

Press Release

MünchenerHyp's new property financing business exceeds € 5 billion for the first time

- New business increases by 2.5 percent to € 5.1 billion
- Net interest income rises by about 10 percent to € 256.6 million
- Loan portfolio expands by 5 percent to € 29.2 billion
- Paid-up capital exceeds 1 billion euros, Common Equity Tier 1 capital ratio up by 0.9 percentage points to 23.8 percent

Munich, 16 April 2018 – Münchener Hypothekbank eG set a new record for property financing in its 2017 business year. The Bank's new mortgage finance business exceeded the € 5 billion euro mark for the first time and totalled € 5.1 billion. "Our new business results again benefited from the unbroken favourable situation in the property markets. This allowed us to further strengthen our market position as planned," said Dr. Louis Hagen, Chairman of the Münchener Hypothekbank's Board of Management.

Earnings power rises further

The favourable development of the Bank's new business results also lifted MünchenerHyp's earnings as net interest income rose by about 10 percent to € 256.6 million. Commission expenses were at the previous year's level and contributed to a 14 percent increase in the net interest income and net commission income figure, which climbed to € 182.1 million. Provisions for lending risks were again at a low level reflecting the Bank's continued risk-aware approach to new business. Results from ordinary business activities rose by 26 percent to € 85.1 million. After allocation of € 5.0 million to the Fund for General Banking Risks, and a tax expense of € 33.8 million, annual net income surged by 45 percent to € 46.3 million.

New business results continue to develop favourably

MünchenerHyp's good new business results are mainly due to the consistently high level of brokered loans for private residential property since 2014. In this area of business the Bank made € 3.2 billion in new loan commitments in 2017 following € 3.3 billion recorded in the previous year. The figure for loans brokered by banks within the Cooperative Financial Network amounted to € 2.4 billion and was very close to the previous year's level. The Bank's business with independent providers of financial services expanded by 8 percent to € 419 million. In



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contrast, the volume of loans brokered by Swiss PostFinance declined by about € 50 million to € 373 million due to tougher price competition.

The Bank's new commercial property finance business rose by 13 percent to € 1.9 billion with gains recorded in Germany and other European markets. In addition, the Bank re-entered the US-American market and began to conduct new business there. The Bank also expanded its syndication activities including strengthening efforts to increase the participation of institutions within the Cooperative Financial Network.

The risk situation in the credit business remained stable allowing provisions for risk to remain moderate as in previous years.

Heavy demand for Pfandbrief issues

Investor demand for MünchenerHyp's Pfandbriefe was also very high last year. Two Benchmark Mortgage Pfandbrief issues the Bank placed in 2017 stand out in particular. The first was a € 500 million Mortgage Pfandbrief with a term of ten years, which was tapped a few months later by an additional € 250 million. The second benchmark issue had a term of nine years and two months, and was greeted by such high demand that MünchenerHyp quickly decided to increase its volume to € 750 million.

Among MünchenerHyp foreign-currency denominated issues a benchmark Mortgage Pfandbrief with a volume of CHF 100 million and a term of 15 years caused a commotion in the markets. The issue's interest rate discount was 8 basis points below the domestic Swiss franc mid-swap rate making it the highest discount ever achieved by a foreign issuer of covered bonds in the Swiss capital market.

Portfolios expand further – paid-up capital rises to over 1 billion euros

Total assets rose € 0.4 billion to € 38.9 billion on 31 December 2017. The Bank's portfolio of mortgage loans increased by € 1.4 billion to 29.2 billion. Private residential property financing was the strongest growing segment of our business as it increased by € 1 billion. In accordance with the business and risk strategy of MünchenerHyp, the portfolio of loans and securities related to the business with the public-sector and banks declined further from to € 5.7 billion (previous year € 6.8 billion).

MünchenerHyp's solid foundation of equity capital improved further in the 2017 business year. For the first time in the history of MünchenerHyp, its members' paid-up capital rose to over € 1 billion. "This is a great demonstration of the trust our members have in MünchenerHyp's business policy," noted Dr. Louis Hagen. Paid-up capital represents a significant portion of the Bank's Common Equity Tier 1 capital. MünchenerHyp's Common Equity Tier 1 capital ratio increased by 0.9 percentage points in 2017 to 23.8 percent as of 31 December 2017. The Tier 1



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capital ratio was also 23.8 percent on the same date (previous year 22.9 percent) while the total capital ratio was 25.2 percent (previous year 24.5 percent). The leverage ratio was 3.4 percent on 31 December 2017.

Outlook: Continuation on course of growth

MünchenerHyp expects that the good demand seen for property and property financing will continue in the current business year as interest rates will remain attractive. In view of this background the Bank also anticipates that competition in the property finance business will intensify even further, especially in the area of lending conditions. “The overall conditions are becoming more demanding. However, we anticipate that even in this environment we will be able to continue our growth strategy,” said Dr. Louis Hagen.

For additional information please contact:

Dr. Phil Zundel
Head of Board of Management Staff | Organisation |
Human Resources
Münchener Hypothekenbank eG
Karl-Scharnagl-Ring 10, 80539 Munich
Telephone +49 89 5387-319
Telefax +49 89 5387-77319
E-Mail: Phil.Zundel@muenchenerhyp.de

Dr. Benno-Eide Siebs
Press Officer
Board of Management Staff | Organisation |
Human Resources
Münchener Hypothekenbank eG
Karl-Scharnagl-Ring 10, 80539 Munich
Telephone +49 89 5387-314
Telefax +49 89 5387-77314
E-Mail: Benno-Eide.Siebs@muenchenerhyp.de

Business Development*	2017	2016	Change
	€ millions	€ millions	%
Lending Business	5,079	5,039	1
- Mortgage loans	5,054	4,930	3
- Loans to public sector and banks	25	109	-77
Refinancing funds obtained	5,573	4,957	12

Balance Sheet*

Total assets	38,905	38,509	1
Mortgage loans	29,227	27,809	5
Loans to public sector and banks	5,736	6,760	-15
Pfandbriefe and other promissory notes	34,087	32,750	4
Liable equity capital	1,391	1,343	4

Income Statement*

Net interest income and net commission income	182	159	14
Administrative expenses	100	92	8
Results from operations before deducting provisions for risks	79	64	24
Results from ordinary business activities	85	67	26
Transfer to the Fund for General Banking Risks	-5	-7	-29
Net income	46	32	45

Employees

	number	number	
Average number of employees per year	509	493	3
Apprenticed trainees	11	15	-27

* Amounts have been rounded