MünchenerHyp

ANNUAL REPORT 2013

OVERVIEW

BUSINESS DEVELOPMENT (IN MILLIONS OF €)*

	2013	2012	Change %
Lending Business			
a) Mortgage loans	3,618	3,621	0
aa) Residential property financing	2,879	2,959	-3
ab) Commercial property financing	739	662	12
b) Loans to public sector and banks	552	663	-17
Total	**4,170**	**4,284**	**-3**

BALANCE SHEET (IN MILLIONS OF €)*

	2013	2012	Change %
Total assets	34,899	36,643	-5
Mortage loans	21,522	20,986	3
Loans to public sector and banks	10,271	12,139	-15
MBS	13	29	-55
Pfandbriefe and other bonds	31,048	30,712	1
Liable equity capital	1,251	1,161	8

INCOME STATEMENT (IN MILLIONS OF €)*

	2013	2012	Change %
Net interest income and net commission income	94	78	20
Administrative expenses	74	66	12
Results from operations before deducting provisions for risks	22	11	111
Results from operations after deducting provisions for risks	21	10	110
Transfer to the Fund for General Banking Risks	-5	-3	67
Net income	7	5	40

EMPLOYEES (NUMBER)

	2013	2012	Change %
Average number of employees per year	436	410	6
Apprentices	15	13	15
Employees participating in parental leave, early retirement and partial retirement (non-working phase)	22	20	10

***Amounts have been rounded**

CONTENTS


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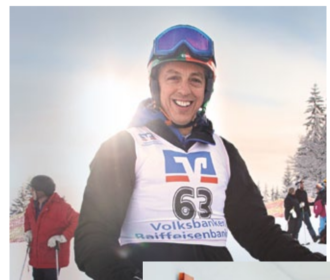
€ 4400,-
BÜRGERSTIFTUNG MÜNCHEN
MÜNCHEN
21.03.2013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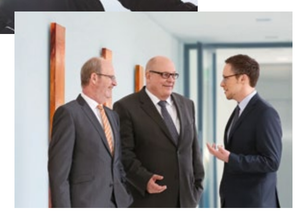
Volksbanken

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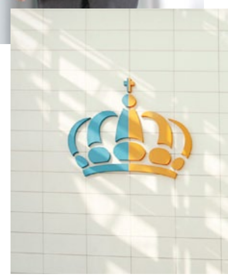
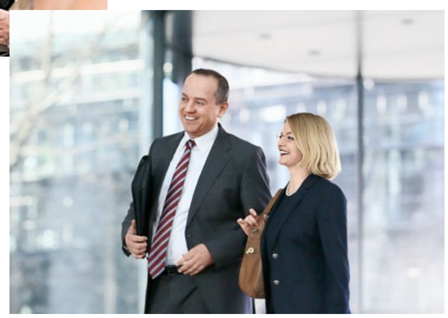




A year is more than the sum of its days.

We would like to revisit 365 successful and eventful days with you in this Annual Report. Join us in our numerous moving moments and activities – and share the happiness of our collective achievements. This is because our relationships with our customers and members are more than just business relationships. Partnership and a community spirit are particularly important for us and reflect our credo and tradition as a cooperative Pfandbriefbank.

Bundling strengths – to achieve our goals together.

“Firm in trust and firm in unity,” is how cooperatives should work according to Wilhelm Haas, one of the founding fathers of the German cooperative movement. This spirit of togetherness serves as the model for the work done by our bodies: our Supervisory Board and Board of Management, as well as the members of the Delegates Meeting – the central forum of our cooperative.

Left page, left: MünchenerHyp's Supervisory Board and Board of Management (from left to right): Konrad Irtel (Chairman of the Supervisory Board), Jürgen Hölscher, Erich Rödel, Bernhard Heinlein, Rainer Jenniches, Kai Schubert, Dr. Louis Hagen (Spokesman of the Board of Management), Wolfhard Binder, Michael Jung, Heinz Fohrer, HSH Albrecht Prince of Oettingen-Spielberg (not shown in picture Michael Glos). Right: Dr. Louis Hagen (Spokesman of the Board of Management). Right page, very top photo: Konrad Irtel bids farewell to Hans Pfeifer (right), former member of MünchenerHyp's Supervisory Board. Top (from left to right): MünchenerHyp's Board of Management: Bernhard Heinlein, Dr. Louis Hagen, Michael Jung. Below left: Bernhard Heinlein, Michael Jung. Below right: Konrad Irtel, Chairman of the Supervisory Board.

LETTER FROM THE BOARD OF MANAGEMENT

DEAR SHAREHOLDERS AND BUSINESS ASSOCIATES,

MünchenerHyp developed favourably during the last business year. This was based on the growth strategy we developed in response to the changes and challenges caused by the crisis in the financial markets. Our central strategic goal is to sustainably strengthen MünchenerHyp's earnings power. To achieve this we notably strengthened our market development activities in our core business areas of residential and commercial property financing during the previous years.

GROWTH STRATEGY GAINS TRACTION

Our course of growth is long-term oriented, which is why our achievements develop successively. During 2013 we took another important step forward as we substantially improved our business results.

Due to unbroken strong demand for residential property, as well as a growing demand for commercial property in Germany, we were able to further expand our market position in the area of new business. The property boom also led to fiercer competition that is being increasingly fought using financing conditions. We successfully affirmed our position in the market thanks to the strong sales power of our partners – above all the Volksbanken and Raiffeisenbanken. We did not, however, take on higher risks to achieve this as our conservative risk policy remained unchanged.

Our successful new business results posted last year and in the previous years are increasingly reflected in our net interest income figure, which rose by more than 11 percent in 2013. MünchenerHyp's stable risk situation clearly shows that our growth is taking place at an acceptable level of risk. Provisions made for risks continue to be at a low level as we place more and more distance between us and the turmoil generated by the crisis in the financial markets.

AWARD-WINNING ISSUER

Our successful new business is also based on obtaining refinancing funds via Pfandbriefe, which enables us to maintain attractive conditions and a high degree of matching maturities. During the past year we again issued numerous Benchmark Mortgage and Public Pfandbriefe. Demand for some of these issues was so strong that we were able to tap them shortly after they were initially placed.

We were very pleased to receive very prominent recognition as an issuer. MünchenerHyp received awards for being the "Best Global Issuer" and "Best Euro Issuer" from The Cover, a financial news service held in high regard by the financial sector. These prizes are a great motivation for us as they were awarded based on the votes of investors and other market participants.

SUPERVISORY CHANGES

Last year we made clear advances towards meeting the requirements of Basel III. In particular, we substantially strengthened our level of equity capital. At the end of the year we achieved a total capital ratio of over 16 percent thereby providing us with a comfortable level of capital for our business model.

The announcement that the European Central Bank (ECB) will assume responsibility for the supervision of 124 banking groups in Europe, including MünchenerHyp, posed new challenges for us. This change is scheduled to take place on November 4, 2014 and will result in significantly stricter regulatory requirements, especially those concerning the structure of equity capital. The new rules will require a common equity Tier 1 capital ratio of at least 8 percent. However, based on the Basel III requirements – which we have based our planning on – the required ratio was only 7 percent and it had to be met by 2019. In addition, our bank will also be required to undergo extensive examinations of its balance sheet as well as stress tests.

As a mid-sized bank our efforts to meet the new ECB requirements in this short period of time will involve high costs for human and material resources. Thus, we will attract additional paid up capital to further strengthen our level of common equity Tier 1 capital. To achieve this we will primarily address banks within the Cooperative Financial Network as we are closely linked to them due to our legal status as a cooperative bank, as well as through our membership in this network. The Cooperative Financial Network associations have also assured us of their support. In addition, our members outside of the Network are also welcome to subscribe additional shares. For these reasons we are confident that we will be able to attract the required resources and convinced that we will emerge from these challenges stronger than before.

ACHIEVING SUCCESS WITH DEDICATION AND DRIVE

The numerous supervisory requirements and changes require enormous efforts on the part of our employees. We owe our success to their strong motivation and untiring dedication. For this we extend our warm thanks to all of them. We would also like to thank the members of the Works Council and the Executive Employees Committee for the constructive collaboration we once again experienced with them during the past year. We are also grateful for the benefits provided by the experience and expertise of the members of our bodies. We offer our warm thanks to the Supervisory Board, the members of the Delegates Meeting and the Cooperative Advisory Committee.

CONTINUING OUR COURSE OF GROWTH

Aided by the tail winds of another successful business year, we want to continue as planned on our course of growth in the coming years. The continued increase in the Bank's earning power will remain at the centre of our efforts. We will act resolutely to keep our risks low. Our success is at the same time the success of our partners, above all in the Cooperative Financial Network. The sales strength of our partners and our innovative financial solutions are good conditions for shared growth.

Sincerely yours,

Dr. Louis Hagen   Bernhard Heinlein   Michael Jung

MANAGEMENT REPORT 2013

ECONOMIC REPORT

RISK, OUTLOOK AND OPPORTUNITIES REPORT

Our members.
A strong community.

MünchenerHyp has done business as a registered cooperative since it was founded in 1896. Our members represent a strong community. They are capital providers, co-owners, and the foundation of the co-operative. And a particularly attractive fact is that our success is also their success – they participate directly in our profits. For us, however, the idea behind a cooperative means more than just our business success. It's founded on a collective idea that embodies ethical values like self-help, self-responsibility, and social responsibility. We live these values every day at MünchenerHyp.

Impressions of the 2013 Delegates Meeting. Very top: HRH Duke Max in Bavaria, former Deputy Chairman of MünchenerHyp's Supervisory Board. MünchenerHyp's logo is a stylised version of the Wittelsbacher King's Crown. The Bank received permission to use it from Prince Regent Luitpold in 1897.

MANAGEMENT REPORT 2013
ECONOMIC REPORT

OVERALL ECONOMIC CONDITIONS

ECONOMIC DEVELOPMENT

Global economic growth slowed in 2013. In particular, the pace of economic growth in both the industrialised nations as well as the emerging countries was less dynamic as global economic growth declined by 0.1 percentage points to 3 percent. During the second half of the year the outlook for global economic growth increasingly improved as exports and personal consumption picked up again in many industrialised countries.

The eurozone posted a slight rise in its gross domestic product (GDP) for the first time again during the second quarter the year. This minor recovery was not, however, enough to turn around the eurozone's economic performance for 2013 as it contracted again and declined by 0.4 percent for the full year.

The German economy was unable to distance itself from this economic environment as its GDP rose by just 0.4 percent, which was less than the moderate rise noted in the previous year. This slight growth was primarily driven by personal consumption. Exports were held back by the weaker global economy and the recession in the eurozone. Investments were also unable to stimulate the economy as they were 0.7 percent lower than in the previous year. In contrast, investments in construction projects rose by 0.1 percent, although this development did vary from sector to sector: while investments in commercially used buildings fell notably, they rose slightly in the public-sector and residential building sectors. This improvement was primarily attributed to favourable interest rates available for financing residential property.

The average annual inflation figure was 1.5 percent and significantly lower than in previous years. However, consumers paid substantially higher prices for food, electricity and gas.

The labour market developed favourably as a new employment record was set with 41.8 million people holding jobs in Germany. The number of unemployed climbed marginally to nearly 3 million causing the unemployment rate to rise by 0.1 percentage points over the previous year's figure to 6.9 percent.

FINANCIAL MARKETS

European sovereign bond markets increasingly stabilised over the course of 2013. This was mainly due to action taken by the European Central Bank (ECB) with its Outright Monetary Transactions (OMT programme) and its assurances that it would defend the euro. Even the deadlocked situation in Italy following the parliamentary elections in February and the bail-out of Cyprus, which forced the participation of private bank depositors, caused only temporary waves in the markets. Moreover, the EU underlined its political will to further strengthen the eurozone by creating the European Stability Mechanism, a permanent financial assistance programme, recapitalising the Spanish banking sector, and developing a European Banking Union. These actions led to a notable lessening of uncertainties surrounding the continuation of the European Monetary Union during the course of the year. Lessened uncertainties were also reflected in the improving sovereign bond markets and especially for bonds issued by Ireland, Portugal, Spain and Italy, which recorded significantly narrowing spreads.

"Pfandbriefe and other covered bonds were again a sought after asset class in 2013, especially because of their good creditworthiness."

Lower rates of inflation and weak economic data allowed central banks in industrialised nations to continue their expansive monetary policies. While the Fed in the USA, as well as the Bank of England and the Bank of Japan, opted to use quantitative measures such as purchasing government-issued bonds, the ECB decided to place greater emphasis on conventional interest rate policy. At the beginning of May and in November it cut its main refinancing rate by 0.25 percentage points each time to its current historic low of 0.25 percent. The improving development of the US economy allowed the Fed to begin reducing its purchases of treasuries and mortgage bonds at the end of 2013.

The low interest rate situation and favourable profits booked by German companies fuelled a considerable rise in the German stock market index (DAX), which rose by 26 percent over the course of the year. Most of the other international stock markets also posted gains.

The US dollar/euro trading range remained comparatively narrow over the year. Political uncertainties in the eurozone drove the exchange rate down to 1.28 US dollar/euro at the beginning of the year. The euro was significantly buoyed by the easing of the sovereign debt crisis in the second half of the year as the exchange rate climbed to around 1.38 US dollar/euro. The change of government in Japan in 2012 along with the Japanese central bank's newly defined monetary policy aimed at weakening the Japanese yen was successfully carried out. The euro rose vis-a-vis the yen from 113 at the beginning of the year to 145 yen. The Swiss National Bank retained its announced policy of limiting the rise of the Swiss franc exchange rate to the euro and held its currency over 1.20 CHF/euro.

Pfandbriefe and other covered bonds were again a sought after asset class in 2013 as their good creditworthiness and the regulatory advantages they offered over senior unsecured bonds generated high demand and significantly narrowing spreads despite unchanging low interest rates. Above all others, bonds issued by countries on the periphery of Europe were in great demand due to their high spreads and yields. They turned in the best performance in this asset class as their spreads narrowed sharply during the year. The volume of maturing covered bonds, however, was greater than the amount of new issues. The volume of new issues of euro-denominated covered bonds in the benchmark segment fell by about € 10 billion to € 97 billion as banks reduced the size of their balance sheets and the ECB provided alternative refinancing possibilities. The German Pfandbrief continued to benefit from a low volume of new issues – caused by the withdrawal of many issuers from the sovereign financing business – and the very good quality of the underlying assets.

Interest rates in the longer maturities sector moved higher in Europe. The yield on 10-year Bunds rose from 1.31 percent on December 31, 2012 to 1.93 percent at the end of 2013. This move was primarily driven by fears related to the Fed ending its purchases of treasuries and mortgage bonds at a faster pace, as well as an increasingly improved outlook for economic growth.

Figures in % YIELD ON TEN-YEAR BUNDS 2013

Source: Bloomberg

PROPERTY AND PROPERTY FINANCING MARKETS

RESIDENTIAL PROPERTY – GERMANY

The upswing in the German housing market is now in its fourth year and is primarily marked by the following factors: continually rising housing prices and rents, a clearly visible migration of mainly younger people to major cities, a higher level of new construction activity, and a favourable development of income and employment figures.

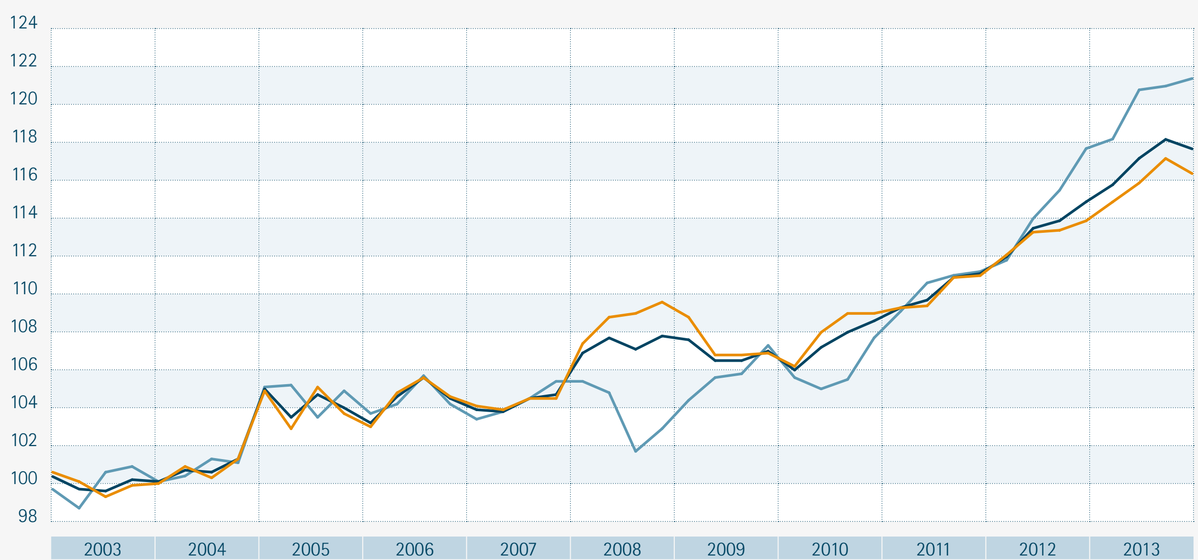
"The favourable development of the German residential property market also reinforced demand for property financing."

The overall pace of price increases only accelerated slightly last year. Based on figures prepared by the Association of German Pfandbrief Banks (vdp), prices for residential property were 4 percent higher than in the previous year, following a gain of 3.9 percent in the 2012. Prices for condominiums posted the highest increase and rose by 4.9 percent, while multi-family dwellings were 4.7 percent more expensive and owner-occupied houses gained by 2.6 percent.

The development of prices was primarily influenced by the situation in major cities as well as university cities and prosperous mid-sized centres, where the number of residents has risen significantly in recent years. Demand continued to exceed supply as new construction of apartments and houses – especially in the major cities – could not keep up with the rapidly rising number of new arrivals.

The number of building permits increased again, even though when viewed on a long-term comparative basis this figure was still far removed from previous levels. By the end of November permits to build more than 245,000 apartments had been approved, or 13 percent more than at the same time in the previous year. However, the actual demand for new apartments remains higher.

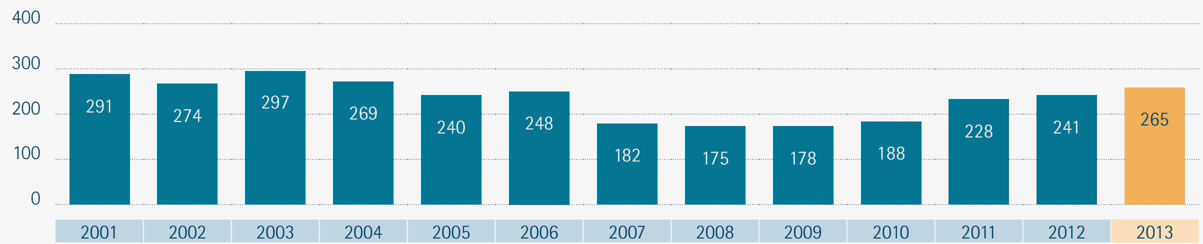
DEVELOPMENT OF PROPERTY PRICES IN GERMANY (YEAR 2003 = 100)



— Owner-occupied residential property — houses — condominiums

Source: Association of German Pfandbrief Banks
As of: February 2014

Figures in 000 RESIDENTIAL BUILDING PERMITS IN GERMANY 2001 – 2013



Source: German Federal Statistics Office, www.destatis.de, 2013 = estimated

The housing market continued to be marked by regional differences. Prices stagnated or declined outside of the prosperous regions as residents moved away. Vacancy rates of up to 10 percent were observed in some of these localities.

The overall favourable stimuli influencing the German housing market were reflected in renewed rising demand for property financing and a growing volume of loans. The fact that the lending growth in the overall market still remained moderate is primarily due to the situation in Germany where a majority of the new lending business is generated each year by prolongations and rescheduling of existing loans. This is why demand related to purchases of newly built and previously owned homes only had a limited effect on the overall new property financing business.

The unchanged historically low level of interest rates fuelled demand for condominiums and houses and thus for property finance. The trend to lock-in longer terms of fixed interest rates of 20 years and more continued in 2013. In addition to the desire to obtain interest rate safety, many property buyers placed great importance on flexible financing solutions.

Competition among providers of property financing intensified as new competitors, especially insurance companies, entered the market, and also because numerous providers tried to win market share through low financing conditions. The Volksbanken Raiffeisenbanken Cooperative Financial Network was able to affirm its position in this difficult environment as it maintains particularly close relationships with its customers and enjoys an image as a quality provider of financing services. Based on figures provided by the National Association of German Cooperative Banks (BVR), they were able to expand their share of market to 27.2 percent.

RESIDENTIAL PROPERTY – INTERNATIONAL

The situation in many housing markets in the eurozone remained tense as the recession continued. However, there were increasing signs pointing towards a turnaround and a slow start of a recovery.

Attractive financing conditions in the UK along with an overall improved income situation helped revive demand for residential property. House prices rose again as supply was limited by the low volume of newly built housing. For the first time since 2008 more than 1 million houses were sold. In addition, institutional investors showed greater interest in the British housing market as residential property is viewed as a safe form of investment.

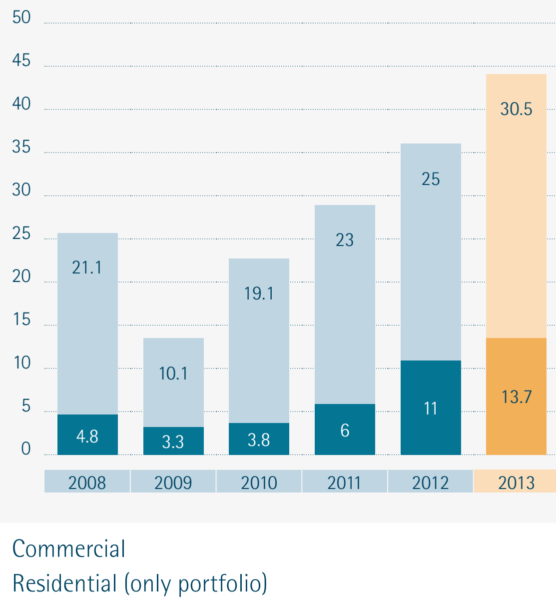
Development seen in the French residential property market was more subdued and varied from region to region. Prices for newly built homes began to stabilise at a low level. Prices for previously owned homes continued to fall but at a slower pace. Investors continued to view investments in rental properties as safe and attractive. Top yields of 3.3 to 3.8 percent were observed most recently and thus significantly below the peak returns of other property classes.

The economic situation remained tense in the Netherlands. Property sales and the associated demand for property financing fell against the background of comparatively high unemployment and shrinking personal income levels. According to information provided by the Dutch Association of Real Estate Brokers and Real Estate Experts (NVM), the erosion of prices eased a bit recently and the number of newly signed contracts to buy residential property rose again for the first time.

Prices continued to rise in the Swiss residential property market, albeit not as rapidly as the pace seen in previous years. On average, prices for single-family houses rose by 2.6 percent and 1.6 percent for condominiums. Prices continued to vary significantly from region to region as prices rose at above-average rates in the Romandie (the French-speaking areas) and Central Switzerland, in particular. The property financing market continued to grow as dynamically as in previous years. The volume of mortgage loans once again grew faster than the Swiss GDP. The Swiss National Bank (SNB) viewed this situation as a further increase in risks facing the property and property financing markets. The SNB took steps to calm the markets by activating the obligatory countercyclical capital buffer for Swiss banks at the end of the third quarter 2013. This measure was intended to strengthen the resilience of the banking sector by raising the required percentage of equity capital banks had to hold for mortgage loans.

The residential property market in the USA recovered significantly last year. According to the Case-Shiller index, prices for residential property rose across the USA by 12 percent with the biggest gains posted by the cities which had seen particularly steep drops in property prices during the recession. Growth of property prices slowed in the fourth quarter as mortgage interest rates rose, the unemployment situation only improved slowly, and household incomes grew moderately. The market for rental housing continued to develop briskly. Prices for apartments rose further, especially in regions with flourishing job markets. In addition, more new apartments were being built, which did not impact negatively on rental prices due to high demand. For this reason rental housing remained the preferred asset class for investors.

DEVELOPMENT OF COMMERCIAL PROPERTY TRANSACTIONS IN GERMANY 2008 – 2013
Figures in € billion



Source: Ernst & Young Research, January 2014

COMMERCIAL PROPERTY – GERMANY

Investor demand for German commercial property was very strong last year. The volume of transactions rose by over 20 percent to € 30.5 billion making it the biggest sales year since 2007. The strong appeal is based on the following reasons: good overall economic conditions, Germany's reputation as a "safe haven" for capital investments, the unbroken level of low interest rates, and weak returns offered by alternative forms of investment. For these reasons insurance companies and pension funds, in particular, were increasingly investing in property.

Foreign investors represented 33 percent of aggregate transactions in 2013, down from the 42 percent share they held a year-ago. They preferred to invest in large portfolios of property where they held a 45 percent share of the volume of transactions. Open-ended property funds and special funds were the biggest buyer groups with € 8.5 billion. Family Offices and private investors also showed keen interest and invested € 3.1 billion.

The break-down of transactions by types of property barely changed: office properties remained top-ranked with a 48 percent share of total transactions followed by retail properties with 25 percent.

Investor interest was focused on core properties. This is why returns in this segment remained under pressure. On average, top yields for office properties in the best seven property locations (Berlin, Cologne, Düsseldorf, Frankfurt, Hamburg, Munich, and Stuttgart) were less than 5 percent.

Turnover recorded for the office rental market was below the previous year's level. Turnover of space in the aforementioned cities was 2.93 million square metres, or 3.5 percent less than in the previous year. The average vacancy rate fell from 8.8 percent to 8.3 percent.

Investment in residential property portfolios also increased significantly rising by almost 25 percent to € 13.7 billion.

COMMERCIAL PROPERTY – INTERNATIONAL

Demand for commercial property across Europe was also significantly stronger than in the previous year. The volume of transactions rose by 20 percent to over € 150 billion with the vast majority generated by the UK, Germany and France.

The London property market remained one of the key target markets for international property investors within the UK. Turnover in London in 2013 was over 14.5 billion GBP, the highest since 2007. While international investors primarily sought out increasingly scarce core properties, British investors responded more and more to favourable signals emanating from the rental markets and extended the range of their investing activities to other regions. The difference between returns attainable in primary and secondary markets began to narrow.

The British financing market was in good condition even though opportunities to finance core properties tended to decline due to the scarcity of these properties. As a result, competition among providers of financing intensified significantly, which led to lower margins and higher lending value ratios. Financing activities therefore shifted increasingly to alternative properties in regional markets.

France's difficult economic situation also burdened the commercial property market as the volume of transactions fell by 3.6 percent. Turnover of rental office space was last seen at such a low level in 2003. Above all other locations, Paris was seen as a safe investment target as the volume of investments recorded in 2012 was again achieved last year. Purchase prices remained stable with maximal initial yields of 5 percent. The trend towards properties with visible potential for further development or value growth, referred to as core-plus properties, was a notable development in 2013. Core-plus properties' share of total transactions in the greater Paris area rose to 40 percent from 21 percent up till November 2013.

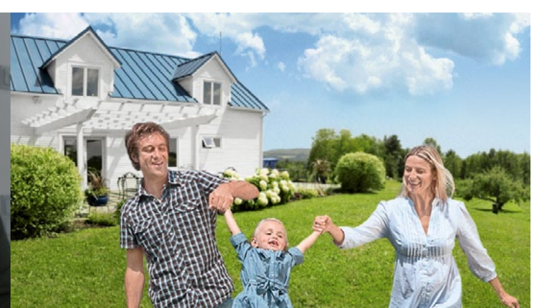
The Dutch commercial property market recorded favourable development for the first time again. The volume of transactions rose by almost 30 percent to € 4.9 billion. This figure was still significantly shrinking in the previous year. International investor interest in Holland rose again in 2013. Office properties represented about one-third of the total volume of transactions.

The commercial property market in the USA strengthened again as investor interest remained focused on the core markets of New York City, San Francisco, Washington D.C., Boston, Seattle, Houston, Chicago and Los Angeles. Demand for core properties continued to exceed supply. As a result, investments were again increasingly being made in the fringe areas of primary markets as well as better locations within secondary markets.

The financing market for commercial property in the USA was stable and sufficiently liquid while competition among providers of financing services was strong. Providers of securitisation paper (commercial mortgage-backed securities) were again very active. Financing providers preferred to make loans to first-class borrowers investing in properties with long-term rental contracts in the aforementioned core markets in addition to selected deals involving higher-risk and higher-yield properties in secondary markets, as well as properties located on the fringes of primary markets.

Partnership at eye-to-eye level – the number one factor for success.

The right kind of property financing is as individual as our customers' wishes. In order to meet this wide variety of demands we support our partner banks in the Cooperative Financial Network with innovative, flexible financial solutions featuring very attractive conditions. The Volksbanken and Raiffeisenbanken offer an extensive branch network, personalised support and a high level of advisory expertise. This winning combination of two strong partners working eye-to-eye provides us with a significant competitive advantage. Our exchange of professional information with our partner banks in MünchenerHyp's Cooperative Advisory Committee gives us additional know-how to benefit our customers.



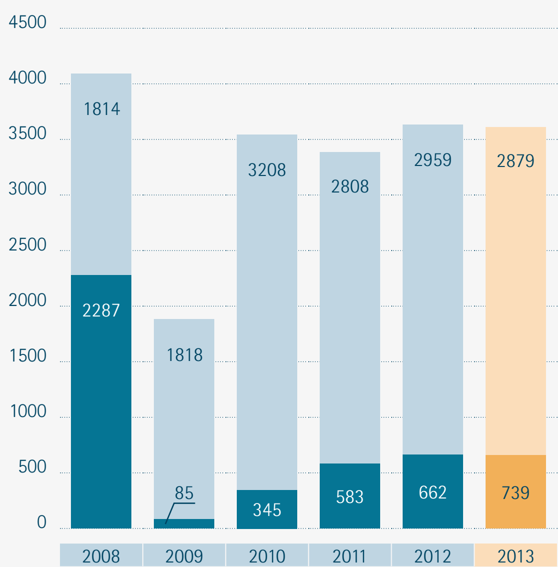
Right page, top: Headquarters of Volksbank Gütersloh eG. Top (from left to right): Regional Director Wolfgang von Carnap in a customer discussion with Thomas Sterthoff, Spokesman of the Board of Management of Volksbank Gütersloh eG, as well as Peter Zurheide, Member of the Board of Management of Bielefelder Volksbank eG.

BUSINESS DEVELOPMENT

NEW MORTGAGE BUSINESS

The pronounced price-driven competition in our core markets led to slightly lower lending margins than noted in the previous two years. Margins were once again closer to levels seen in many earlier years. Despite the fact that we continued to shun participating in price-driven competition, we did manage to hold our new mortgage business at a very high level. Our goal is to grow at an acceptable level of risk while generating adequate margins. We achieved this in 2013 as we recorded new business (excluding prolongations) of € 3.6 billion, which was also at last year's level. As a result, we were able to continue on our course of growth – as we had anticipated in our last Annual Report – and further strengthen our position in the market.

MÜNCHENERHYP NEW MORTGAGE BUSINESS
2008 – 2013
Commitments in € million



Residential housing
Commercial property

The volume of mortgage loan commitments made in the residential property financing area of business amounted to € 2.9 billion and was slightly below the € 3.0 billion figure posted in the previous year. This was mainly because 2012 was an exceptionally successful year for our business with banks within the Cooperative Financial Network. However, in comparison to the previous years, business with cooperative banks remained at a very high level. Our performance here was driven by strong demand for long-term fixed interest rates along with flexible financial solutions. Demand for forward loans was more moderate in view of the continuing low level of interest rates. Financing of owner-occupied houses and condominiums represented the greatest share of our business with Cooperative Financial Network banks.

"New business remained sound at a very high level. As a result we were able to continue on our growth course and further strengthen our position in the market."

Sales of residential property financing generated by independent providers of financial services rose by 23 percent over the previous year's figure to € 531 million. We were thus, as planned, able to offset the decline noted in 2012. As foreseen, our collaboration with the Swiss PostFinance advanced further. Loans were primarily made to owner-occupants at acceptable levels of risk and at comparatively low loan-to-value ratios.

The volume of our new commercial property financing business increased by 12 percent to almost € 740 million. Our forecast had foreseen a slight expansion of new business. The focus of these activities was on financing transactions in Germany. Outside of Germany we only financed selectively due to the difficult market conditions. Margins also developed favourably as we were able to substantially exceed our margin targets. As planned, we were able to expand our business with commercial housing companies.

MORTGAGE RATES MÜNCHENERHYP (TEN YEAR FIXED RATE)

As of: 02.01.2014

Source: MünchenerHyp

PUBLIC-SECTOR AND BANK LENDING, AND MUNICIPAL LOANS

Overall conditions in the lending business with the public-sector and banks improved last year as the ECB managed to calm the markets with its OMT programme. Furthermore, European policymakers increasingly implemented reforms. Spreads improved significantly for bonds issued by banks and governments over the entire course of the year.

Despite these developments we continued to conduct our business cautiously in accordance with our business and risk strategy. Investments were only made in liquid securities issued by very creditworthy issuers located in the European core countries. The volume of lending commitments declined from € 0.7 billion in 2012 to € 0.6 billion.

REFINANCING

We were also affected by the overall conditions noted for refinancing activities, which were defined by an unchanged low level of interest rates and a high volume of maturing paper. Two of our large-volume Pfandbriefe matured last year: a € 1.5 billion Jumbo Mortgage Pfandbrief in April and a € 1.35 billion Jumbo Public Pfandbrief in October. In a market environment that favoured our Bank, we replaced these large-volume issues by successfully launching planned volumes of benchmark issues.

We were once able to refinance our activities through the capital markets at very good conditions. We issued four large-volume Pfandbriefe over the course of the year. These issues also developed favourably in the secondary market. In addition, our private placements also recorded high sales. Our efforts in this difficult environment of low interest rates were also supported not least by our very good standing as an issuer.

"MünchenerHyp won two renowned awards: 'Best Global Issuer' and 'Best Euro Issuer'."

Due to strong demand for our private placements our first benchmark issue was only launched in April 2013. This was an 8-year Mortgage Pfandbrief with a nominal value of € 750 million. We took advantage of very good overall conditions to launch our first ever benchmark issue denominated in British pounds during the same month. The 3-year Mortgage Pfandbrief initially had a volume of 200 million GBP, however, in view of strong demand the issue was tapped by an additional 100 million GBP shortly thereafter.

This issue was followed in June by a 15-year, € 500 million Mortgage Pfandbrief. With this issue we again successfully entered new territory, and this time regarding the terms to maturity for a benchmark issue. Due to unbroken strong demand for this issue it was tapped twice over the course of the year and currently has a nominal volume of € 1 billion. In October we closed out our large-volume issues for the year with a € 500 million 5-year Public Pfandbrief that was tapped by an additional € 125 million shortly after it was issued.

Our issues are well diversified thanks to our broad base of investors in Germany and abroad. Regional emphasis is generally on investors in Germany, who absorb 50 to 60 percent of our issued volumes. In comparison to the rest of the market this figure is more on the low side. In contrast, the UK was clearly the main investor region for our GBP Mortgage Pfandbrief.

About 60 percent of our uncovered refinancing requirements were met within the Cooperative Financial Network.

The Bank's high standing among Pfandbrief investors was underlined in 2013 when we won two renowned awards at "The Cover Awards" as the "Best Global Issuer" and "Best Euro Issuer". We also came in second in the "Euro Deal of the Year" category. These awards are based on votes submitted by market participants and show that the market views us as a very solid and safe bank. We believe that this is based on the close and continuing dialogue we maintain with our investors and capital market partners, as well as the quality of our cover pools and the fact that we are firmly embedded in the Cooperative Financial Network.

In 2013 we obtained € 7.6 billion in refinancing funds via the capital markets with the primary focus placed on covered issues: € 4.4 billion in Mortgage Pfandbriefe and € 0.9 billion in Public Pfandbriefe. We also issued € 2.3 billion in uncovered securities. Inflows of € 7.2 billion from maturing securities resulted in net sales of € 0.4 billion.

EARNINGS, FINANCIAL AND ASSET SITUATION

BALANCE SHEET STRUCTURE

As of December 31, 2013 total assets amounted to € 34.9 billion following € 36.6 billion recorded on the same year-ago date.

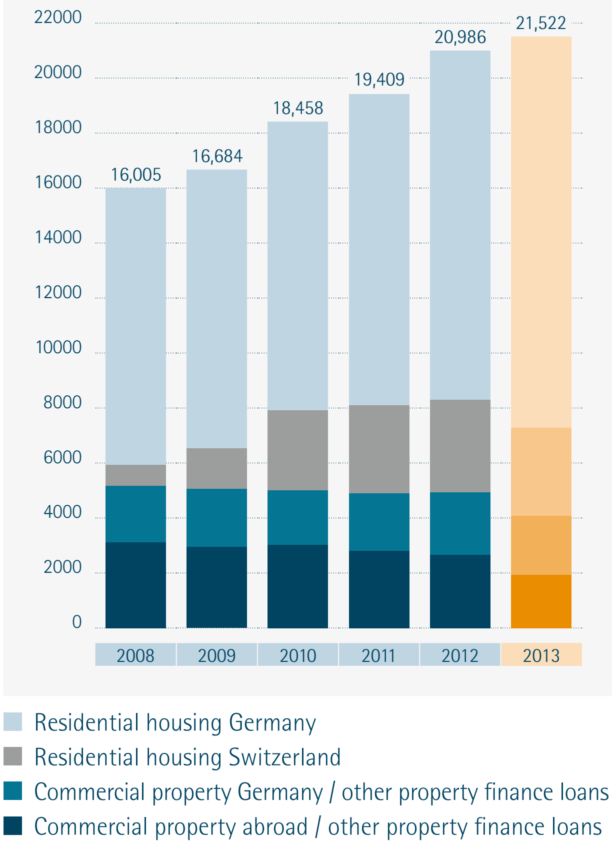
During the course of the year we were able to again increase our portfolio of mortgage loans by € 0.5 billion to € 21.5 billion despite the shrinking volume of US commercial property loans on our books. The vast majority of loans in our portfolio were for domestic financing while the share attributable to foreign loans remained at the previous year's level. Foreign lending totalled € 5.0 billion (previous year € 5.9 billion) and now represents 23 percent of our total mortgage lending portfolio (previous year 29 percent), of which Swiss residential property loans represent 62 percent, 15 percent for the USA and 23 percent for countries within the European Union.

"Our portfolio of mortgage loans rose further to a total of € 21.5 billion."

In accordance with our business and risk strategy, we further reduced our portfolio of loans and securities arising from our business with the public-sector and banks from € 12.1 billion to € 10.3 billion, of which € 4.5 billion represented securities and bonds.

At the end of 2013 the net sum of unrealised losses and unrealised gains in our securities portfolio amounted to minus € 46

PORTFOLIO DEVELOPMENT MÜNCHENERHYP
2008 – 2013
in € million



million (previous year minus € 128 million). These include unrealised losses of € 81 million (previous year € 202 million) stemming from securities issued by countries located on the periphery of the eurozone and banks domiciled in these countries. The total volume of these securities amounted to € 1.1 billion (previous year € 1.3 billion).

Following a detailed examination of all securities we concluded that no permanent reductions in value were needed. We are carrying these bonds in our books with the intention of holding them until they mature. Therefore, write-downs to a lower applicable value were not necessary.

Our portfolio of long-term refinancing funds increased by € 0.4 billion to € 30.7 billion. Total refinancing funds – including money market – fell from € 34.8 billion in the previous year to € 32.7 billion as of December 31, 2013. This figure consisted of € 16.4 billion in Mortgage Pfandbriefe, € 6.4 billion in Public Pfandbriefe and € 7.9 billion in uncovered bonds.

Paid up capital increased and rose by € 86.1 million to € 246.9 million as the result of a successful campaign to increase ownership among our partners in the Cooperative Financial Network undertaken during the year under review. Due the increase in paid up capital our total liable equity also rose to € 1,250.6 million (previous year € 1,161.1 million).

Core capital amounted to € 863.1 million (previous year € 776.5 million). The solvency figure for core capital on December 31, 2013 was 11.7 percent (previous year 9.1 percent) and 16.7 percent for total capital (previous year 13.5 percent).

DEVELOPMENT OF EARNINGS

As anticipated, net interest income[1] improved by 11.3 percent, or 14.6 million, to € 143.6 million and was driven by the success of our new business activities in recent years. This figure contains lower income derived from the early termination of interest rate swaps in comparison to the previous year.

Commission paid amounted to € 61.0 million and were slightly higher than in the previous year as the volume of disbursements associated with our residential property financing business rose again. The net commission balance[2] amounted to minus € 49.3 million following minus € 50.6 million recorded in the previous year as commission income rose by about € 2 million to € 11.7 million.

1) Net sum of interest expenses, interest income and current income
2) Net sum of commission costs and commission income

This resulted in net interest income and net commission income[3] of € 94.3 million, an increase of 20 percent, or € 15.9 million.

Total administrative expenses increased by € 6.7 million to € 67.0 million. Personnel expenses rose by € 3.3 million, or 10 percent. The higher levels of new business seen in the past two years, as well as projects and, not least, the more extensive supervisory requirements made it necessary to hire greater numbers of new personnel. The remaining administrative expenses rose additionally by 3.4 million due to projects such as: the new trading and valuation system required due to new regulations; further steps taken to define the Bank's equity capital requirements in accordance with the Internal Ratings Based Approach (IRBA); studies concerning the future IT system, as well as other major projects.

Depreciation and write-downs of intangible and tangible assets amounted to € 6.5 million, or € 1.3 million more than the same year-ago figure.

Total administrative expenses[4] amounted to € 73.5 million compared to € 65.5 million recorded in the previous year. The cost-income ratio excluding interest expenses arising from silent participations was 61 percent (previous year 62 percent).

The net sum of other operating expenses and income totalled € 1.6 million, while results from operations before deducting provisions for risk[5] amounted to € 22.4 million, or 111 percent higher than in the previous year.

The item "Write-downs on and adjustments to claims and certain securities and additions to provisions for possible loan losses" totalled minus € 21.4 million. This figure includes an addition to reserves pursuant to Art. 340f of the German Commercial Code (HGB). The lending risk situation remained satisfactory, and therefore we only needed to make a moderate addition to provisions for possible loan losses. This figure (including direct write-downs) amounted to a minus € 11.7 million (previous year minus € 3.9 million). Maturing securities and the sale of securities held as current assets, as well as the sale of promissory note loans, resulted in net income of € 4.4 million. The net sum of write-downs and write-ups to securities held as current assets was a minus € 1.4 million.

"Income from reversals of write-downs on participating interests, shares in affiliated companies and securities treated as fixed assets" amounted to a positive figure of € 20.2 million. This figure is primarily the result of proceeds from the sale of securities held as assets.

Prior to the transfer of funds to the Fund for General Banking Risks pursuant to Art. 340g of the German Commercial Code, results from operations after deducting provisions for risk amounted to € 21.2 million. After transferring € 5.0 million to the Fund for General Banking Risks, and a tax expense item of € 9.5 million, annual net income mounted to about € 6.7 million.

These figures show that we were able to increase our net income for the year as forecast. We are generally satisfied with the development of our business.

PROPOSED ALLOCATION OF DISTRIBUTABLE INCOME

Net income for the year amounted to € 6,707,712.48.

A dividend distribution of 3.25 percent will be proposed at the Delegates' Meeting. Unappropriated profit for the year – including profit brought forward from the previous year (€ 200,424.54) – amounting to € 6,908,137.02 should therefore be allocated as follows:

3.25 percent dividend	6,701,366.00 Euro
Carried forward to new year	206,771.02 Euro

3) Net interest balance and net commission balance
4) General administration expenses and depreciation, and adjustments to intangible and tangible assets
5) Net sum of Income statement expense items 1. 2. 3. 4. 5. and income items 1. 2. 3. 4. 6.

RATING, SUSTAINABILITY AND GENERAL REGULATORY CONDITIONS

RATING

At the end of February 2014 Moody's raised its outlook for the ratings of MünchenerHyp's senior unsecured liabilities and fundamental financial strength from negative to stable. The rating agency explained this step by noting that the Bank had strengthened its level of equity capital in 2013. Furthermore, Moody's also commented that the risk content of MünchenerHyp's loan portfolio had improved as the bank continued to reduce its portfolio of loans originated in countries within the eurozone that had been harder hit by debt crisis, as well as the portfolio of loans of banks domiciled in these countries. In addition the Bank had further reduced its portfolio of loans originated within the USA. Moody's additionally pointed out that MünchenerHyp had earned a high reputation in the capital market as an issuer of Pfandbriefe and thus had a correspondingly high level of refinancing strength. The Bank's firm ties and support within the Cooperative Financial Network were also favourably acknowledged by the agency.

Current ratings at a glance:

	Rating	Outlook
Public Pfandbriefe	Aaa	
Mortage Pfandbriefe	Aaa	
Senior unsecured liabilities	A2	stable
Fundamental financial strength	D	stable
Short-term liabilities	Prime-1	

Our long-term uncovered liabilities are rated A+ by the rating agency Fitch due to the group rating the agency assigned to the Cooperative Financial Network.

The complete Moody's document, as well as additional information regarding our ratings, is available at MünchenerHyp's website under the "investors" link.

SUSTAINABILITY

We further developed our sustainability strategy during the past year. The goal is to integrate our economic, ecological and social actions even closer with our cooperative business philosophy.

To achieve this goal we established a Sustainability Committee, which consists of 14 employees from many of MünchenerHyp's departments. The tasks of the Sustainability Committee are, in particular, to continuously further develop the Bank's sustainability strategy, to develop and implement new sustainability measures, and to manage the entire sustainability process.

Our measures have also met an increasingly favourable response from agencies specialised in rating corporate sustainability activities. One of them, imug, once again raised their sustainability rating for MünchenerHyp in 2013.

MünchenerHyp's latest sustainability report, as well as additional information on our commitment to sustainability, is available at: www.muenchenerhyp.de/nachhaltigkeit

REGULATORY CONDITIONS

BASEL II UND III

During the year under review the Bank made additional progress towards the implementation of the Internal Ratings Based Approach (IRBA). The supervisory authority reviewed and approved the rating system for the Bank's German retail business,

Development of our sustainability ratings since 2011 at a glance:

	2011	2012	2013
oekom research	**D**	**C–**	
imug	Public Pfandbriefe: neutral Mortage Pfandbriefe: neutral	Public Pfandbriefe: favourable Mortage Pfandbriefe: neutral	Public Pfandbriefe: very favourable Mortage Pfandbriefe: neutral
Sustainalytics	**44 of 100 points** (Ranked 53 of 63 competitors)	**47 of 100 points** (Ranked 56 of 74 competitors)	**47 of 100 points** (Ranked 56 of 74 competitors)

as well as its domestic and international commercial financing business. This means that we have reached the so-called "reference point" in the process. The only element still awaiting approval before we can conclude the IRBA project is our Swiss retail business. We will exceed the so-called "exit threshold" as soon as we complete this step, which will take place no later than the end of 2016.

We have been participating in the Basel Committee on Banking Supervision (BCBS) monitoring of Basel III for a number of years. In doing so key figures like the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) are calculated several times a year. The insights gained make it possible to assess the effects of future binding minimum standards before they become legal requirements and, if necessary, make adjustments as needed. Münchener Hypothekenbank's voluntarily participation has enabled it to continually monitor all important key figures for a long time and use them for managing the bank. Calculations made to date reveal that the LCR, which is steadily rising and which must be observed starting in 2015, is already fulfilled over a period of numerous years. We currently can almost meet the NSFR figure – without having taken any additional measures. This figure becomes valid in 2018 and has thus far been foreseen to serve as only an observation ratio. However, in this case we anticipate that the long observation phase will make adjustments possible similar to those made to the LCR.

The introduction of a Leverage Ratio is also planned within the framework of Basel III. This figure sets the maximum limit for a bank's total lending volume in relationship to its equity capital. The precise configuration of the Leverage Ratio is still under discussion. MünchenerHyp anticipates that a distinction will be made between different business models so that a low-risk mortgage business with matching refinancing will not be treated the same as high-risk investments. Low-risk areas of business can only generate appropriate yields if the required level of underlying equity capital is kept at a correspondingly low level that reflects the risks involved. In contrast, inappropriately high levels of required equity capital lead to accepting higher risks in order to generate sufficient yields for the equity capital provider. We do not believe that this can be the reason and intent behind the introduction of a Leverage Ratio.

We are attentively following the current discussions and publications of various authorities regarding Basel III. It is difficult to comprehensively prepare to meet future requirements at this time as widely varying positions are still held by the different institutions involved in the current discussions at national, European and international levels. For this reason we will continue to prepare to the greatest extent possible, although we will wait to implement specific target measures until the final version of the set of rules has been approved. As the example of LCR shows, significant changes can still occur at the last minute. We anticipate that the regulators will give us sufficient time to implement the final measures.

New subject areas related to the introduction of Basel III were, and are being, implemented in various projects. Up until today all of the known aspects were implemented on time. The enormous variety of requirements mandated by the supervisory authority does, however, pose a major challenge to a bank of our size as has led to significant costs.

SINGLE SUPERVISORY SYSTEM FOR EU BANKS

In October 2013 the ECB published a list of 124 banking groups that it will supervise directly within the framework of a single supervisory mechanism as of November 2014. MünchenerHyp is on this list as it meets the criteria of having more than € 30 billion in total assets. Prior to the ECB assuming its supervisory tasks it will conduct a comprehensive assessment, including an intensive audit of the Bank's balance sheet, as well as a stress test.

Beyond this, banks will have to meet substantially tougher equity capital requirements including minimum 8 percent common equity Tier 1 capital ratio, which will have to be met as of November 2014. The planned regulations linked to the Capital Requirements Regulation (CRR) and the Capital Requirements Directive (CRD IV) had previously allowed time until 2019 to meet a lower ratio of 7 percent for the same figure.

Preparations for the audits to take place within the framework of the Comprehensive Assessments were already made last year and will now be successively carried out during the current business year. The Bank's resources are heavily burdened by tasks related to the Comprehensive Assessment in addition to incurring noticeable expenses. Currently, there is little information available regarding the substance of the coming audits and stress tests. What is clear, however, is that the Bank will have to acquire additional paid up capital in order to meet the required common equity Tier 1 capital ratio. As the total capital ratio should not be raised the Bank will have to divest unnecessary capital components, which nevertheless still have to be served.

MINIMUM REQUIREMENTS FOR RISK MANAGEMENT (MARISK)

The regulations for the structure of a risk management programmes are defined by the banking supervisory authority in the MaRisk rules. We analysed the terms of MaRisk 5.0 after they were published on December 15, 2012. The resulting required actions were carried out to the greatest extent possible in 2013.

BODIES AND PERSONNEL

BODIES

The 2013 Delegates Meeting elected the following persons as new members of the Supervisory Board: Jürgen Hölscher, Member of the Board of Management of Volksbank Lingen eG, and Rainer Jenniches, Chairman of the Board of Management of VR-Bank Bonn eG.

Hans Pfeifer, former Chairman of the Board of Management of Rheinisch-Westfälischer Genossenschaftsverband e.V., stepped down as member of the Supervisory Board at the conclusion of the Delegates Meeting as he had retired in 2012. Konrad Irtel, Chairman of the MünchenerHyp Supervisory Board, thanked Hans Pfeifer for his many years of dedication and his lasting efforts on behalf of the Bank.

The new term of office of MünchenerHyp's Cooperative Advisory Committee began in 2013. This committee consists of chairmen and members of the Board of Management of our partner banks within the Cooperative Financial Network. The committee has 20 members (status January 2014). The current membership of the Advisory Committee is shown on page 83 of this Annual Report.

EMPLOYEES

Our personnel strategy continued to be focused on efficiently coping with the additional personnel requirements arising from the Bank's growth strategy, as well as increasing regulatory requirements.

Last year we hired 50 new colleagues who were selected from almost 2,000 applicants. Together with these hires, we have recruited a total of about 140 new employees over the past three years. Our personnel work is now centred on the integration of our new colleagues to ensure that they can handle their assigned tasks quickly.

In 2014 the focus of our efforts will shift towards the further development of employees at MünchenerHyp using a broad spectrum on internal seminars through to external training programmes. Measures to enhance the health of our employees were taken during the course of the year and were closely linked to their further professional and personal development.

The average number of persons employed[6] at the Bank during the year was 436, plus 15 apprenticed trainees. The numerous new hires led to a reduction in the average number of years of employment per employee from 11 to 10.6 years. Eight employees celebrated their tenth anniversary at the Bank in 2013, while five marked their 25th year with MünchenerHyp.

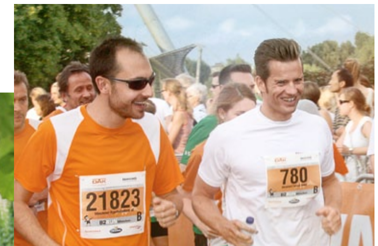
REPORT ON EVENTS AFTER THE BALANCE SHEET DATE

No events of material importance took place after the balance sheet date.

6) Number of employees pursuant to Art. 267 (5) German Commercial Code (HGB): excludes apprenticed trainees, employees participating in parental leave, partial retirement (non-working phase), early retirement, and employees suspended with pay.

Making things happen – together. For the individual, and for all of us.

We strive to achieve lasting success. This sounds nice but this goal has to be renewed in everything we do – and every day. This is only possible if we personally embody MünchenerHyp's values and add in our own individuality. To ensure that this is a continuing process we advance and support our employees' skills and health: from professional education courses through to sports events like the Munich Corporate Run or the Winter Games held by the cooperative banks of Bavaria and Baden-Wuerttemberg. Furthermore, the spirit of togetherness at our Bank is also fostered through company outings featuring themes like "The Farmyard Olympics", or shared exercise routines during "moving" lunch breaks. We want to remain physically and mentally active – so we will still be a strong community in the future.



Active throughout the year: Impressions of the Winter Games of the cooperative banks, the Munich Coporate Run B2RUN, the "Farmyard Olympics", held during the company outing, the "moving" lunch break, and our soccer team in action in a friendly match.

MANAGEMENT REPORT 2013
RISK, OUTLOOK AND OPPORTUNITIES REPORT

RISK REPORT

The ability to monitor and keep risks under control at all times is essential for the successful steering of business development at MünchenerHyp. For this reason risk management plays a very important role in the overall management of the Bank.

The business and risk strategy defines the parameters of the Bank's business activities. MünchenerHyp's entire Board of Management is responsible for this strategy, which is regularly reviewed regarding the attainment of goals and updated as necessary and then submitted to the Supervisory Board no less than once a year.

As part of its supervisory duties, the Supervisory Board is advised about the Bank's risk profile no less than on a quarterly basis and additionally as required. This takes place using the reports concerning the Bank's risk-taking capabilities, lending risks, as well as the risk report prepared in accordance with the "Minimum Requirements for Risk Management" (MaRisk).

The basis of risk management consists of, on one hand, the analysis and presentation of existing risks, and, on the other, comparing these risks with the risk cover potential (ability to bear risk). Appropriate monitoring processes are in place involving internal process-dependent supervision to ensure that this balance is maintained. Our internal audit department, as a process-independent unit, has the monitoring function within the Bank. The analysis and presentation of existing risks primarily distinguishes between counterparty, market price, credit spread, liquidity and operational risks. Additional risks such as placement risks, reputational risk, business risk etc., are viewed as parts of the above-mentioned risks and are taken into consideration at the appropriate place in the individual calculations.

COUNTERPARTY RISK

Counterparty risk (lending risk) is of major importance for MünchenerHyp. Counterparty risk refers to the danger that counterparties may delay their payment obligations to the Bank, only make partial payments or even default.

The Credit Handbook presents the competencies and procedural requirements of entities involved in lending, as well as the approved credit products. The business and risk strategy contains additional explanations pertaining to sub-strategies regarding target customers and target markets, as well as definitions for measuring and controlling credit risks at the individual deal and portfolio levels. A procedure based on the credit value-at-risk (Credit-VaR) is used to determine lending limits. The individual contribution of every borrower (aggregate debtor or borrower unit as appropriate) – the Marginal Credit-VaR – to the Bank's total credit risk is limited. Furthermore, limits are also set for each country to ensure adequate regional diversification.

We always take care to ensure that the vast majority of our mortgage business activities consist of top tier mortgages with moderate mortgage lending value ratios. The current breakdown based on mortgage lending value is as follows:

TOTAL PORTFOLIO OF MORTGAGE AND OTHER LOANS (INCLUDING OPEN COMMITMENTS)				
MORTGAGE LENDING VALUE	31 Dec. 2013		31 Dec. 2012	
	€	relative	€	relative
Up to 60 %	12,195,471,461.19	52.7 %	12,338,263,248.51	54.8 %
60.01 % to 70 %	3,980,613,280.27	17.2 %	3,532,158,613.42	15.7 %
70.01 % to 80 %	4,477,413,336.06	19.3 %	4,025,515,646.88	17.9 %
80.01 % to 90 %	1,597,784,154.49	6.9 %	1,607,375,621.07	7.1 %
90.01 % to 100 %	469,310,007.59	2.0 %	551,803,332.13	2.5 %
over 100 %	385,953,713.15	1.7 %	386,307,369.07	1.7 %
without	42,310,847.50	0.2 %	68,167,303.97	0.3 %
Total	**23,148,856,800.25**	**100.0 %**	**22,509,591,135.05**	**100.0 %**

The regional breakdowns within Germany and abroad are as follows:

TOTAL PORTFOLIO OF MORTGAGE AND OTHER LOANS (INCLUDING OPEN COMMITMENTS)				
REGION	31 Dec. 2013		31 Dec. 2012	
	€	relative	€	relative
Baden-Wuerttemberg	2,002,970,977.50	8.7 %	1,896,189,042.33	8.4 %
Bavaria	4,236,689,484.83	18.3 %	4,057,843,875.25	18.0 %
Berlin	1,353,106,419.94	5.8 %	1,040,078,854.14	4.6 %
Brandenburg	332,980,607.27	1.4 %	304,289,719.63	1.4 %
Bremen	47,222,300.00	0.2 %	42,616,819.80	0.2 %
Hamburg	684,438,162.29	3.0 %	624,497,969.11	2.8 %
Hesse	1,297,298,788.69	5.6 %	1,301,855,724.15	5.8 %
Mecklenburg-Lower Pomerania	182,493,649.16	0.8 %	156,639,009.26	0.7 %
Lower Saxony	1,429,620,728.58	6.2 %	1,253,664,748.91	5.6 %
North Rhine-Westphalia	3,283,465,018.98	14.2 %	3,070,085,694.89	13.6 %
Rhineland-Palatinate	625,971,130.42	2.7 %	535,751,108.18	2.4 %
Saarland	81,006,004.89	0.3 %	56,456,790.62	0.3 %
Saxony	644,839,462.49	2.8 %	556,923,290.69	2.5 %
Saxony-Anhalt	169,453,602.60	0.7 %	140,292,967.66	0.6 %
Schleswig-Holstein	1,373,814,396.09	5.9 %	1,244,760,646.65	5.5 %
Thuringia	158,652,750.00	0.7 %	153,506,127.70	0.7 %
Total domestic	**17,904,023,483.73**	**77.3 %**	**16,435,452,388.97**	**73.0 %**

TOTAL PORTFOLIO OF MORTGAGE AND OTHER LOANS (INCLUDING OPEN COMMITMENTS)				
SOVEREIGN STATE	31 Dec. 2013		31 Dec. 2012	
	€	relative	€	relative
Austria	92,608,765.44	0.4 %	48,234,102.30	0.2 %
France	293,493,261.96	1.3 %	333,525,403.97	1.5 %
UK	583,135,176.07	2.5 %	516,328,353.25	2.3 %
Spain	97,070,685.01	0.4 %	89,728,936.12	0.4 %
Luxembourg	4,279,856.25	0.0 %	52,279,856.25	0.2 %
Sweden	5,157,070.13	0.0 %	5,323,584.25	0.0 %
Switzerland	3,161,580,918.31	13.7 %	3,225,676,920.69	14.3 %
The Netherlands	168,722,890.10	0.7 %	192,105,590.27	0.9 %
Belgium	6,439,938.24	0.0 %	6,440,814.73	0.0 %
USA	832,344,755.01	3.6 %	1,604,495,184.25	7.1 %
Total foreign	**5,244,833,316.52**	**22.7 %**	**6,074,138,746.08**	**27.0 %**
Total domestic and foreign	**23,148,856,800.25**	**100.0 %**	**22,509,591,135.05**	**100.0 %**

The management of lending risks begins with the selection of the target business when drafting the terms of the loan, using risk-cost functions that are regularly reviewed. A variety of rating or scoring procedures are used depending on the type and risk content of the transaction.

In addition, a computer-based early warning system is used to identify risks on a timely basis.

A widely diversified property finance portfolio with an emphasis on residential property financing, combined with our credit approval procedures, which have proven their value over many years, ensures a portfolio with a low level of credit risk. Our lending business with public sector borrowers and banks is primarily focused on central and regional governments, regional and local authorities, and west European banks. Regional emphasis is on Germany or Western Europe. Our objective is to further shrink our portfolio of loans made to banks. Highly liquid sovereign bonds and other very creditworthy securities will, however, continue to be needed in order to meet the new liquidity requirements mandated within the framework of Basel III.

Depending on their ratings, mortgage loans are examined to determine any non-performance or other negative factors which could trigger an individual adjustment to value. Furthermore, an additional system to monitor individual adjustment to value is used by the Bank's work-out management group, especially for the non-retail market business.

The Bank has created a general adjustment-to-value reserve as a precautionary measure to cover latent lending risks. This general adjustment to value is calculated per the terms contained in a Federal Ministry of Finance notice dated January 10, 1994.

The key default rate is calculated using 60 percent of the average volume of defaults that took place over the last five years vis-a-vis the average volume of loans-at-risk made over this period. The general adjustment to value is the result of multiplying the default rate by the volume of loans-at-risk on the balance sheet date.

Individual adjustments to value taken remained at a low level for our residential property financing business due to the great stability of the residential property market. This also generally

The individual and general adjustments to value developed as follows in 2013:

TOTAL LENDING BUSINESS						
in € millions	Opening balance	Addition	Reversals	Utilisation	Changes related to exchange rate shifts and other factors	Closing balance
individual adjustment to value	48.5	14.9	-3.2	-6.0	-1.3	52.8
general adjustment to value	13.5	0.0	0.0	0.0	0.0	13.5

applies for our commercial property financing business, whereby difficult market conditions in the Netherlands in 2013 led to moderately precautionary provisions for risk. MünchenerHyp has not entered into any new business transactions in the USA since 2009. As a result, the portfolio of existing loans will continue to shrink rapidly, just as in 2013. Precautionary provisions for risks associated with the remaining American loan portfolio were marginally increased.

Business relationships with financial institutions are primarily based on master agreements that permit settlement of claims and liabilities (netting) vis-a-vis the other institution. In general, we also enter into collateral agreements. In the future we will use a so-called Central Counterparty (CCP) as the preferred basis for settling derivative trades.

MARKET PRICE RISKS

Market price risks consist of the risks to the value of positions due to changes in market parameters including interest rates, volatility and exchange rates among others. These risks are quantified as potential losses of present value using a present value model that differentiates between risks related to interest rates, options and currency rates.

Interest rate risks are divided into two categories: general and specific interest rate risks. General interest rate risks refers to risk arising from changes in the market value of investments or liabilities that are dependent on the general level of interest rates, and which will react negatively if interest rates change.

Specific interest rate risks are also referred to as (credit) spread risks, and are included under market price risks. Credit Spread is the term used to describe the difference between the yield generated by a risk-less bond and a risky bond. Spread risks take into account the danger that this difference in interest rates can change although creditworthiness ratings remain unchanged. The reasons for altered yield premiums are:

- varying opinions of market participants regarding positions,
- the creditworthiness of the issuer actually changes although the issuer's credit rating does not yet reflect this change,
- macro-economic factors that influence creditworthiness categories.

This risk remained the focal point of attention in 2013, especially for supervisory authorities and market participants, due to the ongoing debt and confidence crisis in certain European countries. The valuation of our securities portfolio was favourably affected as spreads – which had widened sharply in earlier years – narrowed significantly over the last two years. The Bank's portfolio of bonds issued by eurozone countries more heavily affected by the sovereign debt crisis, or in bonds issued by banks domiciled in these countries, remained at a moderate level. The Bank has not made any new investments in countries located on the periphery of eurozone since 2011.

Figures shown under "Sovereign states" also include claims against non-government debtors, which are additionally secured by direct and immediate guarantees issued by the respective state, in addition to government bonds or other public-sector bonds.

We do not believe that our investments are currently in danger of default. We are of the opinion that the measures taken by individual states, as well as protective mechanisms enacted at EU levels, are appropriate to ensure the repayment of the affected liabilities. In the case of bank bonds, all of these bonds are covered bonds so that in this instance we also anticipate that they will be repaid as contractually agreed.

Among other risks, options involve the following risks: volatility risk (Vega; risk that the value of a derivative instrument will change due to increasing or decreasing volatility), time risk (Theta; time risk measures how passage of time impacts on the value of a derivative instrument when part of the value is determined by the remaining time left until a contract expires), Rho risk (risk associated with a change in the value of the option due to a change in a risk-less rate of interest), and Gamma risk (risk of a change in the option's Delta due to a change in the price of the underlying security; the option's Delta therefore describes the change in the value of the option due to the change in the value of the underlying security). The volume of risks assumed is moderate as options are generally not employed in the capital market business for speculative purposes. Option positions are generally entered into on an implied basis due to the debtors' option rights (for example the right to give legal notice of termination per Art. 489 of the German Civil Code – BGB) and are then hedged as needed. These risks are attentively monitored in the daily risk report and are limited.

Currency risk defines the risk arising from negative changes in the market value of investments or liabilities dependent on currency exchange rates and which will react negatively due to changes in currency exchange rates. MünchenerHyp's transactions outside Germany are hedged against currency risks to the greatest extent possible and only margins involved in payment of interest can be partially unhedged.

Stock risks are not relevant for MünchenerHyp as our total investments in this asset class amount to less than € 5 million.

Market price risks are controlled by determining the present value of all of MünchenerHyp's transaction on a daily basis. Transactions whose values are established by discounting cash flows are evaluated by the Bank's SAP inventory control system. A dedicated system is used to set the value of structured transactions – mainly interest rate capping agreements, swaptions, as well as legal and individually agreed termination rights. The backbone of our interest risk control operations is the Delta vector, which is calculated on a daily basis. This figure is determined by the present value of the change incurred per range of maturities when the mid-swap curve is affected by one basis point. MünchenerHyp uses the value-at-risk figure to identify and limit market risks. Linear as well as non-linear risks are taken into

	SOVEREIGN STATES		BANKS				TOTAL	
Nominal value in € millions			covered		uncovered			
	31 Dec. 13	31 Dec. 12	31 Dec. 13	31 Dec. 12	31 Dec. 13	31 Dec. 12	31 Dec. 13	31 Dec. 12
Portugal	60	70	127	147	0	20	187	237
Italy	97	96	40	60	0	0	137	156
Ireland	23	30	60	60	0	0	83	90
Greece	0	0	0	0	0	0	0	0
Spain	65	122	620	700	0	5*	685	827
Total	**245**	**318**	**847**	**967**	**0**	**25**	**1,092**	**1,310**

***With explicit state guarantee**

consideration using a Delta-Gamma approach when calculating value at risk. In addition, different stress scenarios are used here to measure the effect of extreme shifts in risk factors and the effects of other risk categories.

The current (daily) stress scenarios are:

- Legal supervisory requirements: The current interest rate curve is completely parallel shifted up and down by 200 base points for every separate currency used. The worst result of the two shifts is used for calculation purposes.
- Parallel shifts: The current interest rate curve is completely shifted up and down by 100 base points across all currencies. The worst result of the two shifts is used for calculation purposes.
- Steepening/flattening: The current interest rate curve is rotated in both directions around the 5-year rate as the fixed point.
- Historical simulations:
  - September 11, 2001 terror attack in New York: Changes seen in market prices between September 10, 2001 and September 24, 2001 – the immediate market reaction to the attack – are played out using the current levels.
  - The 2008 crisis in the financial markets: Changes in interest rates seen between September 12, 2008 (last banking day before the collapse of Lehman Brothers) and October 10, 2008 are played out using the current levels.

The maximum Value at Risk (VaR) of the Bank's books (interest and currencies) at a confidence level of 99.5 percent at a ten-day holding period in 2013 was just under € 18 million. The average figure was about € 10 million.

Due to the fact that MünchenerHyp is a trading book institution (only for futures) we use a special application to control potential risks in this area, also on an intraday basis. Furthermore, these trades are also integrated into our normal reporting. No futures deals were conducted in 2013.

MünchenerHyp controls its credit spread risks by calculating the present value of its asset-related capital market transactions on a daily basis. Based on the cash flow data generated by operations system, the Bank uses its own applications to calculate the Credit Spread VaR, the Credit Spread sensitivities and various credit spread stress scenarios.

MünchenerHyp uses the value-at-risk (VaR) figure to identify and limit credit spread risks. The VaR figure is calculated based on historical simulation.

The current (daily) credit spread stress scenarios are:

- Parallel shifts: All credit spreads are shifted up and down by 100 base points. The worst result of the two shifts is used for calculation purposes.
- Historical simulation of the collapse of the investment bank Lehman Brothers: the scenario assumes an immediate change in spreads based on the changes that occurred one working day before the collapse of the investment bank until four weeks after this date.
- Worst Case Scenario: The maximum widening of spreads for all classes of securities in the Bank's portfolio since January 2, 2007 is calculated. The average value of these calculations is used as the parallel shift to the respective class of security.
- Flight into government bonds: The scenario simulates a significantly visible aversion to risk that was previously seen in the markets. Spreads for riskier classes of paper widen while spreads for safer government bonds narrow.
- Euro-crisis: The scenario replicates the development of spreads during the Euro-crisis that took place from October 1, 2010 and November 8, 2011. During the period the spreads of less creditworthy government bonds, in particular, rose sharply.
- Worst Case Scenario up to the collapse of Lehman Brothers: this scenario is derived from the Worst Case Scenario. The time period used here starts on January 2, 2007 and ends one banking work day before the collapse of Lehman Brothers.

The credit spread VaR for the entire portfolio using a 99.5 percent level of confidence and holding period of one year was € 409 million in 2013, while the average figure was about € 364 million.

The credit spread VaR for current assets (only third-party securities) using a 95 percent level of confidence and holding period of one year was € 4 million in 2013, the average figure was about € 1 million.

LIQUIDITY RISKS

Liquidity risks consist of the following risks:

- inability to fulfil payment obligations when they come due (liquidity risk in the narrow sense),
- inability to procure sufficient liquidity when needed at anticipated conditions (refinancing risk),
- inability to terminate, extend or close out a transaction, or only be able to do so at a loss, due to insufficient market depth or market turbulence (market liquidity risk).

MünchenerHyp differentiates between short-term solvency protection and mid-term structural liquidity planning.

SHORT-TERM ASSURANCE OF SOLVENCY

The purpose of short-term assurance of solvency is to ensure that the Bank is fully able to meet its required payment obligations (payment willingness) as agreed on a daily basis, even during stress situations. In meeting this obligation the Bank fully implements all of the currently applicable legal supervisory requirements regarding liquidity reserves that must be held by banks. In doing so, MünchenerHyp has categorised itself as a capital market oriented institution per the terms of MaRisk, and therefore also fulfils requirements pursuant to BTR 3.2.

MaRisk distinguishes between four different scenarios, which were implemented accordingly:

1) Base Case: corresponds to the bank's control case.
2) Bank stress: The reputation of the institution deteriorates, for example, due to high balance sheet losses.
3) Market stress: Short-lived event that affects a segment of the financial markets. Examples of this are the September 11, 2001 terror attack, or the financial market/sovereign debt crisis.
4) Combined stress: Simultaneous occurrence of bank and market stress. MaRisk demands that an institution must be able to meet the liquidity requirements arising from this scenario for at least 30 days.

Varying model assumptions for all important cash flows were derived for each scenario; for example accessing our liquidity lines or guarantees (Aval), the temporary utilisation of previously made lending commitments, or the development of collateral. Beyond this, all securities were divided into different liquidity categories. Based on this, we determined the volume that would be sold, over which time period, or could be used for a repo transaction to generate additional liquidity to meet the requirements for each individual scenario. Legal restrictions, like the Pfandbrief Act's 180 day rule, were always observed in all cases. The result is a day-certain presentation of the available liquidity for a one year horizon in three currencies: euro, US dollar, and Swiss francs. Positions in other currencies are negligible.

MID-TERM STRUCTURAL LIQUIDITY PLANNING

The purpose of structural liquidity planning is to ensure mid-term liquidity and involves the following key liquidity figures as components for determining results across all due dates:

- accumulated total cash flow requirements,
- available potential covered funding included planned new business and prolongations in line with the surplus cover requirements set by the rating agency Moody's,
- uncovered refinancing needs,
- additional detailed data for planning and control activities.

Callable balance sheet items are taken into account for scenario analysis for the purpose of liquidity preview as required: either by next redemption date, by legal termination date, or weighted with the probability of their being redeemed.

Additional stress scenarios are conducted based on structural liquidity planning. An integrated stress test concept was developed to achieve the best possible structured and flexible measure of risk:

- Various liquidity risk factors were identified for the Münchener Hypothekenbank. These factors are focused on either market or reputational effects.
- A total of five stress tests were defined on the basis of these risk factors.

1) Reputation scenario (high stress)
2) Market scenario (high stress)
3) Market and reputations scenario (light stress)
4) Market and reputations scenario (high stress)
5) Worst Case scenario

- Complementary to the stress tests, corresponding measures were defined for simulation purposes to reduce the liquidity risks in the respective cases.

The limitation of liquidity risks takes place using the structured liquidity forecast and the stress scenarios based on the Bank's uncovered refinancing needs.

In order to reduce refinancing risks, MünchenerHyp strives to refinance loans with matching maturities and continuously checks if its relevant refinancing sources (primarily those within the Cooperative Financial Network) remain available. In order to limit market liquidity risks in its lending business with public-sector borrowers and banks, MünchenerHyp primarily acquires securities that are acceptable as collateral by the European Central Bank (ECB), and which can be used for open market business at any time.

Investments in less liquid bonds, like Mortgage Backed Securities (MBS), are no longer being made. The portfolio was valued at € 13 million as of December 31, 2013 and consisted of one final Commercial Mortgage Backed Security (CMBS) backed by property in Europe. As of December 31, 2012 the anticipated time-to-maturity of this security was about 3 years.

OPERATIONAL RISKS

Operational risks refer to possible losses caused by personal misconduct, weaknesses in procedural or project management, technical failure or negative outside influences. Personal misconduct also includes unlawful actions, improper sales practices, unauthorised actions and transaction errors.

The major portion of damages incurred last year stemmed from losses related to the disposal of properties that were too highly mortgaged.

We minimise our operational risks by qualifying our employees, using transparent processes, automating standard procedures, and by having fixed working instructions, comprehensive functional testing of the IT-systems, as well as appropriate emergency plans and preventive measures. Insurable risks are covered by insurance to the normal extent required by banks.

ABILITY TO BEAR RISKS

The professional concepts and models used to calculate the abilities to bear risks are continuously further developed in accordance with legal supervisory requirements. MünchenerHyp calculates its ability to bear risks based on the Going-Concern as well as the so-called Insolvency Case scenarios. The Going-Concern scenario is the relevant method used for control purposes. This scenario is used to determine if the bank still would have an adequate equity capital ratio exceeding the legally required minimums after the occurrence of risks contained in all of the risk categories. The only cover potential that may be used to cover risks in this scenario is the freely available regulatory equity capital.

The scenario deducts market risks, counterparty risks, operational risks, spread and migration risks, participation risks, as well as model risks containing other non-explicitly defined risks. Risks on cover potential for risks are accounted for on a conservative basis and without taking diversification effects between the risk categories into consideration.

MünchenerHyp's risk bearing capacity was continuously given throughout the entire 2013 business year.

The Gone-Concern, or insolvency scenario, was additionally introduced in 2012 to establish a method of controlling in accordance with the BaFin paper, "Supervisory assessment of banks' internal concepts concerning their ability to bear risks". This method of controlling takes all unrealised losses into consideration that are not included in the Going-Concern scenario. The Bank's risk bearing capacity was also continuously given throughout last year using the insolvency scenario.

USE OF FINANCE INSTRUMENTS FOR HEDGING PURPOSES

We engage in hedging activities – interest rate and currency derivatives – in order to further reduce our risks and to hedge our business activities. Credit derivatives are not employed. In the past, we have only occasionally insured individual loans or portfolios against default. At the level of individual transactions, we use asset swaps as micro-hedges. Structured fundamental transactions such as callable securities are hedged accordingly with structured asset swaps. Matching currency funding is primarily sought to hedge foreign exchange risks arising from transactions involving foreign currencies; the remaining deals are hedged using (interest rate) – currency swaps. The main hedging instruments we use at the portfolio level are interest rate swaps and swaptions. In addition to linear instruments, Bermudan options on interest swaps (swaptions) and interest options (caps and floors) are also used as hedges for embedded legal termination rights or arrangements to limit interest rates.

ACCOUNTING-BASED INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES

The accounting-based internal control system is documented in organisational guidelines, descriptions of work processes, financial reporting handbooks, and numerous operating instructions. It contains organisational security measures, and ongoing measures and controls that are integrated in the work processes. These are, in particular, separation of functions, the double-check principle, access limitations, payment guidelines, new product process and balance confirmations. Process-independent measures are, above all, carried out by the internal audit department.

The risk management methods described in the risk report provide continuous qualitative and quantitative statements regarding MünchenerHyp's economic situation, including, for example, the development of performance. This evaluation involves aspects of all risk categories.

A close coordination procedure exists between the risk controlling and accounting departments at MünchenerHyp. This coordination procedure is supervised by the entire Board of Management.

The results from the risk management system form the basis for the multi-year planning calculations, year-end projections, and agreement procedures for approving the realised key figures generated by the Bank's accounting process.

CORPORATE PLANNING

MünchenerHyp continues to pursue a growth strategy for its residential and commercial property financing activities built on a solid foundation of Pfandbrief-based financing. The further strengthening of the Bank's earning power will continue to be our overarching strategic goal. In working towards this goal the Bank's strategic planning is focused on measures to improve net interest income and net commission income, increase cost efficiency, and keep risks under control.

The annual adjustment of our business and risk strategy required by the MaRisk defines the formal planning framework for this. Our integrated process plays a key role in the planning and management of our operations. This process synchronises our sales goals, management of the decentral and central components of our administrative expenses – including our project portfolio – with the outlook for the profit and loss account as it develops over the course of the year. All of the income and expense elements, as well as our ability to bear risks, are continually monitored respectively planned on a continuous basis, thereby allowing the Bank to respond appropriately and in a timely manner to fluctuations in earnings or costs.

Far more commitment. For more sustainable results.

MünchenerHyp is guided by the concept of sustainable business practices. We want to be a reliable financing partner with a lasting business policy. And when our customers, partners and investors also see us in the same light it pleases us even more. Thus, last year international investors voted us the "Best Global Issuer 2013" because of our Pfandbrief issues. Beyond this we gladly accept our ecological and social responsibilities. For example, in 2013 we supported the Job Mentoring Project initiated by the Munich Citizens Foundation (BürgerStiftung München). We received the 2014 immobilienmanager Award (given by a German property magazine with the same title) in the category of Social Responsibility for this commitment. Furthermore, members of our Supervisory Board and Board of Management personally planted trees and shrubs as part of a forestry project we support in Tegernsee valley.

Left page, on the left side of the pictures: Rafael Scholz (Head of Treasury) and Claudia Bärdges-Koch (Deputy Head of Treasury) accept the "Best Global Issuer 2013" award. Right page, top: Forest planting in Tegernsee valley with Dr. Louis Hagen, Spokesman of MünchenerHyp's Board of Management. Below left: Bernhard Heinlein, Member of the Board of Management, presents donation to Bürger-Stiftung München. Below right: 2014 immobilienmanager Awards ceremony where MünchenerHyp received the Social Responsibility prize. Dr. Patrick Wellas (Head of Sustainability Management, left) and Dr. Benno-Eide Siebs (Press Officer). Bottom: Support for MünchenerHyp's sustainability management programme: the team of advisors from the Munich University of applied sciences: Prof. Dr. Holger Günzel (left), University of Munich students, Prof. Dr. Georg Zollner (right) with Dr. Phil Zundel (Head of Board of Management Staff and Human Resources (3rd from left), and Dr. Patrick Wellas (5th from left).

OUTLOOK – OPPORTUNITIES AND RISKS

DISCLAIMER REGARDING FORWARD-LOOKING STATEMENTS

The Outlook as well as other sections of the Annual Report contains forward-looking statements related to future expectations and anticipated events. These forward-looking statements, especially those concerning the development of MünchenerHyp's business and financial performance, are based on planned expectations and estimates and are subject to risks and uncertainties. For this reason actual results may differ materially from currently predicted figures.

ECONOMIC DEVELOPMENT AND FINANCIAL MARKETS

Economic experts agree that the global economy will recover substantially in 2014. The International Monetary Fund (IMF) anticipates growth of 3.7 percent, which – for the first time in five years – will be primarily driven by the growing economic recovery of the industrialised nations. However, the global economy still faces risks that could hinder favourable development. These risks include, in particular, the consequences of the Fed winding down its bond purchase programme; the still unresolved sovereign debt crisis in the eurozone, as well as the unsettled political situation in the Near East, which could lead to a significant rise in the price of oil if it worsens.

The economic outlook for the eurozone has brightened over the past two years following the recession, despite the unchanging risks that could arise from the sovereign debt crisis. Experts anticipate economic growth of about 1 percent for 2014. Furthermore, countries on the periphery of the eurozone – with the exception of Greece and Cyprus – are also anticipated to return to growth. However, growth will still be dampened by necessary consolidation efforts, as well as by high levels of sovereign debt.

In comparison to the rest of Europe, Germany is expected to post above-average growth of 1.7 percent in 2014 as it benefits from its good competiveness and strong export capacities against the background of the upswing in the global economy. Moreover, it is anticipated that investments will be supported by attractive financing conditions and are likely to grow by over 4 percent. The outlook for the construction industry is also favourable as revenues are anticipated to increase in this sector by 3.5 percent. Within this sector construction of new housing is expected to have the best outlook for growth and rise by 5 percent.

According to estimates prepared by the Kiel Institute for the World Economy, the labour market should see the number of employed rise further. Unemployment figures should remain stable as a portion of the rising number of employed persons stems from increasing immigration. Strong employment figures lead to rising inflows to the social insurance funds and higher revenues from taxes. As a result, the government is expected to post a budget that is almost balanced. The rate of inflation is anticipated to be 1.7 percent and at about last year's level.

"The global economy should recover significantly in 2014. Economic experts anticipate Germany to post stronger growth in comparison to the rest of Europe."

The central banks' monetary policy will again be the key factor influencing financial markets in 2014. The ECB, the Bank of England and the Bank of Japan are likely to continue their expansive interest rate policies and refrain from raising interest rates. The central banks' course will be supported by the anticipated static level of low rates of inflation. The Fed announced in December that it would begin to slowly exit from its extremely expansive monetary policy. The tapering of the Fed's bond purchases should, however, take place flexibly and hinge on economic development. The market anticipates that the Fed's bond purchasing programme will conclude at the end of 2014. In general, a moderate increase in long-term interest rates is expected to take place. A sharper rise in interest rates could also happen, and would lead to stronger reactions in the financial markets.

Low issuing activities on the part of banks combined with very high investor demand will continue to keep spreads stable and low, especially for Pfandbriefe. We do not currently anticipate that spreads will narrow further in view of the level they have reached in the interim. Covered bonds benefit from their No-Bail-In-Status – non-participation of creditors if the issuer defaults – in comparison to the status of Senior Unsecured Bonds in the event of an issuer being forced into liquidation. Furthermore, the decision of the supervisory authority defining how Covered Bonds should be accounted for in calculating the Liquidity Coverage Ratio is also likely to have had an influence on the development of spreads. Due a reduction in assets and adjusted business strategies, we anticipate that German issuers will again float a significantly lower volume of securities in 2014.

PROPERTY AND PROPERTY FINANCING MARKETS

The German property market will also develop favourably in 2014. This outlook is based, in particular, on good financing conditions coupled with continuing low interest rates, a stable labour market and the lack of attractive investment alternatives.

This is why prices for residential property are expected to rise further and faster than the rate of inflation. Experts, however, anticipate that the pace of rising prices will slow slightly. Demand for houses and condominiums will be particularly strong in major cities and prosperous regions as not enough housing is being built despite the rising number of building permits. Rents will also rise significantly in these regions, with experts anticipating increases of 5 percent in major cities. In contrast, demographic development is the primary reason why higher purchase prices and rents are not expected to be seen in economically weaker regions.

The risk of a property bubble occurring across Germany remains limited due the unchanging conservative financing structures in the residential property sector. However, local overheating cannot be ruled out. Furthermore, a substantial increase in interest rates, which would raise financing costs and dampen buyer intentions, is not very likely.

In this environment competition will remain high in the property financing market. We do not, however, expect price-based competition to heat up further as a floor appears to have formed for lending margins for some time now. According to estimates prepared by BVR volumes of business in the German residential property financing market will only grow slightly by 1.6 percent and be mainly driven by loans to build new housing and to modernise property.

Rental properties are increasingly attracting the attention of property investors in many other European residential property markets. This applies particularly in those regions where demand for space exceeds supply and the where the current overall demographic and infrastructural conditions, and outlook are favourable. These regions include locations in the major centres of the UK, France, the Randstad region in the Netherlands, as well as numerous metropolitan areas in Northern Europe.

It is expected that prices will continue to rise in the Swiss residential property market, even though they will slacken a bit, especially for single-family houses and condominiums. As interest rates are also anticipated to remain low in Switzerland, it may be expected that the volume of mortgage loans will continue to grow. The Swiss National Bank will respond to this situation by taking additional measures to curb the growth of mortgage loans in the property market and enhance its stability.

"The German property market will continue to develop favourably. This outlook is supported by generally positive conditions."

The recovery seen in the American residential property market will continue. Investments in housing construction are again expected to increase significantly. Strong demand seen for construction of rental properties is also expected to continue over the mid-term. However, there is a risk that construction in this market segment may exceed demand and lead to excess capacities due to the high level of investments currently taking place to build new apartment buildings because of very high current demand.

The outlook for the German commercial property market is good and investor interest should remain high. Demand will continue to be primarily focused on core properties, although the supply of these properties is, however, is limited. The big property brokers anticipate that the volume of transactions in 2014 will again be about € 30 billion. Yields will remain low. Growth of rents at the top end will slow. Increasing scarcity of available core properties will lead to greater competition among investors, as well as providers of financing. It anticipated that there will be a far greater inclination towards investments in B-class properties and locations. Financially strong and conservative investors like insurance companies, pension funds and foundations will, however, continue to primarily focus on core properties.

A similar situation is visible in the UK where London will continue to dominate the British commercial property investment market. Investors in London also focus on core properties. However, the scarcity of appropriate properties has pushed prices significantly higher and as a result investors are now turning their attention to B-location properties in London and adjacent regions, as well as other regions. We therefore expect that although yields will decline a bit in London, the pace of rising prices paid for commercial property will slow significantly.

The development of the French commercial property market depends heavily on the success of the consolidation of France's economy. The market is only likely to receive limited stimulus from this direction as only a modest upswing is expected. For this reason, the investment and rental markets are only foreseen to perform at last year's level. This outlook excludes the greater Paris area, where a rising volume of transactions is anticipated, especially in the office property segment. Yields will develop stably, although they could also decline slightly for core properties.

Favourable market conditions in the commercial property market in the USA will further stabilise in 2014, especially in core markets and locations with above average job growth. Increased demand and a continuing recovery are also forecast for the secondary markets. The upswing in the market can be interrupted again as both overall economic conditions and the future development of interest rates in the USA are accompanied with uncertainty.

DEVELOPMENT OF BUSINESS AT MÜNCHENER HYPOTHEKENBANK

MünchenerHyp will remain on its growth course in 2014. In view of the overall good conditions in the German residential and commercial property markets we again anticipate high demand for property financing. Against this background we are planning to record at least € 3 billion in new mortgage business.

Working together with the German cooperative banks we benefit, especially in the residential property financing area of business, from having partners who are solidly anchored in their markets, have strong sales capabilities and high standings with their customers. For this reason the BVR anticipates that new residential property financing business generated by cooperative banks will rise by 3.8 percent. Our objective is to complement the range of products offered by our cooperative partner banks via brokered business in order to realise their customers' desires and expand our share of the market together.

We will further pursue our collaboration with independent financial service providers. We are aiming to generate new business between € 400 million and € 600 million. Our successful cooperation with Swiss PostFinance will be continued.

"We want to continue our growth course. We expect that there will be renewed high demand for property financing, especially in Germany."

We anticipate that our new business in the commercial property financing area of business will be at the previous year's level. Our emphasis will remain on financing property transactions in Germany, where we will focus on direct and syndicated loans with mainly institutional customers and professional private investors. We also aim to gradually expand our collaboration with the Volksbanken and Raiffeisenbanken in this area of business. In addition, we also plan to continue financing major housing portfolios in Germany.

We believe that the volume of business with the public-sector and banks will be similar to the previous year's level. The primary purpose of this area of business remains unchanged: control of liquidity and cover pools.

Despite a comparatively high new mortgage business, our refinancing needs will be lower in 2014 as the volume of maturing bonds will only be just under 40 percent of the previous year's figure. The main emphasis of our issues will remain unchanged and be on Mortgage and Public Pfandbriefe. We expect that we will launch three covered benchmark issues with a minimum volume of € 500 million per issue. Private placements are also an important refinancing element for us and enable us to meet individual investor requirements.

"We are confident that we will attain our objectives for the 2014 fiscal year."

As in the previous year, we anticipate that a major portion of our uncovered refinancing requirements will be met by institutes within the Cooperative Financial Network.

We plan to further expand our sustainability-related activities and the management of our sustainability efforts. In addition, we want to further improve our ratings for sustainability.

We are striving to increase our net interest income from our business operations in 2014. The stable development noted in our core markets offers us unchanging opportunities to further expand our new business and our mortgage portfolio.

This will also have an increasingly favourable effect on the Bank's results. For this reason we anticipate that our results will rise further in 2014.

Despite a decline in other associated costs, we anticipate that our administrative expenses will rise slightly in 2014 due to higher costs for strategically important tasks, and projects arising from regulatory requirements. We nevertheless still anticipate that we will post a cost-income ratio of less than 60 percent.

Based on currently available information, we expect that provisions for risks related to our lending business will develop in a stable fashion.

Our plans also include issues concerning the appropriate level of equity capital. The Bank will be required to have a common equity Tier 1 capital ratio of 8 percent following the planned takeover of banking supervisory duties by the ECB on November 4, 2014. Despite the easing of equity capital requirements arising from the Bank's accreditation to employ IRBA, this change means that MünchenerHyp will have to acquire common equity Tier 1 capital in the form of additional paid up capital as it is not possible for the Bank to divest itself of risk-weighted assets without having a substantial impact on the income statement and cover for Pfandbriefe. The successful conclusion of these measures during the current business year assures that the Bank can meet equity capital requirements mandated by supervisory rules on a lasting basis.

In light of the anticipated good market conditions, we are confident that we will achieve our targets for the 2014 business year and further improve our market position. We believe that we can achieve higher net income for the year than in 2013.

ANNUAL STATEMENT OF ACCOUNTS

BALANCE SHEET, 31 DECEMBER 2013

ASSETS		31 Dec. 13	31 Dec. 12
	€	€	€ 000
1. Cash reserve			
a) Cash on hand	18,399.42		18
b) Balances with Central Banks	43,103,190.53		24,616
of which			
with Deutsche Bundesbank € 43,103,190.53			
		43,121,589.95	**24,634**
2. Claims on banks			
a) Mortgage loans	24,391,094.07		40,844
b) Public-sector loans	818,592,302.20		1,053,438
c) Other claims	2,420,837,420.21		2,947,950
of which			
payable on demand € 1,292,468,195.36			
		3,263,820,816.48	**4,042,232**
3. Claims on customers			
a) Mortgage loans	21,345,001,176.21		20,781,353
b) Public-sector loans	5,074,275,679.01		5,514,100
c) Other claims	110,644,907.74		140,509
of which			
with securities pledged as collateral € 34,714.43			
		26,529,921,762.96	**26,435,962**
4. Bonds and other fixed-income securities			
a) Bonds and Notes	4,573,630,225.18		5,817,355
aa) Public-sector issuers € 1,045,741,759.39			(1,397,994)
of which			
eligible as collateral for Deutsche Bundesbank advances € 948,015,582.31			
ab) Other issuers € 3,527,888,465.79			(4,419,361)
of which			
eligible as collateral for Deutsche Bundesbank advances € 3,302,667,457.23			
b) Own bonds and notes	181,132,510.21		17,103
Nominal value € 176,460,129.82			
		4,754,762,735.39	**5,834,458**
Carried forward		34,591,626,904.78	36,337,286

LIABILITIES, CAPITAL AND RESERVES

		31 Dec. 13	31 Dec. 12
	€	€	€ 000
1. Liabilities to banks			
a) Registered mortgage Pfandbriefe issued	709,070,416.95		626,744
b) Registered Public Pfandbriefe issued	91,628,200.96		207,329
c) Other liabilities	3,496,562,796.80		5,496,174
of which			
payable on demand € 450,412,373.71			
delivered to lenders as collateral for loans received registered mortgage Pfandbriefe € 9,057.86			
		4,297,261,414.71	**6,330,247**
2. Liabilities to customers			
a) Registered mortgage Pfandbriefe issued	6,395,572,701.13		4,515,974
b) Registered Public Pfandbriefe issued	3,796,085,038.70		4,200,885
c) Other liabilities	2,434,115,880.10		2,267,617
of which			
payable on demand € 73,288,802.61			
		12,625,773,619.93	**10,984,476**
3. Certificated liabilities			
a) Bonds issued	16,487,000,267.56		17,923,280
aa) Mortgage Pfandbriefe € 9,523,866,107.59			(10,234,261)
ab) Public Pfandbriefe € 2,613,612,702.62			(3,243,749)
ac) Other bonds and fixed-income securities € 4,349,521,457.35			(4,445,270)
b) Other certificated liabilities	282,490,476.36		218,661
of which			
Money market paper € 282,490,476.36			
		16,769,490,743.92	**18,141,941**
4. Liabilities incurred as trustee		**83,412.39**	**113**
of which			
loans € 83,412.39			
5. Other liabilities		**80,916,579.08**	**147,780**
Carried forward		33,773,525,770.03	35,604,557

ASSETS		31 Dec. 13	31 Dec. 12
	€	€	€ 000
Brought forward		34,591,626,904.78	36,337,286
5. Equities and other variable-yield securities		**13,122,543.66**	**13,258**
6. Participations and shares in cooperatives			
a) Participations	77,508,262.10		77,761
of which			
credit institutions € 17,189,982.18			
b) Shares in cooperatives	18,500.00		19
of which			
in credit cooperatives € 15,500.00			
		77,526,762.10	**77,780**
7. Shares in affiliated companies		**11,151,601.64**	**11,152**
8. Assets held in trust		**83,412.39**	**113**
of which			
loans € 83,412.39			
9. Intangible assets			
a) Concessions acquired for consideration, commercial rights and similar rights and values, as well as licenses to these rights and values	12,530,917.91		10,499
b) Payments made on account	0.00		0
		12,530,917.91	**10,499**
10. Tangible assets		**73,784,447.52**	**75,224**
11. Other assets		**64,688,556.16**	**64,475**
12. Deferred items			
a) From issuing and lending business	53,079,889.44		52,231
b) Other	923,278.10		1,241
		54,003,167.54	**53,472**
Total assets		**34,898,518,313.70**	**36,643,259**

LIABILITIES, CAPITAL AND RESERVES		31 Dec. 13	31 Dec. 12
	€	€	€ 000
Brought forward		33,773,525,770.03	35,604,557
6. Deferred items			
From issuing and lending business	19,845,406.98		22,101
		19,845,406.98	**22,101**
7. Provisions			
a) Provisions for pensions and similar obligations	26,080,042.00		25,066
b) Provisions for taxes	6,159,000.00		2,030
c) Other provisions	20,288,724.00		20,183
		52,527,766.00	**47,279**
8. Subordinated liabilities		**156,200,000.00**	**156,200**
9. Profit-participation certificates		**6,135,502.57**	**16,361**
10. Fund for general banking risks		**9,250,000.00**	**4,250**
11. Capital and reserves			
a) Subscribed capital	590,287,390.35		503,239
aa) Members' capital contributions € 249,640,212.53			(162,592)
ab) Silent participations € 340,647,177.82			(340,647)
b) Revenue reserves	283,838,340.75		283,838
ba) Legal reserve € 282,304,465.11			(282,304)
bb) Other revenue reserves € 1,533,875.64			(1,534)
c) Unappropriated profit	6,908,137.02		5,434
		881,033,868.12	**792,511**
Total liabilities, capital and reserves		**34,898,518,313.70**	**36,643,259**
1. Contingent liabilities			
Contingent liability on guarantees and indemnities		**14,308,396.65**	**20,327**
2. Other commitments			
Irrevocable loan commitments		**2,597,420,986.03**	**2,531,927**

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2013

EXPENSES		31 Dec. 13	31 Dec. 12
	€	€	€ 000
1. Interest expenses		**1,073,276,819.17**	**1,178,802**
2. Commission paid		**61,037,967.52**	**60,259**
3. General administrative expenses			
a) Personnel expenses	35,817,780.06		32,557
aa) Wages and salaries € 29,540,422.73			(27,865)
ab) Social security contributions and cost of pensions and other benefits € 6,277,357.33			(4,692)
of which			
for pensions € 1,853,466.40			
b) Other administrative expenses	31,228,423.07		27,774
		67,046,203.13	**60,331**
4. Depreciation and write-downs of intangible and tangible assets		**6,461,651.10**	**5,210**
5. Other operating expenses		**5,076,678.52**	**4,430**
6. Write-downs on and adjustments to claims and certain securities and additions to provisions for possible loan losses		**21,363,093.08**	**13,987**
7. Payment to fund for general banking risks		**5,000,000.00**	**2,500**
8. Taxes on revenue and income		**9,493,180.69**	**1,851**
9. Net income		**6,707,712.48**	**5,383**
Total expenses		**1,255,463,305.69**	**1,332,753**
1. Net income		**6,707,712.48**	**5,383**
2. Retained earnings brought forward from previous year		**200,424.54**	**51**
3. Unappropriated profit		**6,908,137.02**	**5,434**

INCOME		31 Dec. 13	31 Dec. 12
	€	€	€ 000
1. Interest income from			
a) Lending and money market operations	1,042,352,447.49		1,075,392
b) Fixed-income securities and government debt register claims	172,217,378.83		231,005
		1,214,569,826.32	**1,306,397**
2. Current income from			
a) Participating interests and shares in cooperatives	1,091,238.05		1,121
b) Investments in affiliated companies	1,000,000.00		0
		2,091,238.05	**1,121**
3. Income from profit-pooling, profit transfer or partial profit transfer agreements		**230,799.14**	**250**
4. Commission received		**11,726,145.73**	**9,690**
5. Income from reversals of write-downs on participating interests, shares in affiliated companies and securities treated as fixed assets		**20,204,319.93**	**13,204**
6. Other operating income		**6,640,976.52**	**2,091**
Total income		1,255,463,305.69	1,332,753

STATEMENT OF DEVELOPMENT IN EQUITY CAPITAL AND CASH FLOW STATEMENT

STATEMENT OF DEVELOPMENT IN EQUITY CAPITAL FOR 2013

	Subscribed capital				
	Members' capital contributions	Silent participations	Revenue reserves	Unappropriated profit	Total capital and reserves
	€ 000	€ 000	€ 000	€ 000	€ 000
Capital and reserves as at 01.01.2012	161,209	341,647	283,838	5,160	791,854
Net change in capital	1,383	-1,000	0	0	383
Dividends paid	0	0	0	5,110	5,110
Net income	0	0	0	5,383	5,383
Capital and reserves as at 31.12.2012	162,592	340,647	283,838	5,433	792,510
Net change in capital	87,048	0	0	0	87,048
Dividends paid	0	0	0	5,232	5,232
Net income	0	0	0	6,708	6,708
Capital and reserves as at 31.12.2013	249,640	340,647	283,838	6,909	881,034

CASH FLOW STATEMENT FOR 2013

	31.12.2013 in € millions	31.12.2012 in € millions
Net income before extraordinary items	6.7	5.4
Non-cash items contained in net income for the year and transferal to the cash flow from operating activities		
Depreciation, write-downs and write-ups on loans, tangible fixed assets and financial assets	33.6	20.8
Changes in reserves	5.2	3.0
Changes in other non-cash items	2.0	-2.4
Gains/losses from the disposal of tangible fixed assets and financial assets	20.2	19.7
Other adjustments	0.0	0.0
Sub-total	**67.7**	**46.5**

CASH FLOW STATEMENT FOR 2013

	31.12.2013 in € millions	31.12.2012 in € millions
Changes in assets and liabilities from operating activities		
Claims		
- on banks	771.1	1,328.7
- on customers	-116.9	-1,138.5
Securities (to the extent not financial investments)	-42.0	20.8
Other assets from operating activities	65.5	25.1
Liabilities		
- to banks	-1,992.2	35.1
- to customers	1,619.3	454.5
Securitised liabilities	-1,333.8	-1,071.7
Other liabilities from operating activities	-321.3	-291.6
Interest and dividends received	1,216.7	1,307.5
Interest paid	-1,073.3	-1,178.8
Extraordinary amounts received/paid	0.0	0.0
Income taxes paid	-9.5	-1.9
Cash flow from operating activities	**-1,148.7**	**-464.3**
Cash receipts from the disposal of		
- Financial assets	1,602.7	1,140.4
- Tangible fixed assets	-0.4	0.0
Cash payments for acquisition of		
- Financial assets	-509.4	-645.2
- Tangible fixed assets	-1.1	-0.5
Cash receipts/payments from gains/losses in subsidiary companies	0.0	0.0
Net increase/decrease in funds from other investing activities	-6.4	-4.1
Cash flow from investing activities	**1,085.4**	**490.6**
Cash receipts from changes in capital	87.0	1.4
Dividends paid	-5.2	-5.1
Increase/decrease in funds from other capital	0.0	-1.0
Cash flow from financing activities	**81.8**	**-4.7**
Cash and cash equivalents at start of reporting period	24.6	3.0
+/- Cash flow from operating activities	-1,148.7	-464.3
+/- Cash flow from investing activities	1,085.4	490.6
+/- Cash flow from financing activities	81.8	-4.7
+/- Changes in cash and cash equivalents due to changes in foreign exchange rates	0.0	0.0
Cash and cash equivalents at the end of the reporting period	**43.1**	**24.6**

NOTES 2013

GENERAL INFORMATION ON ACCOUNTING POLICIES

The Münchener Hypothekenbank eG annual financial statement as of December 31, 2013 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. Unscheduled depreciation taken in accordance with Art. 253 (3) 3s of the German Commercial Code was not taken for market price related changes in the value of securities because we do not anticipate that the reduction in value will be permanent.

In accordance with the rules pertaining to the valuation of 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.

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 4.89 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) 2s of the German Commercial Code, the average market rate of interest 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.

NOTES TO THE BALANCE SHEET INCOME STATEMENT

MATURITY ANALYSIS BY RESIDUAL TERM

ASSETS

	31 Dec. 13 € 000	31 Dec. 12 € 000
Claims on banks	3,263,821	4,042,232
≤ Three months	2,457,772	2,945,271
> Three months ≤ one year	97,868	201,316
> One year ≤ five years	569,239	649,593
> Five years	138,942	246,052
Claims on customers	26,529,922	26,435,962
≤ Three months	991,324	1,117,174
> Three months ≤ one year	1,431,984	1,511,640
> One year ≤ five years	6,788,494	7,478,762
> Five years	17,318,120	16,328,386
Bonds and other fixed-income securities ≤ one year	422,027	1,083,027

LIABILITIES, CAPITAL AND RESERVES

	31 Dec. 13 € 000	31 Dec. 12 € 000
Liabilities to banks	4,297,261	6,330,247
≤ Three months	2,005,512	2,104,862
> Three months ≤ one year	495,621	739,279
> One year ≤ five years	809,952	2,867,824
> Five years	986,176	618,282
Liabilities to customers	12,625,774	10,984,476
≤ Three months	424,260	376,750
> Three months ≤ one year	214,113	464,230
> One year ≤ five years	1,352,073	1,189,015
> Five years	10,635,328	8,954,481
Certificated liabilities	16,769,491	18,141,941
Bonds issued		
≤ Three months	881,506	886,913
> Three months ≤ one year	1,730,365	5,072,559
> One year ≤ five years	9,936,459	9,918,645
> Five years	3,938,670	2,045,163
Other certificated liabilities		
≤ Three months	254,890	109,231
> Three months ≤ one year	27,601	109,430

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

	31 Dec. 13 € 000	31 Dec. 12 € 000
Claims on		
Banks	23,811	21,803
Customers	22,904	41,149
Liabilities to		
Banks	207,949	271,244
Customers	0	0

CLAIMS ON AND LIABILITIES TO AFFILIATED COMPANIES

	31 Dec. 13 € 000	31 Dec. 12 € 000
Claims on customers	2,392	2,421
Liabilities to customers	4	14

SECURITIES MARKETABLE ON THE STOCK EXCHANGE

	31 Dec. 13 € 000		31 Dec. 12 € 000	
Asset category	listed	unlisted	listed	unlisted
Bonds and other fixed-income securities	4,252,071	422,297	5,491,726	239,409
Shares and other non-fixed-income securities	8,110	0	8,130	0
Participations	0	2,150	0	2,150

TRADING BOOK

As at 31.12.2013 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	Additions	Write-ups	Transfers	Disposals	Depreciation taken in 2013	Accumulated depreciation	Net book value on 31 Dec. 13	Net book value on 31 Dec. 12
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Intangible assets	30,734	6,430	0	0	1,870	4,398	22,763	12,531	10,499
a) Concessions acquired for consideration, commercial rights and similar rights and values, as well as licenses to these rights and values	30,734	6,430	0	0	1,870	4,398	22,763	12,531	10,499
b) Payments made on account	0	0	0	0	0	0	0	0	0
Tangible assets	101,989	1,070	0	0	1,053	2,064	28,221	73,784	75,224
	Acquisition and production costs				Changes total +/-*)			Net book value on 31 Dec. 13	Net book value on 31 Dec. 12
Participations and shares in cooperatives	77,780				-253			77,527	77,780
Shares in affiliated companies	11,152				0			11,152	11,152
Bonds and other fixed-income securities	5,715,076				-1,191,205			4,523,871	5,715,076
Shares and other non fixed-income securities	8,130				-20			8,110	8,130

*) 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 date of record 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 € 2,513,457 (thousand) (previous year € 3,109,217 (thousand)) exceeding the present value of € 2,399,838 (thousand) (previous year € 2,864,983 (thousand)). To the extent that these securities are associated with a swap transaction, they are valued together with the transaction as a single item. As of the date of record we had no knowledge of a permanent reduction in value that would require additional unscheduled depreciation.

TRUST TRANSACTIONS

	31 Dec. 13 € 000	31 Dec. 12 € 000
Assets held in trusts		
Claims on customers	83	113
Liabilities incurred as trustee		
Liabilities to banks	83	113

TANGIBLE ASSETS

The portion of the total value attributable to the land and buildings used by the Bank is € 61,645 (thousand) (previous year € 62,954 (thousand)), and of plant and office equipment € 1,591 (thousand) (previous year € 1,502 (thousand)).

SUBORDINATED ASSETS

	31 Dec. 13 € 000	31 Dec. 12 € 000
Shares and other non-fixed-income securities	8,110	8,130

OTHER ASSETS

The item "Other assets" includes deferred items of € 17,736 (thousand) related to the derivative business, and € 31,400 (thousand) in commissions for mortgage loans that will be valued after the date of record, as well as, above all, claims of € 10,003 (thousand) on the German tax authorities (Finanzamt) for corporation tax credit.

OTHER LIABILITIES

The item "Other liabilities" consists of € 5,969 (thousand) for deferred items and adjustment entries for valuation of foreign currency items, and € 54,244 (thousand) related to derivative transactions as well as, above all, liabilities for accrued interest related to registered profit-participation certificates and silent participations valued at € 17,774 (thousand).

DEFERRED ITEMS FROM THE ISSUING AND LOAN BUSINESS

	31 Dec. 13 € 000	31 Dec. 12 € 000
Assets side 12.		
Discount from liabilities	39,390	34,350
Premium from claims	13,690	15,778
Other deferred charges	923	3,344
Liabilities side 6.		
Premium from liabilities	10,633	10,329
Discount from claims	9,138	11,588
Other deferred income	74	184

DEFERRED TAXES

Deferred tax liabilities were primarily related to 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. A backlog of deferred tax assets arising after clearing is not recorded in the balance sheet.

SUBORDINATED LIABILITIES

Subordinated liabilities incurred interest expenses of € 8,760 (thousand) (previous year € 8,856 (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 March 2018

Fund-raising activities did not include any conditions that deviated from Art. 10 (5a) of the German Banking Act. 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 CERTIFICATES

The amount of profit-participation capital of € 6,136 (thousand) (previous year € 16,361 (thousand)) fulfils the criteria of Art. 10 (5) of the German Banking Act with € 6,136 (thousand) (previous year € 6,136 (thousand)).

DETAILS OF REVENUE RESERVES

	Legal reserve € 000	Other revenue reserves € 000
01 Jan. 2013	282,304	1,534
Transfer from 2012 retained earnings	0	0
Transfer from 2013 net income	0	0
31 Dec. 2013	282,304	1,534

MEMBERS' CAPITAL CONTRIBUTIONS

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

	31 Dec. 13 €	31 Dec. 12 €
Capital contributions	249,640,212.53	162,591,919.69
a) of remaining members	246,914,972.53	160,772,129.69
b) of former members	2,246,230.00	1,418,690.00
c) in respect of shares under notice	479,010.00	401,100.00
Outstanding obligatory payments in respect of shares	17.47	20.31

SILENT PARTICIPATIONS

The silent participations valued at € 340,647 (thousand) (previous year € 340,647 (thousand)) satisfy the criteria of Art. 10 (4) of the German Banking Act for the amount of € 340,647 (thousand) (previous year € 340,647 (thousand)). Expenses attributable to these participations amounted to € 26,776 (thousand) (previous year € 26,807 (thousand)).

ASSETS PLEDGED TO SECURE LIABILITIES

Within the framework of open market deals with the European Central Bank, securities valued at € 100,000 (thousand) (previous year € 2,000,000 (thousands)) were pledged as collateral to secure the same amount of liabilities. The book value of the pledged assets (genuine repurchase agreements) was € 503,963 (thousand) (previous year € 220,305 (thousand)). Within the framework of security arrangements for derivative transactions, cash collateral of € 1,786,150 (thousand) (previous year € 2,301,740 (thousand)) was provided. Securities valued at € 13,268 (thousand) (previous year € 12,884 (thousand)) were pledged to secure pension obligations and requirements of the partial retirement model for older employees. Securities valued at € 30,086 (thousand) (previous year € 26,776 (thousand)) were pledged to secure financial aid obligations within the framework of a Contractual Trust Arrangement (CTA).

FOREIGN CURRENCY ITEMS

	31 Dec. 13 € 000	31 Dec. 12 € 000
Assets side	4,971,107	5,702,278
Liabilities side	2,273,067	2,516,550
Contingent liabilities and other obligations	223,347	227,256

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 the remaining obligations is viewed as minor.

Pursuant to Art. 3 (3) of the Restructuring Fund Regulation, a retroactive amount of € 10,602 (thousand) is not shown under other financial liabilities in the balance sheet.

OTHER OPERATING EXPENSES

This position contains expenses arising from accrued interest effects of € 2,162 (thousand) (previous year € 1,945 (thousand)) for established provisions. According to the newly drafted IDW RSHFA 3 € 70 (thousand) were entered for the first time under the item "Other Operating Expenses" when making provisions to reserves for partial retirement obligations (previous year: solely under the item Personnel Expenses).

TAXES ON INCOME AND PROFIT

The item "Taxes on Income and Profit" includes € 3,440 (thousand) of expenses incurred in other periods.

OTHER OPERATING INCOME

This item shows value added tax repayments including related interests of € 5,294 (thousand).

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 date of record *) neg. (-)
Interest-Rate-Related Transactions					
Interest rate swaps	4,812	20,261	33,306	58,379	-1,502
Interest rate options					
- Calls	31	104	43	178	9
- Puts	30	175	180	385	-18
Other interest rate contracts	50	275	2,030	2,355	50
Currency-Related Transactions					
Cross-currency swaps	461	1,079	1,645	3,185	7
Currency swaps	394	0	0	394	-3

*) Valuation methods:

Interest rate swaps are valued using the present value method based on the current interest rate curve on the date of record. 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 € 2.8 million (previous year € 3.2 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 € 371.1 million (previous year € 374.3 million) and "Liabilities to banks" with € 447.6 million (previous year € 468.5 million). The accrual of compensatory payments made is entered under "Other assets" with € 14.9 million (previous year € 12.9 million); the accrual of compensatory payments received is entered under "Other liabilities" with € 54.2 million (previous year € 48.0 million).

Compensatory items in the amount of € 6.0 million (previous year € 78.8 million) related to the valuation of foreign currency swaps are carried under the balance sheet item "Other liabilities".

All of the counterparties are exclusively 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, € 2,891 million (previous year € 2,959 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 € 283 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 31.12.2013.

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. 13 € 000	31 Dec. 12 € 000
Ordinary cover assets	17,101,921	16,797,449
1. Claims on banks (mortgage loans)	23,543	38,241
2. Claims on customers (mortgage loans)	17,025,914	16,706,744
3. Tangible assets (charges on land owned by the Bank)	52,464	52,464
Substitute cover assets	964,672	1,447,237
1. Other claims on banks	150,000	100,000
2. Bonds and other fixed-income securities	814,672	1,347,237
3. Other assets (offsetting currency derivatives)	0	0
Total cover	18,066,593	18,244,686
Total mortgage Pfandbriefe requiring cover	16,233,362	15,135,375
Surplus cover	1,833,231	3,109,311

B. PUBLIC PFANDBRIEFE

	31 Dec. 13 € 000	31 Dec. 12 € 000
Ordinary cover assets	6,952,458	7,551,844
1. Claims on banks (public-sector loans)	798,671	1,042,630
2. Claims on customers (public-sector loans)	4,949,653	5,371,756
3. Bonds and other fixed-income securities	1,204,134	1,137,458
Substitute cover assets	284,580	344,580
1. Other claims on banks	50,000	100,000
2. Bonds and other fixed-income securities	234,580	244,580
3. Other assets (offsetting currency derivatives)	0	0
Total cover	7,237,038	7,896,424
Total public-sector Pfandbriefe requiring cover	6,390,644	7,526,058
Surplus cover	846,394	370,366

REGULATORY REPORTING IN ACCORDANCE WITH ART. 28 PFANDBRIEF ACT (PFANDBG)

MORTGAGE PFANDBRIEFE OUTSTANDING AND CORRESPONDING COVER ASSETS

	Nominal value	
	31 Dec. 13 € 000	31 Dec. 12 € 000
Mortgage Pfandbriefe	16,233,362	15,135,375
of which		
derivatives	0	1,888
Cover pools	18,066,593	18,244,686
of which		
further cover assets	964,672	1,447,237
Surplus cover	1,833,231	3,109,311

	Net present value	
	31 Dec. 13 € 000	31 Dec. 12 € 000
Mortgage Pfandbriefe	17,123,941	16,676,696
of which		
derivatives	0	1,891
Cover pools	20,094,075	20,941,256
of which		
further cover assets	1,035,258	1,617,763
Surplus cover	2,970,134	4,264,560

	Risk-adjusted net present value *)	
	31 Dec. 13 € 000	31 Dec. 12 € 000
Mortgage Pfandbriefe	18,235,529	15,771,816
Cover pools	20,681,646	19,669,500
Value of surplus cover after stress test	2,446,117	3,897,684

*) Stress test applying the dynamic approach in accordance with Art. 4 and Art. 5 Pfandbrief-Net Present Value Directive (PfandBarwertV)

Maturity analysis by residual term 31 Dec. 13 € 000

	≤ one year	> one year ≤ two years	> two years ≤ three years	> three years ≤ four years	> four years ≤ five years	> five years ≤ ten years	> ten years
Mortgage Pfandbriefe	1,356,581	2,628,905	2,371,481	498,031	542,945	3,473,372	5,362,047
Cover pools	2,013,142	2,216,352	2,104,453	1,688,905	1,538,250	5,845,038	2,660,453

Maturity analysis by residual term 31 Dec. 12 € 000

	≤ one year	> one year ≤ two years	> two years ≤ three years	> three years ≤ four years	> four years ≤ five years	> five years ≤ ten years	> ten years
Mortgage Pfandbriefe	2,974,541	1,442,988	2,743,460	2,060,217	547,528	2,945,528	2,421,113
Cover pools	2,070,930	2,206,574	2,421,308	2,067,457	1,562,712	5,658,389	2,257,316

PUBLIC PFANDBRIEFE OUTSTANDING AND CORRESPONDING COVER ASSETS

Discounts based on the vdp credit quality differentiation model were taken into consideration in calculating the cover pool as of 31.12.2013.

	Nominal value	
	31 Dec. 13 € 000	31 Dec. 12 € 000
Public Pfandbriefe	6,390,644	7,526,058
Cover pools	7,237,038	7,896,424
of which		
further cover assets	284,580	344,580
derivatives	0	0
Surplus cover	846,394	370,366

	Net present value	
	31 Dec. 13 € 000	31 Dec. 12 € 000
Public Pfandbriefe	7,195,524	8,688,477
Cover pools	8,446,058	9,536,496
of which		
further cover assets	323,637	381,128
derivatives	25,879	36,697
Surplus cover	1,250,534	848,019

	Risk-adjusted net present value *)	
	31 Dec. 13 € 000	31 Dec. 12 € 000
Public Pfandbriefe	6,761,247	8,235,799
Cover pools	7,924,701	8,991,609
Value of surplus cover after stress test	1,163,454	755,810

*) Stress test applying the dynamic approach in accordance with Art. 4 and Art. 5 Pfandbrief-Net Present Value Directive (PfandBarwertV)

Maturity analysis by residual term 31 Dec. 13 € 000

	≤ one year	> one year ≤ two years	> two years ≤ three years	> three years ≤ four years	> four years ≤ five years	> five years ≤ ten years	> ten years
Public Pfandbriefe	861,653	368,412	229,856	1,110,651	962,306	940,403	1,917,363
Cover pools	722,282	774,428	689,053	647,891	559,366	1,205,643	2,638,375

Maturity analysis by residual term 31 Dec. 12 € 000

	≤ one year	> one year ≤ two years	> two years ≤ three years	> three years ≤ four years	> four years ≤ five years	> five years ≤ ten years	> ten years
Public Pfandbriefe	2,006,613	860,768	368,051	232,032	1,114,781	1,025,577	1,918,236
Cover pools	881,687	807,719	713,864	659,602	569,703	1,414,708	2,849,141

TOTAL VOLUME OF CLAIMS USED TO COVER MORTGAGE PFANDBRIEFE
A. ACCORDING TO SIZE

	31 Dec. 13 € 000	31 Dec. 12 € 000
≤ € 300,000	10,929,272	10,076,533
> € 300,000 ≤ € 5 million	2,677,879	2,693,622
> € 5 million	3,442,306	3,974,830
Total	17,049,457	16,744,985

B. ACCORDING TO THE LOCATIONS OF THE REAL PROPERTY COLLATERAL, AND TYPE OF USAGE

	31 Dec. 13 € 000		31 Dec. 12 € 000	
	Commercial properties	Residential properties	Commercial properties	Residential properties
Federal Republic of Germany				
Apartments		1,569,780		2,515,755
Single-family houses		4,829,939		4,290,665
Multiple-family dwellings		5,316,115		3,619,387
Office buildings	703,997		898,308	
Retail buildings	737,025		643,236	
Industrial buildings	37,523		44,199	
Other commercially used properties	101,352		110,335	
New buildings and buildings not yet capable of producing a yield	201	43,300	226	48,793
Buildings under construction	931	559	970	921
	1,581,029	**11,759,693**	**1,697,274**	**10,475,521**
of which in				
Baden-Wuerttemberg	205,627	1,324,914	214,354	1,232,466
Bavaria	446,735	2,780,306	414,238	2,582,941
Berlin	110,290	708,893	93,759	516,894
Brandenburg	8,673	239,228	8,542	173,476
Bremen	1,531	34,693	963	28,923
Hamburg	145,833	347,266	203,487	295,988
Hesse	195,899	794,876	312,311	732,256
Mecklenburg-Lower Pomerania	3,664	120,892	4,448	100,344
Lower Saxony	16,158	1,016,834	45,743	886,678
North Rhine-Westphalia	247,273	2,331,204	282,330	2,084,948
Rhineland-Palatinate	108,648	347,486	24,211	292,157

	31 Dec. 13 € 000		31 Dec. 12 € 000	
	Commercial properties	Residential properties	Commercial properties	Residential properties
Saarland	2,550	44,251	2,829	31,073
Saxony	48,836	392,571	46,505	371,015
Saxony-Anhalt	3,524	112,702	2,806	94,129
Schleswig-Holstein	33,680	1,042,777	38,312	934,733
Thuringia	2,108	120,800	2,436	117,500
Belgium				
Office buildings	6,440		6,440	
	6,440		**6,440**	
France				
Multiple-family dwellings		6,720		0
Office buildings	158,946		177,752	
Retail buildings	15,120		47,149	
	174,066	**6,720**	**224,901**	
Great Britain				
Office buildings	258,820		245,619	
Retail buildings	97,586		110,872	
	356,406		**356,491**	
Luxembourg				
Office buildings	0		43,500	
Retail buildings	4,250		4,250	
	4,250		**47,750**	
The Netherlands				
Office buildings	126,095		143,348	
Retail buildings	0		9,654	
Other commercially used properties	2,856		0	
	128,951		**153,002**	
Austria				
Single-family houses		6		7
Office buildings	27,234		27,480	
Retail buildings	54,869		0	
	82,103	**6**	**27,480**	**7**

	31 Dec. 13 € 000		31 Dec. 12 € 000	
	Commercial properties	Residential properties	Commercial properties	Residential properties
Switzerland				
Apartments		711,475		751,927
Single-family houses		1,577,399		1,679,346
Multiple-family dwellings		0		2,490
		2,288,874		**2,433,763**
Spain				
Retail buildings	44,506		33,506	
Other commercially used properties	37,563		37,563	
	82,069		**71,069**	
USA				
Apartments		0		115,922
Multiple-family dwellings		33,587		0
Office buildings	460,189		926,443	
Retail buildings	32,605		33,488	
Other commercially used properties	52,469		175,434	
	545,263	**33,587**	**1,135,365**	**115,922**
Total	**2,960,577**	**14,088,880**	**3,719,772**	**13,025,213**
Apartments		2,281,255		3,383,604
Single-family houses		6,407,344		5,970,018
Multiple-family dwellings		5,356,422		3,621,877
Office buildings	1,741,721		2,468,890	
Retail buildings	985,961		882,155	
Industrial buildings	37,523		44,199	
Other commercially used properties	194,240		323,332	
Incomplete new buildings with no revenue-generating capacity as yet	201	43,300	226	48,793
Buildings under construction	931	559	970	921

PAYMENTS IN ARREARS ON COVERING MORTGAGES

	31 Dec. 13 € 000	31 Dec. 12 € 000
Federal Republic of Germany	22,330	17,308
Switzerland	5	0
Total amount of payments in arrears for at least 90 days	**22,335**	**17,308**

TOTAL VOLUME OF CLAIMS USED TO COVER PUBLIC PFANDBRIEFE

Value of cover

	31 Dec. 13 € 000	31 Dec. 12 € 000
Federal Republic of Germany		
State	42,369	45,626
Regional authorities	3,920,625	4,227,626
Local authorities	645,691	804,886
Other debtors	1,030,600	1,162,535
	5,639,285	**6,240,673**
Belgium		
State	175,000	175,000
Regional authorities	95,000	50,000
	270,000	**225,000**
France		
State	0	25,000
Regional authorities	20,000	20,000
Local authorities	256	506
	20,256	**45,506**
Ireland		
State	22,695	22,695
	22,695	**22,695**
Iceland		
State	15,000	15,000
	15,000	**15,000**
Italy		
State	46,146	46,284
	46,146	**46,284**

	31 Dec. 13 € 000	31 Dec. 12 € 000
Austria		
State	159,792	158,455
Regional authorities	35,000	0
Other debtors	70,000	70,000
	264,792	**228,455**
Poland		
State	54,730	55,418
	54,730	**55,418**
Portugal		
State	53,400	53,400
Regional authorities	0	8,900
	53,400	**62,300**
Switzerland		
Regional authorities	24,438	24,851
Other debtors	175,000	175,000
	199,438	**199,851**
Slovakia		
State	19,000	19,000
	19,000	**19,000**
Slovenia		
State	90,000	90,000
	90,000	**90,000**
Spain		
Regional authorities	65,000	121,958
	65,000	**121,958**
The Czech Republic		
State	42,000	62,000
	42,000	**62,000**
European institutions		
Other debtors	150,716	117,704
	150,716	**117,704**

	31 Dec. 13 € 000	31 Dec. 12 € 000
Total	**6,952,458**	**7,551,844**
State	720,132	767,878
Regional authorities	4,160,063	4,453,335
Local authorities	645,947	805,392
Other debtors	1,426,316	1,525,239

INTEREST OUTSTANDING FROM COVERING MORTGAGES

in € 000	total		of which housing sector		of which commercial property sector	
	2013	2012	2013	2012	2013	2012
Interest owed and not paid for period 1.10.2012 to 30.9.2013	439	503	427	464	12	39
Total interest payments in arrears and not value adjusted	361	366	331	300	30	66

FORCED AUCTIONS AND RECEIVERSHIPS OF COVERING MORTGAGES

	total		of which housing sector		of which commercial property sector	
	2013	2012	2013	2012	2013	2012
The number of proceedings pending on the date of record was:						
- Forced auctions	194	161	184	150	10	11
- Receiverships	76	75	71	66	5	9
	73*)	71*)	68*)	62*)	5*)	9*)
The number of forced auctions conducted in 2013	57	77	55	70	2	7

*) of which included in pending forced auctions

It was not necessary for the Bank to take over any property during the year under review to obtain satisfaction for amounts owed.

OTHER DISCLOSURES

MEMBERSHIP DATA

	Number of members	Number of shares	Members' liability for additional contributions €
Beginning of 2013	79,617	2,296,745	587,162,859.25
Additions in 2013	445	1,323,506	338,354,308.90
Reductions in 2013	2,543	92,894	23,748,351.10
End of 2013	77,519	3,527,357	901,768,817.05

	€
Increase in remaining members' capital contributions in 2013	86,142,842.84
Increase in members' liability for additional contributions in 2013	314,605,957.80
Amount of each share	70.00
Members' liability for additional contributions per share	255.65

PERSONNEL STATISTICS

The average number of persons employed by the Bank in 2013 was as follows:

	Male	Female	Total
Full-time employees	224	127	351
Part-time employees	9	76	85
Total employees	233	203	436
These figures do not include:			
Apprenticed trainees	6	9	15
Employees participating in parental leave, early retirement, partial retirement (non-working phase), or employees suspended with pay.	5	17	22

SHAREHOLDINGS

	Percentage of capital held	Capital in € 000	Profit/Loss in € 000
M-Wert GmbH, Munich*	100	161	107
Immobilienservice GmbH der Münchener Hypothekenbank eG (M-Service), Munich (profit transfer agreement)**	100	509	231
Nussbaumstrasse GmbH & Co. KG, Munich*)	100	11,511	368

* annual financial statements 2012, ** annual financial statements 2013

BODIES

SUPERVISORY BOARD

Konrad Irtel … Rosenheim
Spokesman of the Board of Management of
Volksbank Raiffeisenbank Rosenheim-Chiemsee eG
Chairman of the Supervisory Board

Michael Glos … Prichsenstadt
Master Craftsman (Miller)
Deputy Chairman of the Supervisory Board

Wolfhard Binder … Grafing
Chairman of the Board of Management of
Raiffeisen-Volksbank Ebersberg eG

Heinz Fohrer … Esslingen
Member of the Board of Management of
Volksbank Esslingen eG

Jürgen Hölscher … Lingen (as of 13.04.2013)
Member of the Board of Management of
Volksbank Lingen eG

Rainer Jenniches … Bonn (as of 13.04.2013)
Chairman of the Board of Management of
VR-Bank Bonn eG

HSH Albrecht Prince of Oettingen-Spielberg … Oettingen

Hans Pfeifer … Odenthal (until 13.04.2013)
Chairman of the Board of Management (ret.) of
Rheinisch-Westfälischer Genossenschaftsverband e.V.

Erich Rödel … Ingolstadt
Bank director (ret.)

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

BOARD OF MANAGEMENT

Dr. Louis Hagen, Spokesman
Bernhard Heinlein
Michael Jung

Mandates

Dr. Louis Hagen	Bau- und Land-Entwicklungsgesellschaft Bayern GmbH Member of the Supervisory Board
	HypZert GmbH Chairman of the Supervisory Board

As of the date of record loans to members of the Supervisory Board amounted to € 1,071 (thousand) (previous year € 0 (thousand)). As in the previous year no loans were outstanding for members of the Board of Management. Pension provisions of € 18,670 (thousand) (previous year € 16,789 (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 € 1,566 (thousand) (previous year € 1,457 (thousand)), for members of the Supervisory Board € 237 (thousand) (previous year € 241 (thousand)). Total compensation received by the members of Advisory Committee amounted to € 57 (thousand) (previous year € 48 (thousand)). Total compensation received by former members of the Board of Management and their surviving dependants amounted to € 1,435 (thousand) (previous year € 1,356 (thousand)).

AUDITING ASSOCITATION

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 € 700 (thousand), including valued added tax, (previous year € 770 (thousand)) were incurred for auditing the annual financial statements and the management report, the cooperatives organisational structures, and to examine the Bank's management during the year under review. Total costs of € 12 (thousand) (previous year € 70 (thousand)) were incurred for other confirmation services. No costs were incurred for other services during the year under review.

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 € 16,489 (thousand).

Munich, 22 January 2014

MÜNCHENER HYPOTHEKENBANK eG
The Board of Management

Dr. Louis Hagen Bernhard Heinlein Michael Jung

AUDITORS' REPORT

We have audited the annual financial statements – comprising the balance sheet, the income statement, as well as the notes, the cash flow statement and the statement of development in equity capital – including the bookkeeping system, and the management report of Münchener Hypothekenbank eG for the business year from 1 January to 31 December 2013. The maintenance of the books and records and the preparation of the annual financial statements, and the management report were prepared in accordance with German commercial law and supplementary provisions in the articles of incorporation and are the responsibility of the cooperative's legal representatives. Our responsibility is to express an opinion on the annual financial statements, the bookkeeping system and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Art. 53 (2) of the Cooperatives Act and Art. 340k and Art. 317 of the German Commercial Code and the generally accepted German standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer in Deutschland (IDW). Those standards require that we plan and perform the audit so that misstatements and violations which materially affect the presentation of the net assets, the financial position and results of operations as presented in the annual financial statements and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the cooperative and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on the basis of random samples within the framework of the audit. The audit includes an assessment of the accounting principles used and significant estimates made by the company's legal representatives, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a sufficiently safe basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the information gained from the examination, the annual financial statements give a true and fair view of the net assets, financial position and results of operations of the cooperative in accordance with German legal requirements as well as the supplementary provisions contained in the articles of association, and principles of proper accounting. The management report is in agreement with the annual statement of accounts and on the whole provides an accurate understanding of the cooperative's position and suitably presents the opportunities and risks of future development.

Berlin, 10 March 2014

DGRV – DEUTSCHER
GENOSSENSCHAFTS- UND RAIFFEISENVERBAND e.V.

Gahlen	Schraer
Auditor	Auditor

AFFIRMATION BY THE LEGAL REPRESENTATIVES

To the best of our knowledge, and in accordance with applicable reporting principles for annual financial reporting, the annual financial statements give a true and fair view of the assets, liabilities, financial position and earnings situation of the company, and the management report of the company includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal opportunities and risks associated with the anticipated development of the company.

Munich, 22 January 2014

MÜNCHENER HYPOTHEKENBANK eG
The Board of Management

Dr. Louis Hagen | Bernhard Heinlein | Michael Jung

REPORT OF THE SUPERVISORY BOARD

During the year under review the Supervisory Board carried out its supervisory functions in accordance with the legal requirements, the Bank's Articles of Association and its bylaws. The Board of Management reported in a timely manner to the Supervisory Board regarding the Bank's corporate planning, its business and financial situation, as well as the Bank's further strategic development. The Supervisory Board thereby advised the Board of Management and supervised its management of business. The Supervisory Board's decisions on actions requiring its approval were made on the basis of reports and materials submitted by the Board of Management.

The Supervisory Board held its constituent meeting and four regularly scheduled meetings with the Board of Management during the year under review. The key subjects and advisory issues covered were the development and planning of the Bank's business activities, the business and risk strategy, equity capital planning, as well as the risk situation.

The Supervisory Board has established committees to enable it to carry out its duties efficiently. The committees are: the Personnel Committee, the Lending Committee and the Audit Committee. The committees regularly reported on their activities during the Supervisory Board's meetings.

The accounting documents, the annual financial statements and the Management Report for the 2013 financial year were audited as assigned by the Deutsche Genossenschafts- und Raiffeisenverband e.V., Berlin, and received an unqualified certificate from the auditors. There were no reservations. The auditors gave an extensive oral presentation of the primary results of their audit during a meeting of the Supervisory Board's Personnel Committee. Moreover, the auditors were also available to provide additional information. Each member of the Supervisory Board received a copy of the audit report of the legal audit prepared by the auditors in accordance with Article 53 of the Cooperatives Act (Genossenschaftsgesetz), including the audit of the 2013 annual statement of accounts for the Münchener Hypothekenbank eG, for their information on a timely basis. The results of the audit were examined during a joint meeting of the Board of Management and the Supervisory Board attended by the auditor. The results of the audit are also stated during the Delegates Meeting.

The annual financial statements, the Management Report, and the Board of Management's proposal for the allocation of distributable income were examined by the Supervisory Board and endorsed. The Supervisory Board recommends that the Delegates' Meeting approve the annual financial statements for 2013 – as explained – and endorse the Board of Management's proposal for the allocation of net income. The proposal is in accordance with the terms of the Bank's Articles of Association.

During the year under review Mr. Hans Pfeifer stepped down from the Supervisory Board. Mr. Pfeifer resigned his mandate at the conclusion of the 2013 Delegates Meeting following his retirement from active business in 2012. Mr. Pfeifer had been a member of the Supervisory Board since 2000. During his term he was an active member of the Audit Committee where he served with great commitment for many years. His extraordinary expertise – especially in the area of supervisory issues – and his deep roots in the German cooperative organisation were of great value to the Münchener Hypothekenbank and its Supervisory Board.

During the 2013 Delegates Meeting Jürgen Hölscher, Member of the Board of Management of the Volksbank Lingen eG, and Rainer Jenniches, Chairman of the Board of Management of the VR-Bank Bonn eG, were newly elected as members of the Supervisory Board.

The Supervisory Board thanks the Board of Management and the Bank's employees for their very dedicated and successful efforts during the year under review.

During the previous year the Bank made good progress on its path of growth and was able to further strengthen its market position. As a firmly anchored member of the Cooperative Financial Network the Bank also assumes important tasks in the strategically important property financing area of business. Against the background of the upcoming supervisory requirements, MünchenerHyp's objective will be to continue on its successful course in 2014. The Board of Management, employees as well as the Supervisory Board will dedicate all of their strength to ensure that this goal is met.

Munich, April 2014
MÜNCHENER HYPOTHEKENBANK eG

Konrad Irtel
Chairman of the Supervisory Board

THE MEMBERS OF THE DELEGATES MEETING

AS OF 31 DECEMBER 2013

Hermann Arens ... Bank director (ret.)
Dr. Wolfgang Baecker ... Bank director
Manfred Basler ... Bank director (ret.)
Claus-Rüdiger Bauer ... Bank director
Norbert Beek ... Bank director
Heinrich Beerenwinkel ... Bank director
Dr. Christoph Berndorff ... Bank director (ret.)
Gunnar Bertram ... Bank director
Dietmar Bock ... Managing director
Helmut Böing ... Bank director
Dr. Christine Bortenlänger ... Executive Member of the Board of Management
Dr. Michael Brandt ... Bank director
Gebhard Brennauer ... Bank director (ret.)
Peter Bromberger ... Bank director (ret.) (as of 22.08.2013)
Eckhard Dämon ... Bank director
Lothar Erbers ... Bank director
Johann Fuhlendorf ... Bank director
Klaus Graniki ... Managing director
Markus Gschwandtner ... Bank director
Michael Haas ... Bank director (ret.) † (until August 2013)
Eberhard Heim ... Bank director
Joachim Hettler ... Bank director
Dr. Christoph Hiltl ... Attorney
Karl Hippeli ... Bank director (ret.)
Carsten Jung ... Bank director
Jürgen Jung ... Legal advisor
Norbert Kaufmann ... Bank director
Herbert Kellner ... Bank director
Michael Kittel ... Bank director (ret.)
Klaus Korte ... Bank director
Roland Kuffler ... Businessman
Helmuth Lutz ... Bank director
Michael Müller ... Attorney
Dr. Hans-Wolfgang Neumann ... General Manager
Thomas Petersen ... Bank director
Klaus Pohl ... Managing director
Frank Ritter ... Attorney, Notary
Christian Scheinert ... Bank director
Dr. Martin Schilling ... Bank director
Andreas Schmidt ... Certified Property Specialist
Hans Schmitt ... Bank director (ret.)
Klaus Otmar Schneider ... Bank director
Thorsten Schwengels ... Bank director
Wolfgang Siemers ... Managing director
Jörg Stahl ... Bank director
Theo Stauder ... Bank director
Dr. Rainer Sturies ... Attorney
Ulrich Tolksdorf ... Bank director
Martin Trahe ... Bank director
Birgit Türschmann ... Bank director
Florian Uhl ... Managing director
Heinz-Walter Wiedbrauck ... Bank director
Michael Zaigler ... Managing director

AGENDA – GENERAL (DELEGATES) MEETING ON 12 APRIL 2014, 10.30 A.M.

1. Report on the 2013 business year by the Board of Management and presentation of the Annual Statement of Accounts and the 2013 Management Report
2. Report of the Supervisory Board
3. Auditors' report
4. Resolutions to ratify:
   a) the 2013 Annual Statement of Accounts
   b) proposed appropriation of distributable income
   c) the acts of the Board of Management and the Supervisory Board for the 2013 business year
5. Amendment to the Articles of Association
6. Elections to the Supervisory Board
7. Other issues

EXECUTIVE MANAGEMENT AND BODIES

BOARD OF MANAGEMENT

Dr. Louis Hagen, Spokesman
Bernhard Heinlein
Michael Jung

SUPERVISORY BOARD

Konrad Irtel … Rosenheim
Chairman
Michael Glos … Prichsenstadt
Deputy Chairman
Wolfhard Binder … Grafing
Heinz Fohrer … Esslingen
Jürgen Hölscher … Lingen (as of 13.04.2013)
Rainer Jenniches … Bonn (as of 13.04.2013)
HSH Albrecht Prince of Oettingen-Spielberg … Oettingen
Hans Pfeifer … Odenthal (until 13.04.2013)
Erich Rödel … Ingolstadt
Kai Schubert … Trittau

TRUSTEES

Klaus Jasper … Ministry director (ret.), Munich
Dr. Johann Haimerl … Ministry director (ret.), Gilching,
Deputy

ADVISORY COMMITTEE (AS OF 1 JANUARY 2014)

Thomas Höbel … Dachau
Chairman
Peter Bahlmann … Hatten
Deputy Chairman
Markus Dünnebacke … Dortmund
Deputy Chairman
Uwe Augustin … Pinneberg
Oliver Conradi … Heidenheim
Bernd Ehrlicher … Erlangen
Gerhard Eisenhut … Ehningen
Clemens Fritz … Achern
Christian Glasauer … Beuerberg
Walter Hoffmann … Glan-Münchweiler
Eberhard Kreck … Bottrop
Dr. Martin Kühling … Vechta
Dietmar Küsters … Straubing
Jan Mackenberg … Osterholz-Scharmbeck
Thomas Mamier … Wyhl am Kaiserstuhl
Wilhelm Oberhofer … Sonthofen
Josef Pölt … Seeshaupt
Michael Schlagenhaufer … Mittweida
Manfred Stevermann … Düsseldorf
Horst Weyand … Bad Kreuznach

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Ingo Schramm

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