MünchenerHyp

Press Release

# MünchenerHyp further expands its record results

- Net interest income and net commission income rises to € 159 million (previous year: € 155 million)
- New business almost up to € 5 billion
- Mortgage loan portfolio expands to € 27.8 billion (previous year: € 25.7 billion )
- Equity capital further strengthened: Common Equity Tier 1 capital ratio increased to 22.9 percent (previous year: 17.3 percent)

Munich, 10 April 2017 – Münchener Hypothekenbank eG remained on its path for growth in the 2016 business year. The property financier further expanded its new business results while strengthening its earning power and level of equity capital. "We are very pleased with the results we achieved in the previous business year. In an increasingly tougher competitive situation we have successfully advanced forward with our innovative financing solutions", said Dr. Louis Hagen, Chairman of the Münchener Hypothekenbank Board of Management.

MünchenerHyp surpassed its own expectations as it posted record new mortgage business results for the third year in a row. We had set ourselves the goal of holding the previous year's record. However, we are more than pleased that we were actually able to surpass these results once again", noted Dr. Louis Hagen. New business grew by 1.6 percent to € 4.93 billion (previous year: € 4.85 billion).

About two-thirds of new business (€ 3.27 billion) was accounted for by the private residential financing business. In this area the Bank was able, above all, to expand its brokerage business with banks within the Cooperative Financial Network as well as with independent providers of financial services. The volume of lending commitments generated by the Volksbanken, Raiffeisenbanken, Sparda Banken and PSD Banken within the Cooperative Financial Network rose by 2.4 percent to € 2.45 billion. The bank was able to grow sales originated by independent providers of financial services by over 15 percent to about € 400 million. Working together with its Swiss partner, Swiss PostFinance, both partners significantly bolstered their marketing activities to strengthen sales in a residential property market that developed less dynamically than in previous years. These efforts made it possible to hold new business stable at € 430 million.

The commercial property financing business also developed favourably as the volume of lending commitments made gained slightly to € 1.66 billion. The risk situation in the credit business remained stable. As in previous years, provisions made for risk remained moderate.

MünchenerHyp successfully covered its refinancing needs. During the previous year the Bank issued two large volume Mortgage Pfandbriefe, including one for US $ 600 million. The Bank increased its total volume of non-euro refinancing, which accounted for about 40 percent of the refinancing volume for covered bonds. And for one of these issues – a Swiss franc denominated Mortgage Pfandbrief – the Bank received the renowned mtn-i “Deal of the Year” award.

Driven by strong new business results, total assets rose by € 0.4 billion to € 38.5 billion on 31 December 2016. The portfolio of mortgage loans grew by € 2.1 billion to € 27.8 billion. A large portion (€ 1.8 billion) of the gain was generated by the private residential financing area of business. In accordance with the Bank’s business and risk strategy, its credit portfolio with the public-sector and banks declined further to € 6.8 billion (previous year € 8.2 billion).

Looking ahead to the coming regulatory requirements – above all the introduction of the leverage ratio in 2019 – MünchenerHyp further strengthened its already very solid level of equity capital. Banks within the Cooperative Financial Network played a particularly important role here as they increased their investment in MünchenerHyp. The Bank raised about € 250 million in equity capital through its efforts. Thus, on 31 December 2016 the Bank had a Common Equity Tier 1 capital ratio of 22.9 percent (previous year: 17.3 percent). The Tier 1 capital ratio was also 22.9 percent (previous year 19.5 percent) on the same date, while the total capital ratio was reported as 24.5 percent (previous year 24.2 percent). This means that based on today’s perspective, MünchenerHyp is capable of meeting the leverage ratio with a ratio of 3.35 percent.

Net interest income rose by € 11.9 million to € 233.4 million. The successful new business results led to a notable increase in commission expenses, which in turn resulted in a slightly slower pace of growth in net interest income and net commission income of € 4.5 million to € 159.2 million. Operating results after deduction of provisions for risk rose by € 11 million to € 67.3 million. After allocating about € 7.0 million to the Fund for General Banking Risks, and deducting € 28.4 million for taxes, annual net income amounted to € 31.9 million (previous year € 22.2 million).

MünchenerHyp also wants to grow sustainably in the current business year and strengthen its position in both the residential and commercial property financing business areas. “To achieve this objective we will intensify and further expand our marketing and sales activities with our partners. The conditions to achieve this remain favourable. Currently, there is no end in sight for the period of low interest rates and the associated heavy demand for property, and especially long-term property financing”, said Dr. Louis Hagen. For this reason the Bank intends to further raise its results.

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MünchenerHyp

| Business Development * | 2016<br>€ millions | 2015<br>€ millions | Change<br>% |
|---|---|---|---|
| Lending Business | 5,039 | 5,521 | -9 |
| - Mortgage loans | 4,930 | 4,850 | 2 |
| - Loans to public sector and banks | 109 | 671 | -84 |
| Refinancing funds obtained | 4,957 | 7,864 | -37 |
| **Balance Sheet *** | | | |
| Total assets | 38,509 | 38,099 | 1 |
| Mortgage loans | 27,.809 | 25,678 | 8 |
| Loans to public sector and banks | 6,760 | 8,235 | -18 |
| Pfandbriefe and other promissory notes | 32,750 | 32,136 | 2 |
| Liable equity capital | 1,343 | 1,372 | -2 |
| **Income Statement*** | | | |
| Net interest income and net commission income | 159 | 155 | 3 |
| Administrative expenses | 92 | 89 | 3 |
| Results from operations before deducting provisions for risks | 64 | 61 | 3 |
| Results from operations after deducting provisions for risks | 67 | 56 | 20 |
| Transfer to the Fund for General Banking Risks | -7 | -8 | -16 |
| Net income | 32 | 22 | 44 |
| **Employees** | number | number | |
| Average number of employees per year | 493 | 493 | 0 |
| Apprenticed trainees | 15 | 20 | -25 |

* Amounts have been rounded