has cooled a bit due to the increased strength of the franc. It is likely that the Swiss market will show further signs of normalisation.

Insofar as the remaining European residential property markets are concerned, we anticipate that the developments noted in the first half of 2015 will continue in the second half.

The volume of transactions in the German commercial property market in the second half of the year is forecast to be about the same as in the first half. This would mean that the total volume of transactions for 2015 will rise to about € 50 billion. In addition, there are signs that numerous major portfolio transactions

will take place during the second half of the year. Foreign investors are likely to show an unchanged high level of interest in Germany. Returns are also expected to remain under pressure in the face of continuing high demand. Forecasts also call for strong investor demand to continue in the residential property market where the volume of transactions could reach € 25 billion. Expectations for the overall European market foresee investor interest to remaining strong in countries viewed as more stable. The volume of transactions in these countries is expected to increase.

The residential and commercial property markets in the USA are forecast to develop favourably due to the good outlook for the American economy. Residential property is also likely to benefit from the stronger growth in pay that has been observed. The completion of new rental properties and the level already attained by rents can lead to weaker demand in the mid-term for rentable apartment complexes. The favourable development of the commercial property market in the USA will continue, especially in locations with above-average job growth. The financing markets for commercial and residential property will continue to be marked by high liquidity and strong competition among financing providers.

Against the background of the good overall conditions in our core markets, we are confident that we will also be able to expand our new business results in the second half of the year. As a result, we aim to achieve a higher volume of lending commitments in both the residential and commercial property areas of our business than we did in the previous year. In the area of residential property financing we anticipate, above all, gains in business brokered by our cooperative partner banks, as well as those generated by our collaboration with the Swiss PostFinance. We currently do not anticipate that we will be able to completely offset the declines noted in our business with independent providers of financial services in the first half of the year. We anticipate that we will be able to further expand especially our domestic financing business in the commercial property financing sector.

As planned, our liquidity requirements for the full year will amount to about € 7 billion. The Pfandbrief remains our most important refinancing instrument. For this reason we anticipate

that we will float at least one benchmark issue in the second half of the year.

Based on our favourable business performance to date, we anticipate that we will substantially achieve our planned objectives for 2015.

We are striving to achieve a higher net income for the 2015 business year than in the previous year.

BALANCE SHEET AS OF 30 JUNE 2015

ASSETS	30.06.2015	31.12.2014
€	€	€ 000
1. Cash reserve		
a) Cash on hand	12,493.63	23
b) Balances with Central Banks	15,453,561.61	10,463
of which		
with the Deutsche Bundesbank € 15,453,561.61		
	15,466,055.24	10,486
2. Claims on banks		
a) Mortgage loans	13,569,451.24	15,918
b) Public-sector loans	604,825,440.58	641,080
c) Other claims	3,144,277,238.85	2,906,814
of which		
payable on demand € 1,781,389,436.32		
	3,762,672,130.67	3,563,812
3. Claims on customers		
a) Mortgage loans	24,816,086,442.08	23,396,916
b) Public-sector loans	4,358,545,752.77	4,682,695
c) Other claims	103,070,516.94	98,023
	29,277,702,711.79	28,177,634
4. Bonds and other fixed income securities		
a) Bonds and notes	4,172,600,338.00	4,268,555
aa) Public-sector issuers € 1,401,289,248.99		(1,379,727)
of which		
eligible as collateral for		
Deutsche Bundesbank advances € 1,296,889,859.55		
ab) Other issuers € 2,771,311,089.01		(2,888,828)
of which		
eligible as collateral for		
Deutsche Bundesbank advances € 2,416,922,008.86		
b) Own bonds and notes	0.00	0
Nominal value € 0.00		
	4,172,600,338.00	4,268,555
Carried forward:	37,228,441,235.70	36,020,487

LIABILITIES, CAPITAL AND RESERVES

	30.06.2015	31.12.2014
	€	€ 000
1. Liabilities to banks		
a) Registered Mortgage Pfandbriefe issued	698,153,310.44	667,505
b) Registered Public Pfandbriefe issued	150,070,688.68	139,481
c) Other liabilities	4,985,039,352.58	4,794,669
of which		
payable on demand € 745,266,403.52		
delivered to lenders as collateral for		
loans received:		
registered Mortgage Pfandbriefe € 2,689.68		
	5,833,263,351.70	5,601,655
2. Liabilities to customers		
a) Registered Mortgage Pfandbriefe issued	7,671,478,418.84	7,219,208
b) Registered Public Pfandbriefe issued	3,224,805,212.81	3,473,274
c) Other liabilities	2,442,715,247.27	2,436,078
of which		
payable on demand € 4,039,938.53		
	13,338,998,878.92	13,128,560
3. Certificated liabilities		
a) Bonds issued	16,088,675,864.66	15,921,619
aa) Mortgage Pfandbriefe € 10,205,850,840.47		(9,888,223)
ab) Public Pfandbriefe € 2,109,039,372.85		(2,114,178)
ac) Other bonds and notes € 3,773,785,651.34		(3,919,218)
b) Other Certificated liabilities	309,975,749.81	4,992
of which		
Money market paper € 309,975,749.81		
	16,398,651,614.47	15,926,611
4. Liabilities incurred as trustee	37,590.49	45
of which		
Loans € 37,590.49		
5. Other liabilities	578,087,164.79	195,236
Carried forward:	36,149,038,600.37	34,852,106

ASSETS	30.06.2015	31.12.2014
€	€	€ 000
Brought forward:	37,228,441,235.70	36,020,487
5. Equities and other variable-yield securities	12,918,526.48	13,104
6. Investments and shares in cooperatives		
a) Investments	99,368,645.38	98,324
of which		
banks € 17,789,382.18		
b) Shares in cooperatives	18,500.00	19
of which		
in credit cooperatives € 15,500.00		
	99,387,145.38	98,343
7. Shares in affiliated companies	11,151,601.64	11,152
8. Assets held in trust	37,590.49	45
of which		
loans € 37,590.49		
9. Intangible assets		
Concessions acquired for consideration, commercial rights and similar rights and values, as well as licenses to these rights and values	9,008,812.34	10,582
	9,008,812.34	10,582
10. Tangible assets	71,907,596.52	72,613
11. Other assets	63,555,268.93	67,186
12. Deferred items		
a) From issuing and lending business	54,202,069.60	46,341
b) Other	2,501,955.95	243
	56,704,025.55	46,584
Total assets	37,553,111,803.03	36,340,096

LIABILITIES, CAPITAL AND RESERVES

	30.06.2015	31.12.2014
€	€	€ 000
Brought forward:	36,149,038,600.37	34,852,106
6. Deferred items		
from issuing and lending business	13,103,009.05	15,456
	13,103,009.05	15,456
7. Provisions		
a) Provisions for pensions and similar obligations	27,640,725.00	26,841
b) Provisions for taxes	5,652,764.07	368
c) Other provisions	25,366,593.24	24,913
	58,660,082.31	52,122
8. Subordinated liabilities	156,200,000.00	156,200
9. Profit-participation certificates	6,135,502.57	6,136
10. Fund for general banking risks	14,650,000.00	14,650
11. Capital and reserves		
a) Subscribed capital	857,582,024.87	943,241
aa) Members' capital contribution € 681,683,228.43		(667,342)
ab) Undisclosed investments € 175,898,796.44		(275,899)
b) Revenue reserves	283,838,340.75	283,838
ba) Legal reserves € 282,304,465.11		(282,304)
bb) Other revenue reserves € 1,533,875.64		(1,534)
c) Unappropriated profit	13,904,243.11	16,347
	1,155,324,608.73	1,243,426
Total liabilities, capital and reserves	37,553,111,803.03	36,340,096
1. Contingent liabilities		
Contingent liability on guarantees and indemnities	5,567,882.30	7,071
2. Other commitments		
Irrevocable loan commitments	3,193,491,792.77	2,750,100

INCOME STATEMENT

1 JANUARY THROUGH 30 JUNE 2015

		01.01 to 30.06.2015	01.01 to 30.06.2014
	€	€	€ 000
1. Interest income from		573,137,854.77	581,688
a) Lending and money market operations	511,217,495.59		509,436
b) Fixed-income securities and debt register claims	61,920,359.18		72,252
2. Interest expenses		467,190,176.91	500,069
3. Current income from		1,543,568.84	500
a) Participations and shares in cooperatives	1,543,568.84		500
4. Commissions received		2,539,098.13	5,182
5. Commissions paid		37,094,322.39	33,754
6. Other operating income		719,491.18	1,449
7. General administrative expenses		41,119,158.83	37,023
a) Personnel expenses		20,900,081.67	19,250
aa) Wages and salaries	17,516,957.17		(16,287)
ab) Social security contributions and cost of pensions and other benefits	3,383,124.50		(2,963)
of which:			
for pensions € 725,003.45			(585)
b) Other administrative expenses		20,219,077.16	17,773
8. Depreciation and write-downs of intangible and tangible assets		3,600,018.12	3,400
9. Other operating expenses		2,349,816.93	1,954
10. Write-downs on and adjustments to value to claims and certain securities, as well as additions to provisions for possible loan losses		5,133,258.15	11,544
11. Income from reversals of write-downs on participating interests, shares in affiliated companies and securities treated as fixed assets		2,017,882.21	15,638
12. Results from ordinary business activities		23,471,143.80	16,713
13. Taxes on revenue and income		9,769,698.92	5,573
14. Net income		13,701,444.88	11,140
15. Retained earnings brought forward from previous year		202,798.23	207
16. Unappropriated profit		13,904,243.11	11,347

NOTES TO THE INTERIM FINANCIAL STATEMENTS AS OF 30 JUNE 2015 (ABRIDGED)

GENERAL INFORMATION ON ACCOUNTING POLICIES

Münchener Hypothekbank eG's financial accounts for the first half of 2015 were prepared using the same methods used to prepare the balance sheet and determine valuations shown in the annual statement of accounts as of December 31, 2014. The classification of the income statement has been changed from account form to vertical form.

The explanations of the significant amendments of the items in the abridged balance sheet and abridged profit and loss statement were provided in the interim management report.

Tax expenses noted for the period January 1, 2015 to June 30, 2015 were calculated based on the weighted average of the annual tax rate on income.

We do not have any subsidiary companies or branch offices outside of Germany.

The annual fee due for the European bank levy was accounted for on a pro rata temporis basis for the first half of 2015.

AUDITING ASSOCIATION

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

Munich, 31 July 2015
MÜNCHENER HYPOTHEKENBANK eG
Board of Management



Dr. Louis Hagen



Bernhard Heinlein



Michael Jung

CERTIFICATION FOLLOWING REVIEW

To Münchener Hypothekbank eG, Munich

We have conducted a review of the abridged interim financial statements – comprising the balance sheet, the income statement, as well as the abridged notes to the financial statements and the interim management report of Münchener Hypothekbank eG, Munich, for the period 1 January to 30 June 2015, all of which are elements of the interim financial statements pursuant to Art. 37w Securities Trading Act (WpHG). The preparation of the abridged interim financial statements in accordance with German commercial law, and the interim management report pursuant to the applicable terms of the WpHG, are the responsibility of the cooperative's legal representatives. Our responsibility is to issue a certificate for the abridged interim financial statements and the interim management report based on our review.

We have conducted our review of the abridged interim financial statements and interim management report in accordance with the generally accepted German standards for the review of financial statements promulgated by the Institute of Public Auditors in Germany. These standards require that we plan and perform the review so that, by way of a critical assessment, we can exclude with a reasonable measure of certainty that the principal elements of the abridged interim financial statements have not been drawn up in conformity with the German commercial rules, and that the principal elements of the interim management report have not been drawn up in conformity with the WpHG regulations applicable to the interim management report. A review is limited primarily to interviewing the personnel of the cooperative and to analytical assessments and therefore does not achieve the level of certainty provided by an audit cannot be achieved. As we were not assigned to conduct an audit we cannot issue an audit certificate.

Based on the information gained from our review, we are unaware of any circumstances that could lead us to the conclusion that principal elements of the abridged interim financial statements were not drawn up in conformity with the requirements

of German commercial law, or that the principal elements of the interim management report were not drawn up in conformity with the applicable terms of the WpHG

Berlin, 31 July 2015

DGRV – Deutscher Genossenschafts- und Raiffeisenverband e.V.

Dieter Gahlen
Auditor

Thorsten Schraer
Auditor

AFFIRMATION OF THE LEGAL REPRESENTATIVES

To the best of our knowledge and in accordance with applicable reporting principles for interim financial reporting, the interim financial statements give a true and fair view of the assets, liabilities, financial position and earnings situation of the company, and the interim management report of the company includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal opportunities and risks associated with the anticipated development of the company for the remaining business year.

Munich, 31 July 2015

MÜNCHENER HYPOTHEKENBANK eG
Board of Management



Dr. Louis Hagen



Bernhard Heinlein



Michael Jung

BODIES

BOARD OF MANAGEMENT

Dr. Louis Hagen, Spokesman
Bernhard Heinlein
Michael Jung

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Volksbank Lingen eG

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VR-Bank Bonn eG

Dr. Peter Ramsauer ... Traunwalchen
Master Craftsman (Miller)

Erich Rödel ... Ingolstadt (until 18.04.2015)
Bank director (ret.)

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[Deputy Chairman](#)

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[Deputy Chairman](#)

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MEMBERS OF THE DELEGATES MEETING

Hermann Arens ... Bank director (ret.)
Dr. Wolfgang Baecker ... Bank director
Manfred Basler ... Bank director (ret.)
Claus-Rüdiger Bauer ... Bank director (ret.)
Norbert Beek ... Bank director (ret.) (until May 2015)
Heinrich Beerenwinkel ... Bank director
Dr. Christoph Berndorff ... Bank director (ret.)
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Dietmar Bock ... Managing director
Helmut Böing ... Bank director
Dr. Christine Bortenlänger ... Executive Member
of the Board of Management
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Gebhard Brennauer ... Bank director (ret.)
Peter Bromberger ... Bank director (ret.)
Eckhard Dämon ... Bank director (ret.)
Lothar Erbers ... Bank director (ret.)
Johann Fuhlendorf ... Bank director
Klaus Graniki ... Managing director
Markus Gschwandtner ... Bank director
Eberhard Heim ... Bank director
Gottlob Heller ... Bank director (ret.)
Joachim Hettler ... Bank director
Dr. Christoph Hiltl ... Attorney
Karl Hippeli ... Bank director (ret.)
Carsten Jung ... Bank director
Jürgen Jung ... Legal advisor

Norbert Kaufmann ... Bank director
Herbert Kellner ... Bank director
Klaus Korte ... Bank director (ret.)
Roland Kuffler ... Businessman
Helmuth Lutz ... Bank director
Michael Müller ... Attorney
Dr. Hans-Wolfgang Neumann ... General Manager
Thomas Petersen ... Bank director
Klaus Pohl ... Managing director
Josef Pöhl ... Bank director (as of 5 May 2015)
Frank Ritter ... Attorney, Notary
Christian Scheinert ... Bank director (ret.)
Dr. Martin Schilling ... Bank director
Andreas Schmidt ... Certified Property Specialist
Hans Schmitt ... Bank director (ret.)
Klaus Otmar Schneider ... Bank director
Thorsten Schwengels ... Bank director
Wolfgang Siemers ... Managing director
Jörg Stahl ... Bank director
Theo Stauder ... Bank director (ret.)
Dr. Rainer Sturies ... Attorney
Ulrich Tolksdorf ... Bank director
Martin Trahe ... Bank director
Birgit Türschmann ... Bank director
Florian Uhl ... Managing director
Heinz-Walter Wiedbrauck ... Bank director (ret.)
Michael Zaigler ... Managing director

IMPRINT

CONTENTS

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

COORDINATION

Board of Management Staff | Organisation |
Human Resources
Münchener Hypothekenbank eG

CONCEPT | DESIGN

Hillert und Co. Werbeagentur GmbH
Ungererstr. 129 | 80805 Munich
www.hillertundco.de

PRINTING

deVega Medien GmbH
Anwaltinger Strasse 10 | 86165 Augsburg
www.deVega.de

DISCLAIMER REGARDING FORWARD-LOOKING STATEMENTS

The Outlook as well as other sections of the Interim Report contains forward-looking statements related to future expectations and anticipated events. These forward-looking statements, especially those concerning the development of MünchenerHyp's business and financial performance, are based on planned expectations and estimates and are subject to risks and uncertainties. For this reason actual results may differ materially from currently predicted figures.



Volksbanken Raiffeisenbanken
cooperative financial network

Münchener Hypothekenbank eG
Karl-Scharnagl-Ring 10 | 80539 Munich
PO Box 22 13 51 | 80503 Munich
Phone +49 89 5387 - 800
Fax +49 89 5387 - 900
Serviceteam800@muenchenerhyp.de
www.muenchenerhyp.de