

MünchenerHyp accepts responsibility for its employees. It offers them the freedom to be personally responsible for their work, their individual area of work within the Bank and their working hours. Florian Lang, Deputy Head of the Business Process Optimisation department and two employees describe their daily routines and how they balance the professional and personal sides of their lives.



[Click here to access the video.](#)



**“FOR ME, A COOPERATIVE MEANS ROLLING UP MY SLEEVES TO GET THINGS DONE FOR THE GOOD OF OUR COMMUNITY.”**

# NOTES.

---

# NOTES 2017

## GENERAL INFORMATION ON ACCOUNTING POLICIES

The Münchener Hypothekbank eG annual financial statement as of December 31, 2017 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 3.68 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 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 calculated using the European Central Bank's exchange rate valid on the balance sheet date. Results realised from the conversion of particularly covered foreign currency positions is carried under net interest income. Results realised from the conversion of specific value adjustments denominated in foreign currencies are shown under the item "Income from write-ups to claims and certain securities as well as from write-downs to provisions for possible loan losses". 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. 17 € 000	31 Dec. 16 € 000
<b>Claims on banks</b>	1,986,428	2,979,227
≤ Three months	1,753,571	2,632,845
> Three months ≤ one year	99,063	111,939
> One year ≤ five years	27,790	126,716
> Five years	106,003	107,727
<b>Claims on customers</b>	32,441,302	31,351,715
≤ Three months	787,912	650,678
> Three months ≤ one year	1,293,023	1,422,099
> One year ≤ five years	7,479,878	7,177,370
> Five years	22,880,489	22,101,568
<b>Bonds and other fixed-income securities ≤ one year</b>	201,781	442,686

### LIABILITIES, CAPITAL AND RESERVES

	31 Dec. 17 € 000	31 Dec. 16 € 000
<b>Liabilities to banks</b>	4,787,980	4,605,866
≤ Three months	1,219,648	1,680,548
> Three months ≤ one year	581,463	407,394
> One year ≤ five years	1,643,964	1,343,252
> Five years	1,342,905	1,174,673
<b>Liabilities to customers</b>	14,427,532	14,990,984
≤ Three months	526,464	997,271
> Three months ≤ one year	516,600	620,000
> One year ≤ five years	1,402,358	1,800,069
> Five years	11,982,110	11,573,644
<b>Certificated liabilities</b>	17,913,163	16,927,658
Bonds issued		
≤ Three months	793,695	391,464
> Three months ≤ one year	1,781,708	1,835,424
> One year ≤ five years	8,174,403	8,477,652
> Five years	6,770,184	5,523,500
Other certificated liabilities		
≤ Three months	149,696	286,495
> Three months ≤ one year	243,478	413,123

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

	Affiliated companies 31 Dec. 17 € 000		Companies in which participating interests are held 31 Dec. 17 € 000		Affiliated companies 31 Dec. 16 € 000		Companies in which participating interests are held 31 Dec. 16 € 000	
	certificated	non- certificated	certificated	non- certificated	certificated	non- certificated	certificated	non- certificated
Claims on banks	0	0	0	629,922	0	0	0	779,665
Claims on customers	0	0	0	0	0	718	0	0
Bonds and other fixed-income securities	0	0	22,400	0	0	0	22,400	0
Liabilities to banks	0	0	0	515,258	0	0	0	281,784
Liabilities to customers	0	1,554	0	0	0	6	0	0
Certificated liabilities	0	0	0	0	0	0	0	0
Subordinated liabilities	0	0	0	15,120	0	0	0	15,120

### SECURITIES MARKETABLE ON THE STOCK EXCHANGE

Asset category	31 Dec. 17 € 000		31 Dec. 16 € 000	
	listed	unlisted	listed	unlisted
Bonds and other fixed-income securities	2,279,536	146,063	2,720,214	173,269
Shares and other non-fixed-income securities	0	8,030	8,050	0
Participations	0	7,916	0	7,916

### SHARES IN SEPARATE FUNDS

Description of the fund	Investment goal	Valuation pursuant to Art. 168 and 278 Capital Invest- ment Code (KAGB), or Art. 36 Investment Act (old ver- sion) (InvG a. F.), or compa- rable foreign regulations € 000	Difference to book value € 000	Distribution paid out for fiscal year € 000
UIN-Fonds No. 903	Long term return and diversification be- nefits compared to a direct investment in shares, taking the structure of the Bank's portfolio into consideration	149,877	2,877	0

### SUBORDINATED ASSETS

	31 Dec. 17 € 000	31 Dec. 16 € 000
Bonds and other fixed-income securities	22,400	22,400
Shares and other non-fixed-income securities	8,030	8,050

## TRADING BOOK

As at 31.12.2017 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. 17	Net book value on 31 Dec. 16
<b>Bonds and other fixed-income securities</b>	2,936,256												2,481,231	2,936,256
<b>Shares and other non fixed-income securities</b>	8,050												8,030	8,050
<b>Participations and shares in cooperatives</b>	104,554												104,554	104,554
<b>Shares in affiliated companies</b>	11,152												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. 17	Net book value on 31 Dec. 16
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	Additions	Disposals	Transfers	€ 000	€ 000	€ 000
<b>Intangible assets</b>	32,582	4,186	0	0	36,768	28,242	3,526	0	0	0	0	31,768	5,000	4,340
Concessions acquired for consideration, commercial rights and similar rights and values, as well as licenses to these rights and values	32,582	4,186	0	0	36,768	28,242	3,526	0	0	0	0	31,768	5,000	4,340
<b>Tangible assets</b>	98,665	1,527	623	0	99,569	27,575	2,450	0	0	621	0	29,404	70,165	71,090

\*) 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 € 352,012 (thousand) (previous year € 1,086,213 (thousand)) exceeding the present value of € 349,231 (thousand) (previous year € 1,075,049 (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, which are separately identified in the portfolio management system and 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 these securities will be repaid in full at their nominal value at maturity. Of the securities that are not valued in accordance with the moderated lower of cost or market principle € 2,425,599 (thousand) (previous year 2,871,083 (thousand)) are marketable securities.

## SHAREHOLDINGS

	Percentage of capital held	Equity in € 000	Profit/Loss in € 000
M-Wert GmbH, Munich*	100.00	434	212
Immobilien-service GmbH der Münchener Hypothekenbank eG (M-Service), Munich (profit transfer agreement)**	100.00	509	337
Nußbaumstrasse GmbH & Co. KG, Munich*	100.00	11,271	253

\* Annual financial statements 2016, \*\* Annual financial statements 2017

## TRUST TRANSACTIONS

	31 Dec. 17 € 000	31 Dec. 16 € 000
Assets held in trusts		
Claims on customers	10	21
Liabilities incurred as trustee		
Liabilities to banks	10	21

## TANGIBLE ASSETS

The portion of the total value attributable to the land and buildings used by the Bank is € 57,814 (thousand) (previous year € 58,772 (thousand)), and of plant and office equipment € 2,563 (thousand) (previous year € 2,340 (thousand)).

## OTHER ASSETS

The item "Other assets" includes deferred items of € 43,627 (thousand) related to the derivative business, and € 53,353 (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 € 5,560 (thousand) and tax claims of € 940 (thousand). Furthermore, this item also includes € 7,726 (thousand) in cash collateral pledged within the framework of the banking levy.

**DEFERRED ITEMS FROM THE ISSUING AND LOAN BUSINESS**

	31 Dec. 17 € 000	31 Dec. 16 € 000
Assets side 12.		
Discount from liabilities	46,572	41,224
Premium from claims	3,441	5,061
Other deferred charges	0	0
Liabilities side 6.		
Premium from liabilities	20,492	18,911
Discount from claims	2,647	4,623
Other deferred income	3	6

**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 € 1,000,000 (thousand) (previous year € 500,000 (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 € 0). Within the framework of security arrangements for derivative transactions, cash collateral of € 1,582,686 (thousand) (previous year € 2,231,773 (thousand)) was provided. Securities valued at € 14,438 (thousand) (previous year € 14,588 (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 € 18,000 (thousand)) were pledged to secure financial aid obligations within the framework of a Contractual Trust Arrangement (CTA). Claims in respect of loans valued at € 368,543 (thousand) (previous year € 344,215 (thousand)) were assigned to secure loans obtained from credit institutions. Pursuant to Art. 12 para. 5 of the Restructuring Fund Act (Restrukturierungsfondsgesetz – RStruktFG) € 7,726 (thousand) in cash collateral has been pledged.

**OTHER LIABILITIES**

The item "Other liabilities" consists of € 76,593 (thousand) for deferred items and adjustment items for valuation of foreign currency items, and € 65,028 (thousand) related to derivative transactions.

## SUBORDINATED LIABILITIES

Subordinated liabilities incurred interest expenses of € 8,679 (thousand) (previous year € 8,704 (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 € 2,556 (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 € 2,556 (thousand) (previous year € 6,136 (thousand)).

## MEMBERS' CAPITAL CONTRIBUTIONS

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

	31 Dec. 17 €	31 Dec. 16 €
Capital contributions	1,004,914,120.00	955,961,431.48
a) of remaining members	1,002,161,510.00	952,925,251.48
b) of former members	2,654,050.00	2,770,880.00
c) in respect of shares under notice	98,560.00	265,300.00
Outstanding obligatory payments in respect of shares	0.00	8.52

## SILENT PARTICIPATIONS

As of the date of record there were two silent participations in the amount of € 2,000 (thousand) (previous year € 30,749 (thousand)) bearing fixed rates of interest recorded, which incurred expenses of € 1,343 (thousand) (previous year € 5,643 (thousand)).

## DETAILS OF REVENUE RESERVES

	Legal reserve € 000	Other revenue reserves € 000
01 Jan. 2017	286,000	4,500
Transfer from 2016 retained earnings	0	0
Transfer from 2017 net income	12,500	1,500
31 Dec. 2017	298,500	6,000

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 € 3,419 (thousand), which is barred from being distributed and is included under the item "Other revenue reserves".

## FOREIGN CURRENCY ITEMS

	31 Dec. 17 € 000	31 Dec. 16 € 000
Assets side	4,914,567	5,190,695
Liabilities side	2,126,997	2,226,003
Contingent liabilities and other obligations	348,027	323,732

## 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 € 3,073 (thousand) (previous year € 1,643 (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 €)				Fair value at balance sheet date*) neg. (-)
	Residual term ≤ one year	Residual term > one year ≤ five years	Residual term > five years	Total	
<b>Interest-Rate-Related Transaction</b>					
Interest rate swaps	3,769	18,259	40,982	63,008	-740
Interest rate options					
- Calls	47	17	704	768	35
- Puts	28	100	49	177	-3
Other interest rate contracts	60	151	2,173	2,383	-1
<b>Currency-Related Transactions</b>					
Cross-currency swaps	223	2,092	1,492	3,807	-58
Currency swaps	342	0	0	342	3

\*) 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 € 34.9 million (previous year € 24.4 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 € 319.1 million (previous year € 348.2 million) and "Liabilities to banks" with € 334.2 million (previous year € 399.2 million) or "Claims on customers", which amounted to € 15.7 million (previous year € 0.00 million) while "Liabilities to customers" were € 21.7 million (previous year € 0.00 million). The accrual of compensatory payments made is entered under "Other assets" with € 8.6 million (previous year € 11.8 million); the accrual of compensatory payments received is entered under "Other liabilities" with € 65.0 million (previous year € 65.8 million).

Compensatory items in the amount of € 76.6 million (previous year € 337.2 million) related to the valuation of foreign currency swaps are carried under the balance sheet item "Other liabilities".

The counterparties are banks and providers of financial services, as well as insurance companies located in OECD countries, and 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, € 2,143 million (previous year € 2,565 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 the conditions of the securities correspond to those of the hedging derivatives (Critical Term Match Method). 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 € 168 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 31.12.2017.

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. 17 € 000	31 Dec. 16 € 000
Ordinary cover assets	23,421,614	21,956,884
1. Claims on banks (mortgage loans)	7,946	9,891
2. Claims on customers (mortgage loans)	23,361,204	21,894,529
3. Tangible assets (charges on land owned by the Bank)	52,464	52,464
Substitute cover assets	663,000	546,150
1. Other claims on banks	0	0
2. Bonds and other fixed-income securities	663,000	546,150
Total cover	24,084,614	22,503,034
Total Mortgage Pfandbriefe requiring cover	23,073,183	20,255,026
Surplus cover	1,011,431	2,248,008

### B. PUBLIC PFANDBRIEFE

	31 Dec. 17 € 000	31 Dec. 16 € 000
Ordinary cover assets	3,849,441	4,684,426
1. Claims on banks (public-sector loans)	205,565	313,565
2. Claims on customers (public-sector loans)	3,052,884	3,510,844
3. Bonds and other fixed-income securities	590,992	860,017
Substitute cover assets	115,000	162,000
1. Other claims on banks	0	0
2. Bonds and other fixed-income securities	115,000	162,000
Total cover	3,964,441	4,846,426
Total public-sector Pfandbriefe requiring cover	3,383,480	4,727,245
Surplus cover	580,961	119,181

## 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. 17	31 Dec. 16	31 Dec. 17	31 Dec. 16	31 Dec. 17	31 Dec. 16
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Mortgage Pfandbriefe	23,073,183	20,255,026	24,940,323	22,646,023	27,208,168	24,395,461
Cover pool	24,084,614	22,503,034	27,355,621	26,273,687	29,017,710	27,242,803
of which						
further cover assets	663,000	546,150	773,990	675,762	831,498	709,799
<b>Over-collateralisation</b>	<b>1,011,431</b>	<b>2,248,008</b>	<b>2,415,298</b>	<b>3,627,664</b>	<b>1,809,542</b>	<b>2,847,342</b>

\* 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. 17		31 Dec. 16	
	Mortgage Pfandbriefe	Cover pool	Mortgage Pfandbriefe	Cover pool
Residual term	€ 000	€ 000	€ 000	€ 000
≤ 0.5 year	596,673	633,892	166,300	612,471
> 0.5 year and ≤ 1 year	309,334	817,897	428,665	956,306
> 1 year and ≤ 1.5 years	910,848	814,999	625,632	892,337
> 1.5 years and ≤ 2 years	1,494,188	831,318	625,807	913,146
> 2 years and ≤ 3 years	1,334,656	1,872,793	1,882,951	1,733,514
> 3 years and ≤ 4 years	1,340,226	1,861,261	1,232,044	1,755,273
> 4 years and ≤ 5 years	1,464,700	2,124,428	1,337,505	1,725,852
> 5 years and ≤ 10 years	5,317,077	8,825,665	4,716,707	8,368,874
> 10 years	10,305,481	6,302,361	9,239,415	5,545,261

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

	31 Dec. 17				31 Dec. 16			
	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	440,000	0	0	440,000	250,000	0	0	250,000
Belgium	38,000	0	0	38,000	38,000	0	0	38,000
Finland	75,000	0	0	75,000	75,000	0	0	75,000
France	110,000	0	0	110,000	160,000	0	0	160,000
Austria	0	0	0	0	23,150	0	0	23,150
<b>Total – all states</b>	<b>663,000</b>	<b>0</b>	<b>0</b>	<b>663,000</b>	<b>546,150</b>	<b>0</b>	<b>0</b>	<b>546,150</b>

#### KEY FIGURES FOR PFANDBRIEFE OUTSTANDING AND THEIR COVER

		31 Dec. 17	31 Dec. 16
Outstanding Mortgage Pfandbriefe	€ 000	23,073,183	20,255,026
thereof share of fixed-rate Pfandbriefe section 28 (1) no 9	%	92	90

		31 Dec. 17	31 Dec. 16
Cover pool	€ 000	24,084,614	22,503,034
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	98
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)	-372,804	-576,781
	GBP (€ 000)	23,781	-59,535
	CHF (€ 000)	2,060,007	2,563,904
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. 17 € 000	31 Dec. 16 € 000
up to € 300.000	15,443,583	14,547,243
more than € 300.000 up to 1m euros	2,274,125	2,376,801
more than 1m euros up to 10m euros	2,054,329	1,932,359
more than 10m euros	3,649,577	3,100,481
<b>Total</b>	<b>23,421,614</b>	<b>21,956,884</b>

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
<b>Germany</b>	31 Dec. 17	19,389,948	17,126,564	2,339,825	10,436,290	4,329,495	20,372	582	2,263,384	1,379,402	707,897	13,582	162,182	86	235
	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
<b>Belgium</b>	31 Dec. 17	13,668	0	0	0	0	0	0	13,668	13,668	0	0	0	0	0
	31 Dec. 16	9,576	0	0	0	0	0	0	9,576	9,576	0	0	0	0	0
<b>France</b>	31 Dec. 17	184,483	7,440	0	0	7,440	0	0	177,043	164,674	12,369	0	0	0	0
	31 Dec. 16	155,285	7,440	0	0	7,440	0	0	147,845	135,070	12,775	0	0	0	0
<b>Great Britain</b>	31 Dec. 17	260,689	0	0	0	0	0	0	260,689	155,773	82,722	0	22,194	0	0
	31 Dec. 16	190,712	0	0	0	0	0	0	190,712	102,223	60,338	0	28,151	0	0
<b>Luxembourg</b>	31 Dec. 17	46,586	0	0	0	0	0	0	46,586	46,586	0	0	0	0	0
	31 Dec. 16	46,586	0	0	0	0	0	0	46,586	46,586	0	0	0	0	0
<b>The Netherlands</b>	31 Dec. 17	234,348	119,394	10,375	0	109,019	0	0	114,954	84,111	26,694	0	4,149	0	0
	31 Dec. 16	214,400	85,794	0	0	85,794	0	0	128,606	109,442	16,374	0	2,790	0	0
<b>Austria</b>	31 Dec. 17	91,893	5	0	5	0	0	0	91,888	0	91,888	0	0	0	0
	31 Dec. 16	113,844	5	0	5	0	0	0	113,839	20,940	92,899	0	0	0	0
<b>Spain</b>	31 Dec. 17	166,459	0	0	0	0	0	0	166,459	16,422	150,037	0	0	0	0
	31 Dec. 16	142,066	0	0	0	0	0	0	142,066	16,422	125,644	0	0	0	0
<b>Switzerland</b>	31 Dec. 17	2,925,835	2,925,835	975,408	1,950,427	0	0	0	0	0	0	0	0	0	0
	31 Dec. 16	3,045,419	3,045,419	989,528	2,055,891	0	0	0	0	0	0	0	0	0	0
<b>USA</b>	31 Dec. 17	107,705	0	0	0	0	0	0	107,705	84,820	22,885	0	0	0	0
	31 Dec. 16	157,103	0	0	0	0	0	0	157,103	130,716	26,387	0	0	0	0
<b>Total -all states</b>	31 Dec. 17	23,421,614	20,179,238	3,325,608	12,386,722	4,445,954	20,372	582	3,242,376	1,945,456	1,094,492	13,582	188,525	86	235
	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

#### PAYMENTS IN ARREARS ON COVERING MORTGAGES

	31 Dec. 17		31 Dec. 16	
	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	10,601	12,548	12,556	15,919
Switzerland	10	0	5	0
<b>Total - all states</b>	<b>10,611</b>	<b>12,548</b>	<b>12,561</b>	<b>15,919</b>

#### 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. 17	31 Dec. 16	31 Dec. 17	31 Dec. 16	31 Dec. 17	31 Dec. 16
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Public Pfandbriefe	3,383,480	4,727,245	4,108,742	5,675,947	3,859,002	5,305,800
Cover pool	3,964,441	4,846,426	5,065,863	6,276,442	4,627,711	5,773,773
of which						
further cover assets	0	0	0	0	0	0
of which						
derivatives	0	0	38,646	43,833	26,700	27,756
<b>Over-Collateralisation</b>	<b>580,961</b>	<b>119,181</b>	<b>957,121</b>	<b>600,495</b>	<b>768,709</b>	<b>467,973</b>

\* 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. 17		31 Dec. 16	
	Public Pfandbriefe	Cover pool	Public Pfandbriefe	Cover pool
<b>Residual term</b>	€ 000	€ 000	€ 000	€ 000
≤ 0.5 year	121,037	253,681	296,013	291,726
> 0.5 year and ≤ 1 year	834,936	89,294	731,655	130,676
> 1 year and ≤ 1.5 years	42,857	191,903	129,985	265,541
> 1.5 years and ≤ 2 years	2,997	25,106	839,290	89,372
> 2 years and ≤ 3 years	173,928	290,238	64,740	221,007
> 3 years and ≤ 4 years	163,843	91,319	239,716	370,454
> 4 years and ≤ 5 years	57,302	147,226	207,592	156,459
> 5 years and ≤ 10 years	454,314	852,166	608,763	1,042,749
> 10 years	1,532,266	2,023,508	1,609,491	2,278,442

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

	31 Dec. 17		31 Dec. 16	
	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	0	0
<b>Total – all states</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

#### KEY FIGURES ON PFANDBRIEFE OUTSTANDING AND THEIR COVER

		31 Dec. 17	31 Dec. 16
Outstanding Public Pfandbriefe	€ 000	3,383,480	4,727,245
thereof percentage share of fixed-rate Pfandbriefe section 28 (1) no 9	%	94	92
Cover pool	€ 000	3,964,441	4,846,426
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	%	92	88
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)	82,669	-147,382
	JPY (€ 000)	-65,266	-3,268

#### MORTGAGE LOANS USED AS COVER FOR PUBLIC PFANDBRIEFE

##### A. ACCORDING TO THEIR AMOUNTS IN TRANCHES

	31 Dec. 17 € 000	31 Dec. 16 € 000
up to 10m euros	285,844	397,671
more than 10m euros up to 100m euros	1,078,521	1,142,114
more than 100m euros	2,600,076	3,306,641
<b>Total</b>	<b>3,964,441</b>	<b>4,846,426</b>

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. 17	3,303,421	3,273,323	0	2,665,790	289,358	318,175	30,098	0	0	30,098	0
	31 Dec. 16	4,006,128	3,972,396	0	3,287,356	365,820	319,220	33,732	0	0	33,732	0
Belgium	31 Dec. 17	170,000	70,000	0	70,000	0	0	100,000	100,000	0	0	0
	31 Dec. 16	195,000	95,000	0	95,000	0	0	100,000	100,000	0	0	0
Finland	31 Dec. 17	25,000	25,000	25,000	0	0	0	0	0	0	0	0
	31 Dec. 16	25,000	25,000	25,000	0	0	0	0	0	0	0	0
France	31 Dec. 17	25,000	25,000	25,000	0	0	0	0	0	0	0	0
	31 Dec. 16	0	0	0	0	0	0	0	0	0	0	0
Ireland	31 Dec. 17	22,695	0	0	0	0	0	22,695	22,695	0	0	0
	31 Dec. 16	22,695	0	0	0	0	0	22,695	22,695	0	0	0
Iceland	31 Dec. 17	15,000	0	0	0	0	0	15,000	15,000	0	0	0
	31 Dec. 16	15,000	0	0	0	0	0	15,000	15,000	0	0	0
Italy	31 Dec. 17	16,546	16,546	16,546	0	0	0	0	0	0	0	0
	31 Dec. 16	17,312	17,312	17,312	0	0	0	0	0	0	0	0
Austria	31 Dec. 17	180,414	165,414	130,414	35,000	0	0	15,000	0	15,000	0	0
	31 Dec. 16	193,414	165,414	130,414	35,000	0	0	28,000	0	28,000	0	0
Poland	31 Dec. 17	42,728	42,728	42,728	0	0	0	0	0	0	0	0
	31 Dec. 16	46,559	46,559	46,559	0	0	0	0	0	0	0	0
Portugal	31 Dec. 17	50,000	0	0	0	0	0	50,000	50,000	0	0	0
	31 Dec. 16	45,500	0	0	0	0	0	45,500	45,500	0	0	0
Switzerland	31 Dec. 17	75,637	25,637	0	25,637	0	0	50,000	0	50,000	0	0
	31 Dec. 16	152,936	27,936	0	27,936	0	0	125,000	0	125,000	0	0
Slovenia	31 Dec. 17	0	0	0	0	0	0	0	0	0	0	0
	31 Dec. 16	20,000	0	0	0	0	0	20,000	20,000	0	0	0
Spain	31 Dec. 17	13,000	13,000	0	13,000	0	0	0	0	0	0	0
	31 Dec. 16	13,000	13,000	0	13,000	0	0	0	0	0	0	0
EU institutions	31 Dec. 17	0	0	0	0	0	0	0	0	0	0	0
	31 Dec. 16	68,882	68,882	0	0	0	68,882	0	0	0	0	0
Other institutions	31 Dec. 17	25,000	25,000	0	0	0	25,000	0	0	0	0	0
	31 Dec. 16	25,000	25,000	0	0	0	25,000	0	0	0	0	0
Total - all states	31 Dec. 17	3,964,441	3,681,648	239,688	2,809,427	289,358	343,175	282,793	187,695	65,000	30,098	0
	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

#### COVERING MORTGAGES WITH OVERDUE INTEREST

	overall		thereof residential		thereof commercial	
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
	2017	2016	2017	2016	2017	2016
Overdue interest for period 1.10.2016 (14) to 30.9.2017 (15)	309	284	307	283	2	1
Overall overdue not adjusted to value	278	271	274	266	4	6

#### FORECLOSURES AND RECEIVERSHIPS OF MORTGAGES USED AS COVER

	overall		thereof residential		thereof commercial	
	2017	2016	2017	2016	2017	2016
	Pending on balance sheet date					
- Foreclosure proceedings	138	153	128	142	10	11
- Receivership proceedings	55	73	50	67	5	6
	50*)	61*)	45*)	56*)	5*)	5*)
Foreclosures completed during business year	38	69	37	69	1	0

\*) 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
Beginning of 2017	69,601
Additions in 2017	667
Reductions in 2017*	2,066
End of 2017	68,202

  

	€
Increase in remaining members' capital contributions in 2017	49,236,258.52
Amount of each share	70.00
Members' liability	0.00

## PERSONNEL STATISTICS

The average number of employees employed by the Bank in 2017 was as follows:

	Male	Female	Total
Full-time employees	246	147	393
Part-time employees	18	98	116
Total number of employees	264	245	509

These figures do not include:

Apprenticed trainees	6	5	11
Employees participating in parental leave, early retirement, partial retirement (non-working phase), or employees suspended with pay	13	17	30

## 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 0.1189 percent.

## PROPOSED APPROPRIATION OF DISTRIBUTABLE INCOME

Net income for the year amounted to € 46,252,390.52. An advance allocation of € 12,500,000 to legal reserves and another allocation of € 1,500,000 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 € 32,453,258.81 should therefore be allocated as follows:

3.25 percent dividend	€ 32,190,200.00
Carried forward to new year	€ 263,058.81

## 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

Wolfhard Binder ... Grafing  
Chairman of the Board of Management of  
Raiffeisen-Volksbank Ebersberg eG  
**Chairman of the Supervisory Board**

Dr. Hermann Starnecker ... Marktoberdorf  
Spokesman of the Board of Management of  
VR Bank Kaufbeuren-Ostallgäu eG  
**Deputy Chairman of the Supervisory Board**

Heinz Fohrer ... Esslingen (until 08.04.2017)  
Member of the Board of Management of  
Volksbank Esslingen eG

Barbara von Grafenstein ... Munich  
Employee representative

Josef Hodrus ... Leutkirch im Allgäu (as of 08.04.2017)  
Spokesman of the Board of Management of  
Volksbank Allgäu-Oberschwaben eG

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  
Employee representative

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

Michael Schäffler ... Munich  
Employee representative

Gregor Scheller ... Forchheim  
Chairman of the Board of Management of  
Volksbank Forchheim eG

Kai Schubert ... Trittau  
Member of the Board of Management of  
Raiffeisenbank Südstormarn Mölln eG

Frank Wolf-Kunz ... Munich  
Employee representative

### BOARD OF MANAGEMENT

Dr. Louis Hagen  
**Chairman**  
Bernhard Heinlein  
Michael Jung

### Mandates

Dr. Louis Hagen      KfW  
Member of the Board of Supervisory Directors

As of the balance sheet date loans to members of the Supervisory Board amounted to € 1,016 (thousand) (previous year € 1,095 (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 € 14,658 (thousand) (previous year € 16,745 (thousand)) were made for former members of the Board of Management. Total remuneration received by the members of the Board of Management during the year under review amounted to € 2,033 (thousand) (previous year € 1,785 (thousand)), for members of the Supervisory Board € 341 (thousand) (previous year € 302 (thousand)). Total compensation received by the members of Advisory Committee amounted to € 58 (thousand) (previous year € 54 (thousand)). Total compensation received by former members of the Board of Management and their surviving dependants amounted to € 1,170 (thousand) (previous year € 1,239 (thousand)).

## AUDITING ASSOCIATION

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

During the year under review total costs of € 822 (thousand) (previous year € 791 (thousand)), including value-added tax, were incurred for auditing the annual financial statements, and € 24 (thousand) (previous year € 14 (thousand)) in charges were incurred for other assurance services. As in the previous year, no costs were incurred for either tax advisory services or 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 € 7,726 (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 € 17,329 (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, 30 January 2018

Münchener Hypothekbank eG  
The Board of Management



Dr. Louis Hagen



Bernhard Heinlein



Michael Jung