
Notes.



NOTES 2016

GENERAL INFORMATION ON ACCOUNTING POLICIES

The Münchener Hypothekenbank eG annual financial statement as of December 31, 2016 was prepared in accordance with the provisions of the German Commercial Code (HGB), in conjunction with the accounting regulation for banks and financial service institutions (RechKredV), and in accordance with the rules contained in the Cooperatives Act (GenG) and the Pfandbrief Act (PfandBG).

All claims are stated at nominal amounts in accordance with Art. 340e (2) of the German Commercial Code. The difference between the amounts disbursed and the nominal amount is shown under deferred items. All identifiable individual credit risks are covered by specific value adjustments and provisions set up against claims for repayment of principal and payment of interest. Contingent risks are covered by general value adjustments. In addition, contingency reserves were formed pursuant to Art. 340f of the German Commercial Code.

Securities held in the liquidity portfolio are strictly valued at the lower of cost or market principle. The present value corresponds to the current exchange or market price.

Securities held as fixed assets, which were mainly acquired as cover for Public Pfandbriefe and for other coverage purposes, are valued at their cost of purchase. Discounts and premiums are recognised as interest income or expense over the residual life of the securities. Securities associated with swap agreements are valued together with these agreements as a single item. To the extent that derivatives are used to hedge risks they are not valued individually. As in the previous year, securities held as fixed assets in the business year, and which were not subject to a sustained decrease in value, are valued in accordance with the modified lower of cost or market principle. In cases involving securities treated as fixed assets where a permanent decrease in value is anticipated, the write-down to the fair value takes place on the balance sheet date.

Borrowed securities do not appear on the balance sheet.

In accordance with the rules pertaining to the valuation of fixed assets, participations and holdings in affiliated companies are valued at their cost of purchase. Depreciation is taken on those assets where the reduction in value is expected to be long-term. Participations of current assets are shown under the item "Other assets".

Intangible assets and tangible assets are valued at cost or production costs less accumulated depreciation. Planned depreciation was taken in accordance with normal useful lifetimes. Minor value assets were treated in accordance with tax rules.

Existing deferred taxes arising due to temporary differences between values calculated for trading and tax purposes are cleared. A backlog of deferred tax assets is not recorded in the balance sheet.

Liabilities are shown at their settlement value. Zero bonds are carried in the accounts at the issuing price plus earned interest based on the yield at the time of purchase in accordance with the issuing conditions. The difference between the nominal amount of liabilities and the amount disbursed is shown under deferred items. Based on the principles of prudent business practice, provisions have been made for uncertain liabilities in the amount of settlement value of these liabilities. Provisions with a remaining term of more than one year were discounted using the commensurate average rate of market interest rates. Provisions made for pension obligations are calculated based on the Projected Unit Credit Method, a discount rate of 4.01 percent and a 2.5 percent rate of salary growth, as well as a 2.0 percent rate of pension growth. The calculation is made on the basis of "Guideline tables 2005 G" prepared by Prof. Klaus Heubeck. In accordance with the terms of Art. 253 (2) of the German Commercial Code the average market rate of interest of the last 10 business years (previous year: last 7 business years) is used for discount purposes with an assumed remaining term to maturity of 15 years.

Per the terms of Art. 256a of the German Commercial Code, monetary assets and liabilities denoted in foreign currencies are translated at the European Central Bank's exchange rate valid on the balance sheet date. Income realised from the translation of particularly covered foreign currency positions is carried under net interest income. Costs and income are valued at the individual daily exchange rate.

Negative interest on financial assets or financial liabilities has been deducted from the related interest income items or interest expense items shown on the Income Statement.

NOTES TO THE BALANCE SHEET INCOME STATEMENT

MATURITY ANALYSIS BY RESIDUAL TERM ASSETS

	31 Dec. 16 € 000	31 Dec. 15 € 000
Claims on banks	2,979,227	3,495,900
≤ Three months	2,632,845	2,933,728
> Three months ≤ one year	111,939	139,437
> One year ≤ five years	126,716	312,809
> Five years	107,727	109,926
Claims on customers	31,351,715	29,522,012
≤ Three months	650,678	685,843
> Three months ≤ one year	1,422,099	1,436,722
> One year ≤ five years	7,177,370	7,226,919
> Five years	22,101,568	20,172,528
Bonds and other fixed-income securities ≤ one year	442,686	666,572

LIABILITIES, CAPITAL AND RESERVES

	31 Dec. 16 € 000	31 Dec. 15 € 000
Liabilities to banks	4,605,866	4,895,282
≤ Three months	1,680,548	1,759,064
> Three months ≤ one year	407,394	610,009
> One year ≤ five years	1,343,252	1,355,591
> Five years	1,174,673	1,170,618
Liabilities to customers	14,990,984	14,329,973
≤ Three months	997,271	709,817
> Three months ≤ one year	620,000	669,750
> One year ≤ five years	1,800,069	1,766,045
> Five years	11,573,644	11,184,361
Certificated liabilities	16,927,658	16,965,176
Bonds issued		
≤ Three months	391,464	1,416,388
> Three months ≤ one year	1,835,424	1,366,153
> One year ≤ five years	8,477,652	7,163,781
> Five years	5,523,500	6,452,000
Other certificated liabilities		
≤ Three months	286,495	232,982
> Three months ≤ one year	413,123	333,872

CLAIMS ON AND LIABILITIES TO COMPANIES IN WHICH PARTICIPATING INTERESTS ARE HELD

	31 Dec. 16 € 000	31 Dec. 15 € 000
Claims on		
Banks	802,065	28,799
Customers	0	0
Liabilities to		
Banks	296,904	150,575
Customers	0	0

CLAIMS ON AND LIABILITIES TO AFFILIATED COMPANIES

	31 Dec. 16 € 000	31 Dec. 15 € 000
Claims on customers	718	733
Liabilities to customers	6	6

SECURITIES MARKETABLE ON THE STOCK EXCHANGE

Asset category	31 Dec. 16 € 000		31 Dec. 15 € 000	
	listed	unlisted	listed	unlisted
Bonds and other fixed-income securities	2,720,214	173,269	3,715,210	191,723
Shares and other non-fixed-income securities	8,050	0	8,070	0
Participations	0	7,916	0	2,750

SUBORDINATED ASSETS

	31 Dec. 16 € 000	31 Dec. 15 € 000
Bonds and other fixed-income securities	22,400	22,400
Shares and other non-fixed-income securities	8,050	8,070

TRADING BOOK

As at 31.12.2016 the portfolio contained no financial instruments used in the trading book. During the year under review no changes were made to the Bank's internal criteria for including financial instruments in the trading portfolio.

DEVELOPMENT OF FIXED ASSETS

	Acquisition and production costs	Changes total +/- *)											Net book value on 31 Dec. 16	Net book value on 31 Dec. 15
Bonds and other fixed-income securities	3,945,223	-1,008,967											2,936,256	3,945,223
Shares and other non fixed-income securities	8,070	-20											8,050	8,070
Participations and shares in cooperatives	99,387	5,167											104,554	99,387
Shares in affiliated companies	11,152	0											11,152	11,152
	Acquisition and production costs at start of business year	Additions during business year	Disposals during business year	Transfers during business year	Acquisition and production costs at end of business year	Accumulated depreciation at start of business year	Depreciation during business year	Additions during business year	Changes in legal depreciation taken related to			Accumulated depreciation at end of business year	Net book value on 31 Dec. 16	Net book value on 31 Dec. 15
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	Additions	Disposals	Transfers	€ 000	€ 000	€ 000
Intangible assets	37,969	876	6,263	0	32,582	30,304	4,201	0	0	6,263	0	28,242	4,340	7,665
Concessions acquired for consideration, commercial rights and similar rights and values, as well as licenses to these rights and values	37,969	876	6,263	0	32,582	30,304	4,201	0	0	6,263	0	28,242	4,340	7,665
Tangible assets	104,058	1,342	6,735	0	98,665	32,330	1,966	0	0	6,721	0	27,575	71,090	71,728

*) The Bank has exercised the option, available under Art. 34 (3) of the accounting regulation for banks and financial services institutions, to combine certain items.

As of the balance sheet date there was no indication that the present value of the Bank's participations and capital holdings at cooperatives, holdings in affiliated companies, as well as the value of shares and other non-fixed-income securities was less than their book values. The item "Bonds and other fixed-income securities" includes securities with a book value of € 1,086,213 (thousand) (previous year € 1,890,324 (thousand)) exceeding the present value of € 1,075,049 (thousand) (previous year € 1,868,108 (thousand)). To the extent that these securities are associated with a swap transaction, they are valued together with the transaction as a single item.

Securities held as fixed assets in the business year, and which are not expected to be subject to a permanent impairment in value, are valued in accordance with the moderated lower of cost or market principle. In light of our intention to hold these securities until they mature, we generally assume that market price-related decreases in value will not become effective and that securities will be repaid in full at their nominal value at maturity.

SHAREHOLDINGS

	Percentage of capital held	Equity in € 000	Profit/Loss in € 000
M-Wert GmbH, Munich*	100.00	422	260
Immobilien-service GmbH der Münchener Hypothekenbank eG (M-Service), Munich (profit transfer agreement)**	100.00	509	216
Nußbaumstrasse GmbH & Co. KG, Munich*	100.00	11,218	259

* Annual financial statements 2015, ** Annual financial statements 2016

TRUST TRANSACTIONS

	31 Dec. 16 € 000	31 Dec. 15 € 000
Assets held in trusts		
Claims on customers	21	31
Liabilities incurred as trustee		
Liabilities to banks	21	31

TANGIBLE ASSETS

The portion of the total value attributable to the land and buildings used by the Bank is € 58,772 (thousand) (previous year € 59,730 (thousand)), and of plant and office equipment € 2,340 (thousand) (previous year € 1,831 (thousand)).

OTHER ASSETS

The item "Other assets" includes deferred items of € 36,222 (thousand) related to the derivative business, and € 46,032 (thousand) in commissions for mortgage loans that will be paid after the balance sheet date. In addition, this item also includes a participation held for sale recorded at € 6,326 (thousand) and tax claims of € 3,539 (thousand). Furthermore, this item also includes € 5,732 (thousand) in cash collateral pledged within the framework of the banking levy.

DEFERRED ITEMS FROM THE ISSUING AND LOAN BUSINESS

	31 Dec. 16 € 000	31 Dec. 15 € 000
Assets side 12.		
Discount from liabilities	41,224	47,379
Premium from claims	5,061	6,242
Other deferred charges	0	528
Liabilities side 6.		
Premium from liabilities	18,911	6,581
Discount from claims	4,623	5,856
Other deferred income	6	16

DEFERRED TAXES

Deferred tax liabilities mainly result from the low valuation of bank buildings taken for tax purposes. Deferred tax assets arise from provisions made for pensions, and the different methods used to value premiums from swap options that were exercised. The remaining backlog of deferred tax assets arising after clearing is not recorded in the balance sheet.

ASSETS PLEDGED TO SECURE LIABILITIES

Within the framework of open market deals with the European Central Bank, securities valued at € 500,000 (thousand) (previous year € 691,000 (thousand)) were pledged as collateral to secure the same amount of liabilities. The book value of the pledged assets (genuine repurchase agreements) was € 0 (previous year € 22,580 (thousand)). Within the framework of security arrangements for derivative transactions, cash collateral of € 2,231,773 (thousand) (previous year € 2,407,190 (thousand)) was provided. Securities valued at € 14,588 (thousand) (previous year € 14,068 (thousand)) were pledged to secure pension obligations and requirements of the partial retirement model for older employees. Securities valued at € 18,000 (thousand) (previous year € 30,000 (thousand)) were pledged to secure financial aid obligations within the framework of a Contractual Trust Arrangement (CTA). Pursuant to Art. 12 para. 5 of the Restructuring Fund Act (Restrukturierungsfondsgesetz – RStruktFG) € 5,732 (thousand) in cash collateral has been pledged.

OTHER LIABILITIES

The item "Other liabilities" consists of € 337,210 (thousand) for deferred items and adjustment items for valuation of foreign currency items, and € 65,752 (thousand) related to derivative transactions as well as, above all, liabilities valued at € 2,548 (thousand) for accrued interest related to silent participations.

PROVISIONS

The period under review used for defining the average market rate of interest used to calculate provisions for pension obligations was increased from 7 to 10 years. The conversion resulted in a positive contribution to income of € 2,789 (thousand), which is barred from being distributed.

SUBORDINATED LIABILITIES

Subordinated liabilities incurred interest expenses of € 8,704 (thousand) (previous year € 8,720 (thousand)). Subordinated liabilities which individually exceed 10 percent of the overall statement amount to:

Nominal amount	Currency	Interest rate	Maturity date
20,000,000.00	Euro	6.02 %	20.03.2018

The instruments comply with the provisions of Art. 63 of the Capital Requirements Regulation (CRR).

Premature repayment obligations are excluded in all cases. The conversion of these funds into capital or other forms of debt has not been agreed upon nor is foreseen. Reporting on the balance sheet is shown at nominal value.

PROFIT-PARTICIPATION CAPITAL

Profit-participation capital in the nominal amount of € 6,136 (thousand) (previous year € 6,136 (thousand)) includes four profit-participation certificates bearing fixed rates of interest. It fulfils the requirements of Art. 63 CRR with a value of € 6,136 (thousand) (previous year € 6,136 (thousand)).

MEMBERS' CAPITAL CONTRIBUTIONS

Members' capital contributions disclosed under capital and reserves item 11aa) consisted of:

	31 Dec. 16 €	31 Dec. 15 €
Capital contributions	955,961,431.48	705,334,408.43
a) of remaining members	952,925,251.48	698,260,278.43
b) of former members	2,770,880.00	6,689,410.00
c) in respect of shares under notice	265,300.00	384,720.00
Outstanding obligatory payments in respect of shares	8.52	11.57

SILENT PARTICIPATIONS

Fifteen silent participations in the amount of € 30,749 thousand (previous year € 170,749 (thousand)) bearing fixed rates of interest incurred expenses of € 5,643 (thousand) (previous year € 16,418 (thousand)).

DETAILS OF REVENUE RESERVES

	Legal reserve € 000	Other revenue reserves € 000
01 Jan. 2016	282,304	1,534
Transfer from 2015 retained earnings	0	0
Transfer from 2016 net income	3,696	2,966
31 Dec. 2016	286,000	4,500

The increase in the assessment period used for defining the average discount rate from 7 to 10 years resulted in a positive contribution to income of 2,789 (thousand), which is barred from being distributed and is included under the item "Other revenue reserves".

FOREIGN CURRENCY ITEMS

	31 Dec. 16 € 000	31 Dec. 15 € 000
Assets side	5,190,695	5,164,059
Liabilities side	2,226,003	1,576,123
Contingent liabilities and other obligations	323,732	288,270

OTHER OBLIGATIONS

The irrevocable loan commitments contained in this item consist almost solely of mortgage loan commitments made to customers. It is anticipated that the irrevocable loan commitments will be drawn down. Against the background of the ongoing monitoring of loans, the probable need to create provisions for risks related to contingent obligations and other obligations is viewed as minor.

OTHER OPERATING EXPENSES

This item contains expenses arising from adding interest effects of € 1,643 (thousand) (previous year € 4,239 (thousand)) for established provisions.

FORWARD TRADES AND DERIVATIVES

The following derivative transactions were made to hedge swings in interest rates or hedge against exchange rate risks. These figures do not include derivatives embedded in underlying basic transactions stated on the balance sheet.

Nominal amounts (in millions of €)

	Residual term ≤ one year	Residual term > one year ≤ five years	Residual term > five years	Total	Fair value at balance sheet date*) neg. (-)
Interest-Rate-Related Transaction					
Interest rate swaps	5,103	16,909	41,872	63,884	-911
Interest rate options					
- Calls	8	62	306	376	31
- Puts	35	110	8	153	-1
Other interest rate contracts	250	100	2,730	3,080	-51
Currency-Related Transactions					
Cross-currency swaps	992	1,891	1,588	4,471	-327
Currency swaps	311	0	0	311	-2

*) Valuation methods:

Interest rate swaps are valued using the present value method based on the current interest rate curve at the balance sheet date. In doing so the cash flows are discounted using market interest rates appropriate for the related risks and remaining terms to maturity, interest that has been accrued but not yet paid is not taken into consideration. This approach is known as "clean price" valuation.

The value of options is calculated using option price models and generally accepted basic assumptions. In general, the particular value of an option is calculated using the price of the underlying value, its volatility, the agreed strike price, a risk-free interest rate, and the remaining term to the expiration date of the option.

The derivative financial instruments noted involve premiums stemming from option trades in the amount of € 24.4 million (previous year € 2.9 million) which are carried under the balance sheet item "Other assets".

Interest attributable to derivative deals is carried under the balance sheet items "Claims on banks" with € 348.2 million (previous year € 363.0 million) and "Liabilities to banks" with € 399.2 million (previous year € 409.0 million). The accrual of compensatory payments made is entered under "Other assets" with € 11.8 million (previous year € 9.3 million); the accrual of compensatory payments received is entered under "Other liabilities" with € 65.8 million (previous year € 86.1 million).

Compensatory items in the amount of € 337.2 million (previous year € 372.8 million) related to the valuation of foreign currency swaps are carried under the balance sheet item "Other liabilities".

The counterparties are primarily banks and insurance companies located in OECD countries, as well as separate funds under public law in Germany.

Hedging arrangements were made to reduce credit risks associated with these contracts. Within the framework of these arrangements collateral was provided for the net claims/liabilities arising after the positions were netted.

In the context of the Bank's hedging positions, € 2,565 million (previous year € 3,258 million) in balance sheet hedging positions were designated in accounting to hedge interest rate risks associated with securities carried on the balance sheet under "Bonds and other fixed-income securities". It may be assumed that the effectiveness of the hedging positions will remain unchanged over the entire term of the transaction as conditions of the securities correspond to those of the hedging derivatives. Offsetting changes in value are not shown in the balance sheet; uncovered risks are treated in accordance with standard valuation principles. The total amount of offsetting value changes for all valuation units amounted to € 234 million.

Interest-based finance instruments carried in the banking book are valued without losses within the framework of an overall valuation, whereby the interest rate driven present values are compared to the book values and then deducted from the positive surplus of the risk and portfolio management expenses. In the event of a negative result a provision for contingent risks has to be made. A related provision did not have to be made based on the results of the calculation made on 31.12.2016.

As on the date of record the portfolio contained no derivatives used in the trading book.

COVER STATEMENT FOR PFANDBRIEFE**A. MORTGAGE PFANDBRIEFE**

	31 Dec. 16 € 000	31 Dec. 15 € 000
Ordinary cover assets	21,956,884	20,646,017
1. Claims on banks (mortgage loans)	9,891	12,209
2. Claims on customers (mortgage loans)	21,894,529	20,581,344
3. Tangible assets (charges on land owned by the Bank)	52,464	52,464
Substitute cover assets	546,150	1,226,150
1. Other claims on banks	0	150,000
2. Bonds and other fixed-income securities	546,150	1,076,150
Total cover	22,503,034	21,872,167
Total Mortgage Pfandbriefe requiring cover	20,255,026	19,995,260
Surplus cover	2,248,008	1,876,907

B. PUBLIC PFANDBRIEFE

	31 Dec. 16 € 000	31 Dec. 15 € 000
Ordinary cover assets	4,684,426	4,945,872
1. Claims on banks (public-sector loans)	313,565	448,791
2. Claims on customers (public-sector loans)	3,510,844	3,824,765
3. Bonds and other fixed-income securities	860,017	672,316
Substitute cover assets	162,000	142,000
1. Other claims on banks	0	0
2. Bonds and other fixed-income securities	162,000	142,000
Total cover	4,846,426	5,087,872
Total public-sector Pfandbriefe requiring cover	4,727,245	5,023,284
Surplus cover	119,181	64,588

PUBLICATION IN ACCORDANCE WITH SECTION 28 PFANDBRIEF ACT

MORTGAGE PFANDBRIEFE OUTSTANDING AND THEIR COVER

	Nominal value		Net present value		Risk-adjusted net present value*	
	31 Dec. 16	31 Dec. 15	31 Dec. 16	31 Dec. 15	31 Dec. 16	31 Dec. 15
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Mortgage Pfandbriefe	20,255,026	19,995,260	22,646,023	21,989,138	24,395,461	24,106,160
Cover pool	22,503,034	21,872,167	26,273,687	25,482,684	27,242,803	26,141,128
of which						
further cover assets	546,150	1,226,150	675,762	1,388,321	709,799	1,450,866
Over-collateralisation	2,248,008	1,876,907	3,627,664	3,493,546	2,847,342	2,034,968

* Pursuant to Section. 5 (1) no 1 of the Pfandbrief-Net Present Value Directive (PfandBarwertV), the dynamic approach was used to calculate the present value of risk.

	Maturity structure			
	31 Dec. 16		31 Dec. 15	
	Mortgage Pfandbriefe	Cover pool	Mortgage Pfandbriefe	Cover pool
Residual term	€ 000	€ 000	€ 000	€ 000
≤ 0.5 year	166,300	612,471	1,907,156	788,580
> 0.5 year and ≤ 1 year	428,665	956,306	320,301	1,139,729
> 1 year and ≤ 1.5 years	625,632	892,337	183,675	1,098,286
> 1.5 years and ≤ 2 years	625,807	913,146	423,167	1,031,850
> 2 years and ≤ 3 years	1,882,951	1,733,514	706,858	1,853,617
> 3 years and ≤ 4 years	1,232,044	1,755,273	1,322,552	1,686,375
> 4 years and ≤ 5 years	1,337,505	1,725,852	1,230,551	1,803,812
> 5 years and ≤ 10 years	4,716,707	8,368,874	5,016,425	7,915,301
> 10 years	9,239,415	5,545,261	8,884,575	4,554,617

FURTHER COVER ASSETS IN ACCORDANCE WITH SECTION 19 (1) NO 2 AND 3 PFANDBRIEF ACT

	31 Dec. 16				31 Dec. 15			
	Total	thereof		Bonds in accordance with section 19 (1) no 3	Total	thereof		Bonds in accordance with section 19 (1) no 3
		money claims in accordance with section 19 (1) no 2				money claims in accordance with section 19 (1) no 2		
		Overall	thereof			Overall	thereof	
	Covered bonds from banks in accordance with Article 129 Regulation (EU) no 575/2013		Covered bonds from banks in accordance with Article 129 Regulation (EU) no 575/2013					
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Germany	250,000	0	0	250,000	814,000	150,000	0	664,000
Belgium	38,000	0	0	38,000	38,000	0	0	38,000
Finland	75,000	0	0	75,000	0	0	0	0
France	160,000	0	0	160,000	160,000	0	0	160,000
Austria	23,150	0	0	23,150	101,150	0	0	101,150
EU institutions	0	0	0	0	113,000	0	0	113,000
Total – all states	546,150	0	0	546,150	1,226,150	150,000	0	1,076,150

KEY FIGURES FOR PFANDBRIEFE OUTSTANDING AND THEIR COVER

		31 Dec. 16	31 Dec. 15
Outstanding Mortgage Pfandbriefe	€ 000	20,255,026	19,995,260
thereof share of fixed-rate Pfandbriefe section 28 (1) no 9	%	90	88
Cover pool	€ 000	22,503,034	21,872,167
thereof total amount of claims, which exceed the limits laid down in section 13 (1) section 28 (1) no 7	€ 000	0	0
thereof total amount of claims, which exceed the limits laid down in section 19 (1) no 2 section 28 (1) no 8	€ 000	0	0
thereof total amount of claims, which exceed the limits laid down in section 19 (1) no 3 section 28 (1) no 8	€ 000	0	0
thereof share of fixed-rate Cover pool section 28 (1) no 9	%	98	97
Net present value pursuant to section 6 Pfandbrief-Net Present Value Regulation for each foreign currency in EUR section 28 (1) no 10 (Net Total)	USD (€ 000)	-576,781	77,802
	GBP (€ 000)	-59,535	-173,334
	CHF (€ 000)	2,563,904	2,569,798
Volume-weighted average of the maturity that has passed since the loan was granted (seasoning) section 28 (1) no 11	Years	5	5
Average loan-to-value ratio using the mortgage lending value section 28 (2) no 3	%	51	51

MORTGAGE LOANS USED AS COVER FOR MORTGAGE PFANDBRIEFE**A. ACCORDING TO THEIR AMOUNTS IN TRANCHES**

	31 Dec. 16 € 000	31 Dec. 15 € 000
up to € 300.000	14,547,243	13,488,641
more than € 300.000 up to 1m euros	2,376,801	2,170,321
more than 1m euros up to 10m euros	1,932,359	1,948,675
more than 10m euros	3,100,481	2,985,916
Total	21,956,884	20,593,553

B. ACCORDING TO STATES IN WHICH THE REAL PROPERTY IS LOCATED AND TO PROPERTY TYPE

		Residential							Commercial						
		Total	Total	Apartments	Single and two-family houses	Multi-family houses	Buildings under construction	Building land	Total	Office buildings	Retail buildings	Industrial-buildings	Other commercially used buildings	Buildings under construction	Building land
		€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Germany	31 Dec. 16	17,881,893	15,956,163	2,156,518	9,682,670	4,090,572	25,821	582	1,925,730	1,218,269	550,479	16,413	140,207	117	245
	31 Dec. 15	16,643,590	14,831,397	1,977,930	8,734,411	4,086,529	31,763	764	1,812,193	1,033,683	606,048	24,481	147,576	146	259
Belgium	31 Dec. 16	9,576	0	0	0	0	0	0	9,576	9,576	0	0	0	0	0
	31 Dec. 15	5,508	0	0	0	0	0	0	5,508	5,508	0	0	0	0	0
France	31 Dec. 16	155,285	7,440	0	0	7,440	0	0	147,845	135,070	12,775	0	0	0	0
	31 Dec. 15	164,710	14,160	0	0	14,160	0	0	150,550	132,610	17,940	0	0	0	0
Great Britain	31 Dec. 16	190,712	0	0	0	0	0	0	190,712	102,223	60,338	0	28,151	0	0
	31 Dec. 15	222,487	0	0	0	0	0	0	222,487	145,176	44,472	0	32,839	0	0
Luxembourg	31 Dec. 16	46,586	0	0	0	0	0	0	46,586	46,586	0	0	0	0	0
	31 Dec. 15	46,586	0	0	0	0	0	0	46,586	46,586	0	0	0	0	0
The Netherlands	31 Dec. 16	214,400	85,794	0	0	85,794	0	0	128,606	109,442	16,374	0	2,790	0	0
	31 Dec. 15	129,902	19,728	0	0	19,728	0	0	110,174	100,424	6,900	0	2,850	0	0
Austria	31 Dec. 16	113,844	5	0	5	0	0	0	113,839	20,940	92,899	0	0	0	0
	31 Dec. 15	73,702	6	0	6	0	0	0	73,696	20,940	52,756	0	0	0	0
Spain	31 Dec. 16	142,066	0	0	0	0	0	0	142,066	16,422	125,644	0	0	0	0
	31 Dec. 15	126,329	0	0	0	0	0	0	126,329	9,882	82,829	0	33,618	0	0
Switzerland	31 Dec. 16	3,045,419	3,045,419	989,528	2,055,891	0	0	0	0	0	0	0	0	0	0
	31 Dec. 15	2,937,105	2,937,105	932,542	2,004,563	0	0	0	0	0	0	0	0	0	0
USA	31 Dec. 16	157,103	0	0	0	0	0	0	157,103	130,716	26,387	0	0	0	0
	31 Dec. 15	243,634	0	0	0	0	0	0	243,634	218,525	25,109	0	0	0	0
Total -all states	31 Dec. 16	21,956,884	19,094,821	3,146,046	11,738,566	4,183,806	25,821	582	2,862,063	1,789,244	884,896	16,413	171,148	117	245
	31 Dec. 15	20,593,553	17,802,396	2,910,472	10,738,980	4,120,417	31,763	764	2,791,157	1,713,334	836,054	24,481	216,883	146	259

PAYMENTS IN ARREARS ON COVERING MORTGAGES

	31 Dec. 16		31 Dec. 15	
	Total amount of payments in arrears for at least 90 days	Total amount of these claims inasmuch as the respective amount in arrears is at least 5 percent of the claim	Total amount of payments in arrears for at least 90 days	Total amount of these claims inasmuch as the respective amount in arrears is at least 5 percent of the claim
	€ 000	€ 000	€ 000	€ 000
Germany	12,556	15,919	30,264	32,409
Switzerland	5	0	1,268	1,246
Total - all states	12,561	15,919	31,532	33,655

PUBLIC PFANDBRIEFE OUTSTANDING AND THEIR COVER

Discounts based on the vdp credit quality differentiation model were taken into consideration in calculating the cover pool.

	Nominal value		Net present value		Risk-adjusted net present value*	
	31 Dec. 16	31 Dec. 15	31 Dec. 16	31 Dec. 15	31 Dec. 16	31 Dec. 15
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Public Pfandbriefe	4,727,245	5,023,284	5,675,947	5,978,874	5,305,800	5,615,311
Cover pool	4,846,426	5,087,872	6,276,442	6,452,905	5,773,773	5,977,512
of which						
further cover assets	0	142,000	0	149,073	0	131,363
of which						
derivatives	0	0	43,833	40,464	27,756	22,879
Over-Collateralisation	119,181	64,588	600,495	474,031	467,973	362,201

* Pursuant to Section. 5 (1) no 1 of the Pfandbrief-Net Present Value Directive (PfandBarwertV), the dynamic approach was used to calculate the present value of risk.

Maturity structure

	31 Dec. 16		31 Dec. 15	
	Public Pfandbriefe	Cover pool	Public Pfandbriefe	Cover pool
Residual term	€ 000	€ 000	€ 000	€ 000
≤ 0.5 year	296,013	291,726	36,821	117,960
> 0.5 year and ≤ 1 year	731,655	130,676	123,859	235,429
> 1 year and ≤ 1.5 years	129,985	265,541	314,398	323,377
> 1.5 years and ≤ 2 years	839,290	89,372	730,483	129,918
> 2 years and ≤ 3 years	64,740	221,007	966,574	371,842
> 3 years and ≤ 4 years	239,716	370,454	61,922	270,697
> 4 years and ≤ 5 years	207,592	156,459	231,692	262,261
> 5 years and ≤ 10 years	608,763	1,042,749	726,226	434,856
> 10 years	1,609,491	2,278,442	1,831,309	2,941,532

FURTHER COVER ASSETS FOR PUBLIC PFANDBRIEF IN ACCORDANCE WITH SECTION 20 (2) NO 2 PFANDBRIEF ACT

	31 Dec. 16		31 Dec. 15	
	money claims in accordance with section 20 (2) no 2		money claims in accordance with section 20 (2) no 2	
	Overall	thereof	Overall	thereof
		Covered bonds from banks in accordance with Article 129 Regulation (EU) no 575/2013		Covered bonds from banks in accordance with Article 129 Regulation (EU) no 575/2013
	€ 000	€ 000	€ 000	€ 000
Germany	0	0	142,000	0
Total – all states	0	0	142,000	0

KEY FIGURES ON PFANDBRIEFE OUTSTANDING AND THEIR COVER

		31 Dec. 16	31 Dec. 15
Outstanding Public Pfandbriefe	€ 000	4,727,245	5,023,284
thereof percentage share of fixed-rate Pfandbriefe section 28 (1) no 9	%	92	90
Cover pool	€ 000	4,846,426	5,087,872
thereof total amount of claims, which exceed the limits of section 20 (2) section 28 (1) no 8	€ 000	0	0
thereof percentage share of fixed-rate Cover pool section 28 (1) no 9	%	88	82
Net present value pursuant to section 6 Pfandbrief-Net Present Value Regulation for each foreign currency in EUR section 28 (1) no 10 (Net Total)	CHF (€ 000)	-147,382	-152,104
	JPY (€ 000)	-3,268	-3,299

MORTGAGE LOANS USED AS COVER FOR PUBLIC PFANDBRIEFE**A. ACCORDING TO THEIR AMOUNTS IN TRANCHES**

	31 Dec. 16 € 000	31 Dec. 15 € 000
up to 10m euros	397,671	486,879
more than 10m euros up to 100m euros	1,142,114	1,237,728
more than 100m euros	3,306,641	3,221,265
Total	4,846,426	4,945,872

B. ACCORDING TO GROUP OF BORROWERS AND REGIONS

		of which owed by						of which guaranteed by				
		Total - all states	Total	State	Regional authorities	Local authorities	Other debtors	Total	State	Regional authorities	Local authorities	Other debtors
		€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Germany	31 Dec. 16	4,006,128	3,972,396	0	3,287,356	365,820	319,220	33,732	0	0	33,732	0
	31 Dec. 15	3,969,643	3,923,156	0	3,163,050	450,766	309,340	46,487	0	10,226	36,261	0
Belgium	31 Dec. 16	195,000	95,000	0	95,000	0	0	100,000	100,000	0	0	0
	31 Dec. 15	195,000	95,000	0	95,000	0	0	100,000	100,000	0	0	0
Finland	31 Dec. 16	25,000	25,000	25,000	0	0	0	0	0	0	0	0
	31 Dec. 15	25,000	25,000	25,000	0	0	0	0	0	0	0	0
Ireland	31 Dec. 16	22,695	0	0	0	0	0	22,695	22,695	0	0	0
	31 Dec. 15	22,695	0	0	0	0	0	22,695	22,695	0	0	0
Iceland	31 Dec. 16	15,000	0	0	0	0	0	15,000	15,000	0	0	0
	31 Dec. 15	15,000	0	0	0	0	0	15,000	15,000	0	0	0
Italy	31 Dec. 16	17,312	17,312	17,312	0	0	0	0	0	0	0	0
	31 Dec. 15	17,229	17,229	17,229	0	0	0	0	0	0	0	0
Austria	31 Dec. 16	193,414	165,414	130,414	35,000	0	0	28,000	0	28,000	0	0
	31 Dec. 15	232,119	199,119	164,119	35,000	0	0	33,000	0	33,000	0	0
Poland	31 Dec. 16	46,559	46,559	46,559	0	0	0	0	0	0	0	0
	31 Dec. 15	46,147	46,147	46,147	0	0	0	0	0	0	0	0
Portugal	31 Dec. 16	45,500	0	0	0	0	0	45,500	45,500	0	0	0
	31 Dec. 15	44,500	0	0	0	0	0	44,500	44,500	0	0	0
Switzerland	31 Dec. 16	152,936	27,936	0	27,936	0	0	125,000	0	125,000	0	0
	31 Dec. 15	202,688	27,688	0	27,688	0	0	175,000	0	175,000	0	0
Slovenia	31 Dec. 16	20,000	0	0	0	0	0	20,000	20,000	0	0	0
	31 Dec. 15	90,000	0	0	0	0	0	90,000	90,000	0	0	0
Spain	31 Dec. 16	13,000	13,000	0	13,000	0	0	0	0	0	0	0
	31 Dec. 15	21,000	21,000	0	21,000	0	0	0	0	0	0	0
EU institutions	31 Dec. 16	68,882	68,882	0	0	0	68,882	0	0	0	0	0
	31 Dec. 15	64,851	64,851	0	0	0	64,851	0	0	0	0	0
Other institutions	31 Dec. 16	25,000	25,000	0	0	0	25,000	0	0	0	0	0
	31 Dec. 15	0	0	0	0	0	0	0	0	0	0	0
Total - all states	31 Dec. 16	4,846,426	4,456,499	219,285	3,458,292	365,820	413,102	389,927	203,195	153,000	33,732	0
	31 Dec. 15	4,945,872	4,419,190	252,495	3,341,738	450,766	374,191	526,682	272,195	218,226	36,261	0

COVERING MORTGAGES WITH OVERDUE INTEREST

	overall		thereof residential		thereof commercial	
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
	2016	2015	2016	2015	2016	2015
Overdue interest for period 1.10.2015 (14) to 30.9.2016 (15)	284	311	283	302	1	9
Overall overdue not adjusted to value	271	253	266	244	6	9

FORECLOSURES AND RECEIVERSHIPS OF MORTGAGES USED AS COVER

	overall		thereof residential		thereof commercial	
	2016	2015	2016	2015	2016	2015
	Pending on balance sheet date					
- Foreclosure proceedings	153	164	142	156	11	8
- Receivership proceedings	73	77	67	74	6	3
	61*)	65*)	56*)	63*)	5*)	2*)
Foreclosures completed during business year	69	68	69	67	0	1

*) Thereof included in pending foreclosures proceedings.

During the year under review no objects had to be taken over to salvage our claims.

OTHER DISCLOSURES**MEMBERSHIP DATA**

	Number of members	Number of shares	Members' liability €
Beginning of 2016	71,409	9,975,147	426,008,940.00
Additions in 2016	676	3,863,665	0.00
Reductions in 2016*	2,484	225,594	426,008,940.00
End of 2016	69,601	13,613,218	0.00

* The disposal of the amount of members' liability is mainly due to the elimination of the members' liability per the terms of the Articles of Association.

	€
Increase in remaining members' capital contributions in 2016	254,664,973.05
Amount of each share	70.00

PERSONNEL STATISTICS

The average number of employees employed by the Bank in 2016 was as follows:

	Male	Female	Total
Full-time employees	246	141	387
Part-time employees	13	93	106
Total number of employees	259	234	493

These figures do not include:

Apprenticed trainees	7	8	15
Employees participating in parental leave, early retirement, partial retirement (non-working phase), or employees suspended with pay	5	14	19

SPECIAL DISCLOSURE REQUIREMENTS

Pursuant to section 8 CRR (Articles 435 to 455), Münchener Hypothekenbank publishes information it is required to disclose in a separate disclosure report in the Federal Gazette (Bundesanzeiger), as well as on the Bank's homepage.

Pursuant to section 26a (1) (4) of the German Banking Act (KWG), the quotient of net income and total assets is equal to 0.0829 percent.

PROPOSED APPROPRIATION OF DISTRIBUTABLE INCOME

Net income for the year amounted to € 31,936,484.76. An advance allocation of € 3,695,534.89 to legal reserves and another allocation of € 2,966,124.36 to other revenue reserves is presented in the current annual financial statements.

A dividend distribution of 3.25 percent will be proposed at the Delegates Meeting. The remaining unappropriated profit for the year – including profit carried forward from the previous year – amounting to € 25,446,268.29 should therefore be allocated as follows:

3.25 percent dividend	€ 25,245,400.00
Carried forward to new year	€ 200,868.29

REPORT ON EVENTS AFTER THE BALANCE SHEET DATE

Events of material importance did not take place after the balance sheet date.

COMPANY

Münchener Hypothekenbank eG
 Karl-Scharnagl-Ring 10 | 80539 Munich
 Register of cooperatives of the District Court of Munich
 Gen.-Reg 396

BODIES

SUPERVISORY BOARD

Konrad Irtel ... Griesstätt (until 23.04.2016)
Bank director (ret.)

Chairman of the Supervisory Board

Wolfhard Binder ... Grafing

Chairman of the Board of Management of
Raiffeisen-Volksbank Ebersberg eG

Chairman of the Supervisory Board (as of 23.04.2016)

HSH Albrecht Prince of Oettingen-Spielberg ... Oettingen
(until 23.04.2016)

Deputy Chairman of the Supervisory Board

Dr. Hermann Starnecker ... Marktoberdorf (as of 23.04.2016)

Spokesman of the Board of Management of
VR Bank Kaufbeuren-Ostallgäu eG

Deputy Chairman of the Supervisory Board

Heinz Fohrer ... Esslingen

Member of the Board of Management of
Volksbank Esslingen eG

Barbara von Grafenstein ... Munich (as of 12.07.2016)
Employee representative

Jürgen Hölscher ... Lingen

Member of the Board of Management of
Volksbank Lingen eG

Rainer Jenniches ... Bonn

Chairman of the Board of Management of
VR-Bank Bonn eG

Reimund Käsbauer ... Munich (as of 12.07.2016)
Employee representative

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

Michael Schäffler ... Munich (as of 12.07.2016)
Employee representative

Gregor Scheller ... Forchheim

Chairman of the Board of Management of
Volksbank Forchheim eG

Kai Schubert ... Tritttau

Member of the Board of Management of
Raiffeisenbank Südstormarn Mölln eG

Frank Wolf-Kunz ... Munich (as of 12.07.2016)

Employee representative

BOARD OF MANAGEMENT

Dr. Louis Hagen

Spokesman (until 14.03.2016), Chairman (as of 14.03.2016)

Bernhard Heinlein

Michael Jung

Mandates

Dr. Louis Hagen Bau- und Land-Entwicklungsgesellschaft
Bayern GmbH

Member of the Supervisory Board
(until 06.06.2016)

HypZert GmbH

Chairman of the Supervisory Board
(until 31.12.2016)

KfW

Member of the Board of Supervisory Directors
(as of 01.01.2017)

As of the balance sheet date loans to members of the Supervisory Board amounted to € 1,095 (thousand) (previous year € 875 (thousand)). As in the previous year the lending portfolio did not include any loans made to members of the Board of Management. Pension provisions of € 16,745 (thousand) (previous year € 18,029 (thousand)) were made for former members of the Board of Manage-

ment. Total remuneration received by the members of the Board of Management during the year under review amounted to € 1,785 (thousand) (previous year € 1,768 (thousand)), for members of the Supervisory Board € 302 (thousand) (previous year € 260 (thousand)). Total compensation received by the members of Advisory Committee amounted to € 54 (thousand) (previous year € 49 (thousand)). Total compensation received by former members of the Board of Management and their surviving dependants amounted to € 1,239 (thousand) (previous year € 1,264 (thousand)).

AUDITING ASSOCIATION

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

Pursuant to Art. 53 of the Cooperatives Act, in association with Art. 340k of the German Commercial Code, total costs of € 733 (thousand), including valued added tax, (previous year € 750 (thousand)) were incurred for auditing the annual financial statements and the management report, the cooperative's organisational structures, and for examining the Bank's management during the year under review. Total fees of € 72 (thousand) (previous year € 61 (thousand)) were incurred for auditing the annual accounts. As in the previous year, no costs were incurred for other services during the year under review.

OTHER FINANCIAL OBLIGATIONS

Pursuant to Art. 12 para. 5 of the Restructuring Fund Act (Restrukturierungsfondsgesetz – RStruktFG) irrevocable payment obligations of € 5,732 (thousand) was recorded at the balance sheet date.

CONTINGENT LIABILITY

Our Bank is a member of the protection scheme of the National Association of German Cooperative Banks (Sicherungseinrichtung des Bundesverbandes der Deutschen Volksbanken und Raiffeisenbanken e.V.). Per the statutes of the protection scheme we have issued a guarantee to the National Association of German Cooperative Banks. As a result, we have a contingent liability of € 17,144 (thousand). In addition, pursuant to Article 7 of the Accession and Declaration of Commitment to the bank-related protection scheme of the BVR Institutssicherung GmbH (BVR-ISG), a premium guarantee is in force. This pertains to special contributions and special payments in the event of insufficient financial resources in order to pay for damages of depositors of one of the CRR credit institutions belonging to the protection scheme in the event of a compensation case, as well as to meet refunding obligations pursuant to cover measures.

Munich, 31 January, 2017

MÜNCHENER HYPOTHEKENBANK eG

The Board of Management



Dr. Louis Hagen



Bernhard Heinlein



Michael Jung