

Key Facts at a Glance

- Top50 Bank in Germany:**
 - 35.7 bn Euro total assets
 - around 450 employees
 - broad based ownership; no predominant owner
 - Moody's issuer rating: A2 stable
- favourable funding by Pfandbrief privilege:**
 - Pfandbrief licence: continuous issuing of mortgage Pfandbriefe and public-sector Pfandbriefe
 - Moody's Pfandbrief rating: both Aaa
- deep roots within the Cooperative Financial Network ("FinanzGruppe"):**
 - partner of Volksbanken and Raiffeisenbanken in the mortgage lending business
 - strong protection scheme with guarantee fund and guarantee network
- sustainable business model:**
 - long-term and risk conservative business model
 - sustainability as integral part of our business activities
 - major developments in 2013 and 2014 with economic, ecological and social actions and strategies

Ratings

Münchener Hypothekenbank eG		
	Moody's Rating	Outlook
public-sector Pfandbrief	Aaa	stable
mortgage Pfandbrief	Aaa	stable
senior unsecured bonds	A2	stable
bank deposits	P-1	
bank financial strength	D	stable

Münchener Hypothekenbank eG within the Cooperative Financial Network		
	Fitch Rating	Outlook
Long-term	A+	stable
Short-term	F1+	stable

Cooperative Financial Network		
	S&P Rating	Outlook
Long-term	AA-	stable
Short-term	A-1+	stable

Business Performance H1 2014 and Financial Figures

- earnings increased substantially:**
 - net interest income rose by 16 % to 82.1 mn Euro
- ongoing growth of the mortgage portfolio:**
 - increase by around 0.7 bn Euro to a total of 22.2 bn Euro
- growing CRR capital ratios:**
 - significantly improved capital ratios by raising about EUR 400 mn CET1 capital
 - common equity tier 1 capital at 11.1%, tier 1 capital at 14.4% and total capital ratio at 18.6%
- positive outlook:**
 - organic growth with emphasis on residential property financing
 - further expand of market position
 - achievement of net results above the previous year's level

	2009	2010*	2011*	2012*	2013*	30/06/2014	e2014
Net interest income	132.7	124.5	117.9	129.0	143.6	82.1	169.0
Commission income	-30.0	-27.6	-38.3	-50.6	-49.3	-28.6	-49.0
Total administrative expenses	-59.4	-58.9	-63.5	-65.5	-73.5	-40.4	-79.0
Operating profit before risk provisions	40.9	32.2	10.7	10.6	22.4	12.6	34.0
Operating profit after risk provisions	29.2	16.7	6.5	9.8	21.2	16.7	35.0
Payment to fund for general banking risks			-1.7	-2.5	-5.0		-5.8
Net Income	11.0	11.0	4.9	5.4	6.7	11.1	17.0
Cost-Income-Ratio**	59.3	50.3	62.0	62.3	60.7	60.8	58.0
ROE (Return on equity before tax)	3.8%	5.5%	4.2%	5.0%	6.3%		5.0%
CET 1 Ratio						11.1%	11.6%
Tier 1 Ratio	6.5%	6.4%	8.9%	9.1%	11.7%	14.4%	13.5%
Total assets	35,733.4	35,225.0	37,348.0	36,642.9	34,898.5	35,733.0	35,000.0

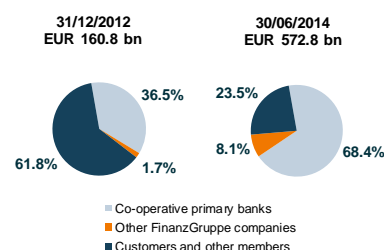
	2009	2010	2011	2012	2013	30/06/2014	e2014
New mortgage loan commitments	1,902.0	3,553.4	3,390.8	3,620.4	3,618.3	2,052.1	4,000.0
- of which residential mortgage loans	1,817.5	3,208.2	2,807.9	2,958.7	2,879.0	1,762.1	2,700.0
- of which commercial mortgage loans	84.5	345.2	582.9	661.7	739.3	290.0	1,300.0
New public-sector and municipal loan commitments	912.3	1,883.4	1,449.0	662.9	552.2	621.4	800.0

* from 2010 the interest expenses for the silent participations are within the net interest income |
 ** from 2010 without the interest expenses for the silent participations

Ownership and equity components

- membership:**
 - 77,625 members
 - 8.184 million co-operative shares
 - 70 Euro nominal value, no trading
 - 572.8 million Euro total amount
 - individuals up to 500 shares
 - "one man, one vote"
 - declaration to terminate membership
- liability:**
 - per share: 255.65 Euro
 - total additional liability: 2,092.1 million Euro
- impact on strategy and business:**
 - long-term profitability and business sustainability
 - conservative risk policy
 - no major shareholder
 - stable and continuous dividend payments

Equity Components 30/06/2014	
in € million	
Common Equity Tier 1	852.0
Paid-up capital	566.4
Reserves	283.8
Special items for general banking risk	9.2
Deductible items	-7.4
Additional Equity Tier 1	251.8
Undisclosed holdings	272.5
Deductible items	-20.7
Tier 2 Capital	323.3
Total Equity	1,427.1



Sustainability at MünchenerHyp

Ratings

oekom research

	2012	2014
Social Rating	D	C
Environmental Rating	D	C
Corporate Rating	D	C*



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Public-sector Pfandbriefe	neutral	very positive
Mortgage Pfandbriefe	neutral	neutral
Senior unsecured bonds	negative	neutral

* MünchenerHyp is one of the three "Industry Leaders" in the sector Financials/Mortgage & Public Sector Finance (57 companies)

Project Selection

Social criteria:

- social purpose
- social renting levels
- permanent right of abode
- democratic principle

Economic criteria:

Little vacancy

Average vacancy rates of MünchenerHyp's financed housing cooperatives: 1.15%**

Very little vacancy compared to nationwide average: 3.3%**

High equity ratios

High equity ratios (Ø 36.2%*) of housing cooperatives: low-risk and responsible business policy

Consistency with MünchenerHyp's business strategy: low-risk real estate financing

Low Loan to Values

Coverage capital in € divided in LTV-classes			
LTV	< 30%	30% - 60%	> 60%
Coverage capital €	54,245,186	417,408,099	106,315,970

Security for housing cooperatives, MünchenerHyp and investors based on long-term and solid financing structure

Ecological criteria:

- energetic activities
- sustainable construction
- energetic Modernisation activities
- moderate operating costs

* Calculation based on values of 10 housing cooperatives with highest MünchenerHyp loans

** Source: empirica ag

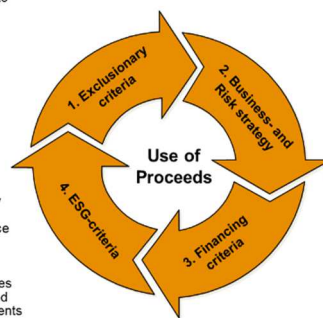
Use of proceeds – Use of issuing volume

Exclusionary Criteria:

- controversial business areas
 - alcohol
 - gambling
 - military weapons
 - pornography
 - tobacco
 - uranium mining

Possible ESG-Criteria:

- socially responsible rental structures and user-friendly building constructions
- permanent right of residence for tenants
- democratic structures
- avoidance of speculation in housing, rents and vacancies
- sustainable construction and energy efficient refurbishments as per KfW standards



MünchenerHyp business and risk strategy:

- partner for the German cooperative banks for providing the full spectrum of residential and commercial property financing
- consideration of borrowers default risk, market price risk, liquidity risk, operational risks and risk-bearing potential

Financing criteria for commercial real-estate:

- completed, good state of maintenance properties
- good located objects with positive prognosis for the future
- Comfortable Debt Service Coverage (ISCR/DSCR)
- suitability for third party use of the property
- First-ranking financing

- financing of housing cooperatives that provide private and affordable residential property for their members

- current coverage capital: 471,653,285 € (663 loans)

Regional distribution		30.06.2014	
region	EUR	%	loans
Baden-Württemberg	18,452,699.58	3.9	16
Bayern	61,146,711.26	13.0	179
Berlin	103,608,545.79	22.0	52
Brandenburg	8,250,341.90	1.7	11
Bremen	6,273,053.93	1.3	6
Hamburg	81,273,035.51	17.2	67
Hessen	16,363,625.31	3.5	16
Mecklenburg-Vorpommern	12,274,373.32	2.6	11
Niedersachsen	34,353,554.24	7.3	59
Nordrhein-Westfalen	68,568,170.32	14.5	143
Rheinland-Pfalz	2,053,209.43	0.4	6
Sachsen	19,708,450.21	4.2	21
Sachsen-Anhalt	3,699,519.06	0.8	4
Schleswig-Holstein	32,102,213.00	6.8	56
Thüringen	3,525,782.38	0.7	16
Total	471,653,285.24	100.0	663

Maturities of cooperative loans							
	until 1 year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	5 - 10 years	> 10 years
30.06.2014	45,906,301.86	25,896,511.00	48,252,561.91	47,035,084.37	43,302,854.83	186,156,068.48	75,103,902.79
30.06.2013	67,960,893.14	31,577,994.02	26,052,242.47	51,123,856.75	51,635,417.17	183,314,876.41	70,773,917.37

Sizes of cooperative loans		30.06.2014	
size range	EUR	%	loans
up to € 300,000	19,558,939.74	4.15	352
€ 300,000 - € 1 millions	91,887,562.93	19.48	159
€ 1 million - € 10 millions	305,979,128.13	64.87	148
more than € 10 millions	54,227,654.44	11.50	4
Total	471,653,285.24	100.00	663

Reporting – Public disclosure

- Constant information on ESG Pfandbrief: MünchenerHyp-website and investor presentation
- Quarterly update on cooperative mortgage loans (re-)financed with ESG Pfandbrief: amongst others cooperative's duration, regional structure, LTVs (concentration on § 28 Pfandbrief act)
- Independent supervision through trustee and "second opinion" through rating agency oekom research ("verification statement") on ESG Pfandbrief and therefore identified data

Second Party Opinion

- oekom research commissioned by MünchenerHyp to assist its first ESG Pfandbrief
- use of proceeds is refinancing of loans to housing cooperatives

- defining a framework concept with social and environmental criteria
- compliance check with criteria and the use of granted loans
- checking Münchener Hypothekbank eG's sustainability performance

- Sustainable Pfandbrief Framework as structure for sustainability quality verification – i.e. the social and environmental added value

- emphasis on social aspects
- socially added value by providing affordable and user-friendly housing
- environmental criteria should ideally be given greater consideration in the future

oekom research

"this ESG Pfandbrief is a product which can be assessed as positive from a sustainability point of view"



MünchenerHyp's ESG Pfandbrief

Issuer	Münchener Hypothekbank eG
Rating	Mortgage Pfandbriefe: Aaa (Moody's)
Product	ESG Pfandbrief
Type	Mortgage Pfandbrief
Qualified assets	Loans to housing cooperatives
Expected size	EUR 300 million
Interest	Fixed-rate
Expected issue	September 2014
Maturity	5 years
Denomination	100,000 Euro
Listing	Munich Stock Exchange
Target investors	Socially responsible investors
Lead Managers	Crédit Agricole, LBBW, WGZ BANK
Second opinion	oekom research

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