



Press Release

MünchenerHyp expands dynamically and strengthens capital resources

- New business grows by 23 percent to € 4.4 billion setting new record
- Net interest income and net commission income also rise notably by 17 percent to € 110.5 million
- Equity capital strengthened - common equity Tier 1 capital ratio at 12.5 percent as of December 31, 2014

Munich, April 14, 2015 – Münchener Hypothekenbank eG recorded further growth in almost all of its areas in the 2014 business year. The Bank's new business results set a new record and totalled € 4.4 billion or 23 percent more, which was greater than expected. This increase meant that the Bank was able to once again significantly expand its results based on the growth it recorded in previous years. "Our new business was the engine driving our growth course during the 2014 business year. Despite numerous regulatory burdens we were able to notably improve our market position. These are good prerequisites for MünchenerHyp to advance even further", said Dr. Louis Hagen, Spokesman for the Münchener Hypothekenbank's Board of Management, during today's annual results press conference in Munich.

Private residential property financing recorded particularly dynamic growth. The Bank posted growth of 28 percent in this area of business, which amounted to about € 3.4 billion. The majority of the strong increase seen in 2014 was generated by business brokered by banks within the Cooperative Financial Network. New business in the area of commercial property finance – including the Bank's financing business with housing companies – advanced by 8 percent to about € 1.1 billion. The risk situation in the Bank's credit business did not change and remained stable. Provisions made for risks remained moderate.

MünchenerHyp's refinancing needs were sharply lower in 2014 as less paper matured during the year. We obtained a total of € 3.4 billion in refinancing funds from the capital markets via covered and uncovered securities. The Bank very successfully placed two large volume issues during the year. One of these was a sustainable Mortgage Pfandbrief, which marked the world premiere for this category of Pfandbrief in the capital market. Investor response to the new kind of Pfandbrief was enormous. Since then the new issue has received numerous awards.



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Total assets rose by € 1.4 billion to € 36.3 billion as of December 31, 2014. The portfolio of mortgage loans grew by € 2 billion to € 23.4 billion, of which domestic residential property loans alone accounted for € 1.9 billion. In accordance with the Bank's business and risk strategy, the portfolio of outstanding loans to the public-sector and banks decreased from € 10.3 billion to € 9.4 billion.

The favourable development of new business recorded in previous years also strengthened MünchenerHyp's earnings situation as net interest income surged by almost 19 percent to € 170.6 million in 2014. The good new business results are also linked to higher commissions paid. Nevertheless, net interest income and net commission income gained by 17 percent to € 110.5 million. Total administrative expenses rose by € 8 million to € 81.5 million. The increase was primarily driven by significantly expanded regulatory requirements. Results from operations after deducting provisions for risk soared by 30 percent to € 26.8 million. After allocating € 5.4 million to contingency reserves and deducting € 5.2 million for taxes, annual net income amounted to € 16.1 million (previous year: € 6.7 million).

MünchenerHyp made a substantial improvement of its level of equity capital in the 2014 business year. Above all, this took place to meet the European Central Bank's requirements for common equity Tier 1 capital for banks which are under its direct supervision. To achieve this objective MünchenerHyp raised capital by selling shares in the cooperative for a total of € 415 million. As a result, the Bank's common equity Tier 1 capital ratio improved to 12.5 percent (previous year: 6.9 percent) on December 31, 2014, while its core capital ratio rose to 14.2 percent (previous year: 11.7 percent) and its total capital ratio climbed to 18.3 percent (previous year: 16.7 percent). "Our level of equity capital is more than sufficient. We very clearly meet the minimum regulatory requirements and in addition have enough scope to continue on our course of growth," said Dr. Louis Hagen.

MünchenerHyp plans to further expand its new business during the current business year as demand for property financing remains high. Dr. Hagen further noted that, "currently we are primarily concerned about the proliferation of regulatory requirements, and especially their impact on us as a mid-sized financial institution. We plan to offset the related burdens by further increasing MünchenerHyp's earnings power". For this reason the Bank is also striving to achieve a further increase its net interest income.



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| Business Development* | 2014 | 2013 | Change |
|------------------------------------|-------------|-------------|---------------|
| | € millions | € millions | % |
| Lending Business | 5,297 | 4,170 | 27 |
| - Mortgage loans | 4,436 | 3,618 | 23 |
| - Loans to public sector and banks | 861 | 552 | 56 |
| Refinancing funds obtained | 3,393 | 7,547 | -55 |

Balance Sheet*

| | | | |
|--|--------|--------|-----|
| Total assets | 36,340 | 34,899 | 4 |
| Mortgage loans | 23,556 | 21,522 | 9 |
| Loans to public sector and banks | 9,421 | 10,271 | -8 |
| MBS | 8 | 13 | -38 |
| Pfandbriefe and other promissory notes | 31,117 | 31,048 | 0 |
| Liable equity capital | 1,378 | 1,251 | 10 |

Income Statement*

| | | | |
|---|-----|----|-----|
| Net interest income and net commission income | 111 | 94 | 17 |
| Administrative expenses | 82 | 74 | 11 |
| Results from operations before deducting provisions for risks | 27 | 22 | 21 |
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| Transfer to the Fund for General Banking Risks | -5 | -5 | 0 |
| Net income | 16 | 7 | 129 |

| Employees | number | number | |
|--------------------------------------|---------------|---------------|----|
| Average number of employees per year | 462 | 436 | 6 |
| Apprenticed trainees | 18 | 15 | 20 |

* Amounts have been rounded