



MÜNCHENER HYPOTHEKENBANK eG
ANNUAL REPORT 2014

OVERVIEW

BUSINESS DEVELOPMENT (IN MILLIONS OF €)*

	2014	2013	Change %
Lending Business			
a) Mortgage loans	4,436	3,618	23
aa) Residential property financing	3,678	2,879	28
ab) Commercial property financing	758	739	3
b) Loans to public sector and banks	861	552	56
Total	5,297	4,170	27

BALANCE SHEET (IN MILLIONS OF €)*

	2014	2013	Change %
Total assets	36,340	34,899	4
Mortgage loans	23,556	21,522	9
Loans to public sector and banks	9,421	10,271	-8
MBS	8	13	-38
Pfandbriefe and other bonds	31,117	31,048	0
Liabe equity capital	1,378	1,251	10

INCOME STATEMENT (IN MILLIONS OF €)*

	2014	2013	Change %
Net interest income and net commission income	111	94	17
Administrative expenses	82	74	11
Results from operations before deducting provisions for risks	27	22	21
Results from operations after deducting provisions for risks	27	21	29
Transfer to the Fund for General Banking Risks	-5	-5	0
Net income	16	7	129

EMPLOYEES (NUMBER)

	2014	2013	Change %
Average number of employees per year	462	436	6
Apprentices	18	15	20
Employees participating in parental leave, early retirement and partial retirement (non-working phase)	25	22	14

* Amounts have been rounded

CONTENTS

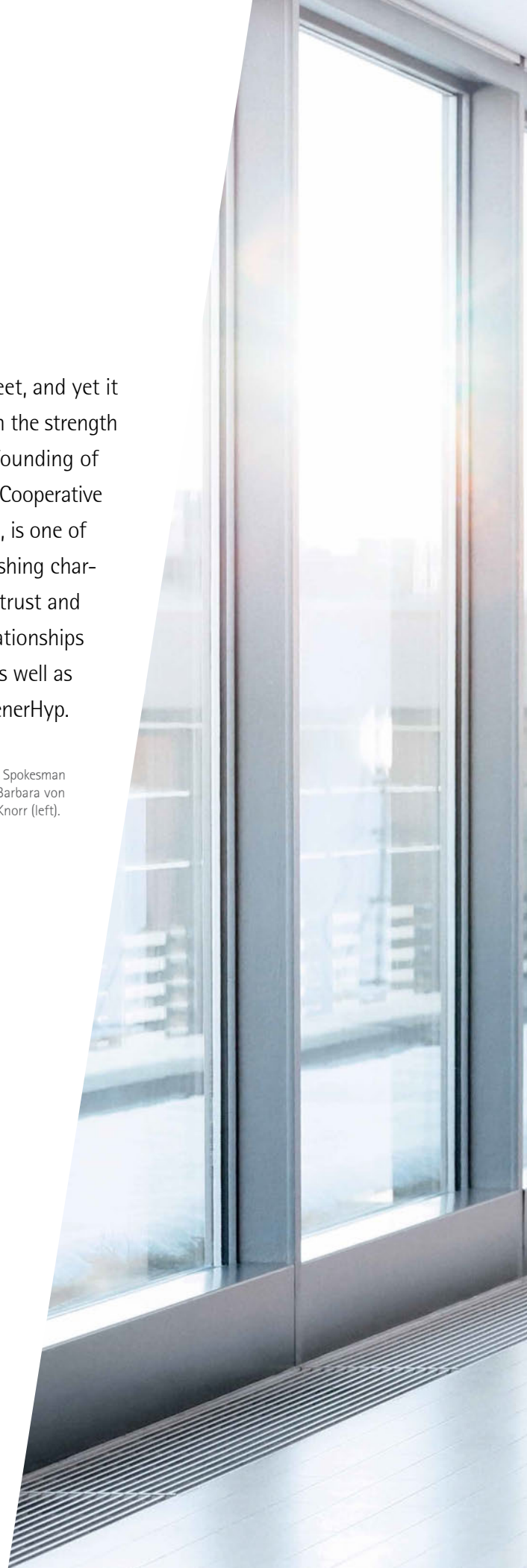
LETTER FROM THE BOARD OF MANAGEMENT	6
MANAGEMENT REPORT	8
ECONOMIC REPORT	12
Overall Economic Conditions	12
Business Development	22
Earnings, financial and asset situation	24
Rating, Sustainability and Regulatory Conditions	27
Bodies and Personnel	30
Report on events after the balance sheet date	31
RISK, OUTLOOK AND OPPORTUNITIES REPORT	34
Risk Report	34
Corporate Planning	42
Outlook – Opportunities and Risks	46
ANNUAL STATEMENT OF ACCOUNTS	53
BALANCE SHEET	54
INCOME STATEMENT	58
STATEMENT OF DEVELOPMENT IN EQUITY CAPITAL AND CASH FLOW STATEMENT	60
NOTES	62
AUDITORS' REPORT	84
AFFIRMATION BY THE LEGAL REPRESENTATIVES	85
REPORT OF THE SUPERVISORY BOARD	86
THE MEMBERS OF THE DELEGATES MEETING	88
EXECUTIVE MANAGEMENT AND BODIES	89
CONTACT	90
IMPRINT	93



THE BEST SOLUTIONS ARE FOUND TOGETHER.

Trust can't be found among the figures on a balance sheet, and yet it is indispensable for doing business successfully. Trusting in the strength of working together to achieve an objective led to the founding of the first cooperative banks over 150 years ago. Today, the Cooperative Financial Network, which MünchenerHyp also belongs to, is one of the main pillars of the German credit sector. Its distinguishing characteristic is its cooperative solidarity marked by mutual trust and unity. The principles of cooperative values guide our relationships with our members, customers and the general public – as well as our day-to-day activities with each other here at MünchenerHyp.

MünchenerHyp's Board of Management, Bernhard Heinlein (2nd from left), Dr. Louis Hagen, Spokesman (2nd from right), and Michael Jung (right) with the Chairwoman of the Works Council, Barbara von Grafenstein (centre), and the Chairman of the Executive Employees Committee, Dr. Peter Knorr (left).





LETTER FROM THE BOARD OF MANAGEMENT

DEAR SHAREHOLDERS AND BUSINESS ASSOCIATES,

The 2014 business year was one of the most extraordinary years in the history of Münchener Hypothekenbank. Despite the challenges we faced, we managed to master them and remained focused on our business. The European Central Bank (ECB) posed a challenge in the fall of 2013 when it deemed MünchenerHyp a "significant" bank under the Single Supervisory Mechanism (SSM). This status meant that the ECB took over direct supervision of our bank as of November 2014. A major portion of our activities in the past year were focused on preparing for this event and required a high level of performance from all involved.

STRONG GROWTH NOTED FOR NEW BUSINESS

The development of our lending business was an even greater source of satisfaction as we granted more than € 4.4 billion in loans to finance residential and commercial property transactions. This figure meant that our new business results were about one-quarter better than in the previous year. The surge in growth was fuelled by favourable overall conditions. Above all, we noted unbroken high demand for houses, apartments and commercial property in our home market of Germany – and this in turn stimulated demand for property financing. Although competition for customers remained tough, we were able to succeed thanks to our collaboration with our strong sales partners, and especially due to the deep and close customer relationships maintained by the Volksbanken and Raiffeisenbanken.

Our portfolios also benefited from the pace of new business expansion as our mortgage loan portfolio grew by a good 10 percent to € 23.4 billion. The sum of our net interest income and net commission income also posted a significant increase of 17 percent to € 110.5 million. Despite our rapid growth we did not assume higher risks than in previous years. For this reason we are quite content with the risk situation of our lending business. Provisions made for risks were once again low.

INNOVATIVE PFANDBRIEF ISSUER

The Pfandbrief retained its role as our preferred refinancing instrument. Thanks to our good standing in the capital market we could once again obtain refinancing at very favourable conditions. Investors honoured our efforts to further develop the Pfandbrief as an innovative and particularly safe capital market instrument. Last year we became the world's first issuer of a sustainable Pfandbrief (ESG Pfandbrief). The proceeds of the

issue were used to refinance loans to cooperative home building associations. The housing provided by these associations fulfilled the sustainability criteria of oekom research, a sustainability rating agency. Investors responded enthusiastically to the issue, especially investors focused on sustainability-oriented investments. This was a very nice success for us as an issuer, as well as for our commitment to the concept of sustainability. This was confirmed by the numerous awards we received for this issue.

GREAT TRUST SHOWN BY OUR MEMBERS

Our preparations ahead of the ECB assuming direct supervision of the Bank, along with our efforts to meet the associated requirements, posed an extraordinary challenge. This refers, in particular, to the ECB's minimum 8 percent requirement for common equity Tier 1 capital ratio. Prior the ECB's surprising announcement that it had deemed Münchener Hypothekenbank as one of the significant banks within the eurozone we had met the valid requirements at that time with a ratio of 6.3 percent. We now had just eight weeks time to raise at least € 240 million in common equity Tier 1 capital we needed to meet the ECB's minimum requirements before its date of record deadline of December 31, 2013. Not enough time for a cooperative bank. In contrast to a listed corporation, we were unable to quickly obtain additional capital from the capital markets to increase our common equity Tier 1 capital and could only attract additional capital by addressing our members individually.

This meant that we had to embark on a carefully planned campaign to attract to new paid-up capital from all of our members during the first half of 2014 – a unique endeavour in the history of MünchenerHyp, which addressed all cooperative banks and the institutions within the Cooperative Financial Network, as well as our private members. Our efforts met with exceptional solidarity and support from both our cooperative banking members as well as private members.

A total of € 415 million in new paid-up capital was subscribed, of which the Cooperative Financial Network accounted for € 380 million with the remaining € 35 million subscribed by our private members. These results underline the complete success of the campaign. We more than met the minimum requirement for the common equity Tier 1 capital ratio as we posted a 12.4 percent ratio on September 30, 2014 – although it was inevitable that we

could not achieve this prior to the ECB's deadline date. This meant that we had formally failed to meet the ECB's requirements based on our annual financial statements for 2013. This caused a bit of commotion among the public and the media on the day when the results of the ECB's stress test were announced. However, this quickly died down as a closer look at the results revealed that we had met all the supervisory requirements. The favourable impression was further supported by the very good grades we received from the ECB for their Asset Quality Review of our balance sheet, which did not require us to make any adjustments to our provisions for risk. Furthermore, we provided all of the extensive data required by the ECB in an exemplary manner.

CONTINUING ON OUR GROWTH COURSE AND MASTERING ESCALATING REGULATORY REQUIREMENTS

Our growth course was confirmed by the good business results we posted in 2014. Our momentum, however, is being increasingly hindered by the escalating regulatory requirements placed on the banking industry. As a mid-sized bank we, in particular, see ourselves increasingly confronted with demands that do not differentiate between the risks inherent in different business models or the size of banks. This undifferentiated "one-size-fits-all" approach is being carried out, above all, at the expense of those institutions with specialised business models, which therefore do not fit the norm.

The Leverage Ratio, which is foreseen as part of the Basel III requirements, is a very clear example. It sets the maximum debt ratio at 3 percent of total assets without taking the usual risk-related key figures into consideration.

The European Banking Levy will also place a substantial burden on us. This is also a non-risk-adjusted requirement and based solely on the nominal value of liabilities. As a Pfandbrief bank, we will be clearly disadvantaged by this. Even though the strict rules of the Pfandbrief Act requires Pfandbriefe to be secured by recoverable cover pools, which in turn means that it is highly unlikely that the resolution fund will have to be utilised, outstanding Pfandbriefe will nevertheless have to be fully counted.

The costs of meeting these – to a certain extent – disproportionate requirements are very high for us. Coping with these requirements will necessitate very high levels of commitment

and performance from us in this year and the next. We will be assisted by our successful course of growth, which will make it possible for us to sustainably strengthen MünchenerHyp's earnings power.

STRONG SOLIDARITY

The main reason why we were able to successfully master the previous business year was because all of us – here within the MünchenerHyp, our bodies and our partners in the Cooperative Financial Network – pulled together in the same direction. We would like to thank all of you who worked to ensure that MünchenerHyp remains prepared for the future: our members, the members of the delegates meeting, the Supervisory Board, the Cooperative Advisory Committee, the associations and firms within the Cooperative Financial Network, as well as the members of the Works Council and the Executive Employees Committee for their constructive collaboration, and, last but not least, our employees. They performed extraordinarily on behalf of their MünchenerHyp.

We are particularly grateful for the trust we received from all sides. Without this trust we would have been unable to master the difficult demands posed by the ECB. Now it's our turn to show that we are worthy of this trust. This is the reason why trust is the theme of this annual report. We want to use the theme pages to present what we do in our daily banking work to ensure that we will continue to earn your trust in the future.

Sincerely yours,



Dr. Louis Hagen



Bernhard Heinlein



Michael Jung

MANAGEMENT REPORT 2014

ECONOMIC REPORT

12 OVERALL ECONOMIC CONDITIONS

- 12 ECONOMIC DEVELOPMENT
- 12 FINANCIAL MARKETS
- 14 PROPERTY AND PROPERTY FINANCING MARKETS

22 BUSINESS DEVELOPMENT

- 22 NEW MORTGAGE BUSINESS
- 23 CAPITAL MARKET BUSINESS
- 23 REFINANCING

24 EARNINGS, FINANCIAL AND ASSET SITUATION

- 24 BALANCE SHEET STRUCTURE
- 26 DEVELOPMENT OF EARNINGS
- 27 PROPOSED ALLOCATION OF DISTRIBUTABLE INCOME

27 RATING, SUSTAINABILITY AND REGULATORY CONDITIONS

- 27 RATING
- 28 SUSTAINABILITY
- 29 REGULATORY CONDITIONS

30 BODIES AND PERSONNEL

- 30 BODIES
- 30 EMPLOYEES

31 REPORT ON EVENTS AFTER THE BALANCE SHEET DATE

RISK, OUTLOOK AND OPPORTUNITIES REPORT

34 RISK REPORT

- 34 COUNTERPARTY RISK
- 37 MARKET PRICE RISKS
- 40 LIQUIDITY RISKS
- 41 INVESTMENT RISK
- 41 OPERATIONAL RISKS
- 41 ABILITY TO BEAR RISKS
- 42 USE OF FINANCE INSTRUMENTS
FOR HEDGING PURPOSES
- 42 ACCOUNTING-BASED INTERNAL CONTROL AND RISK
MANAGEMENT PROCEDURES

42 CORPORATE PLANNING

46 OUTLOOK – OPPORTUNITIES AND RISKS

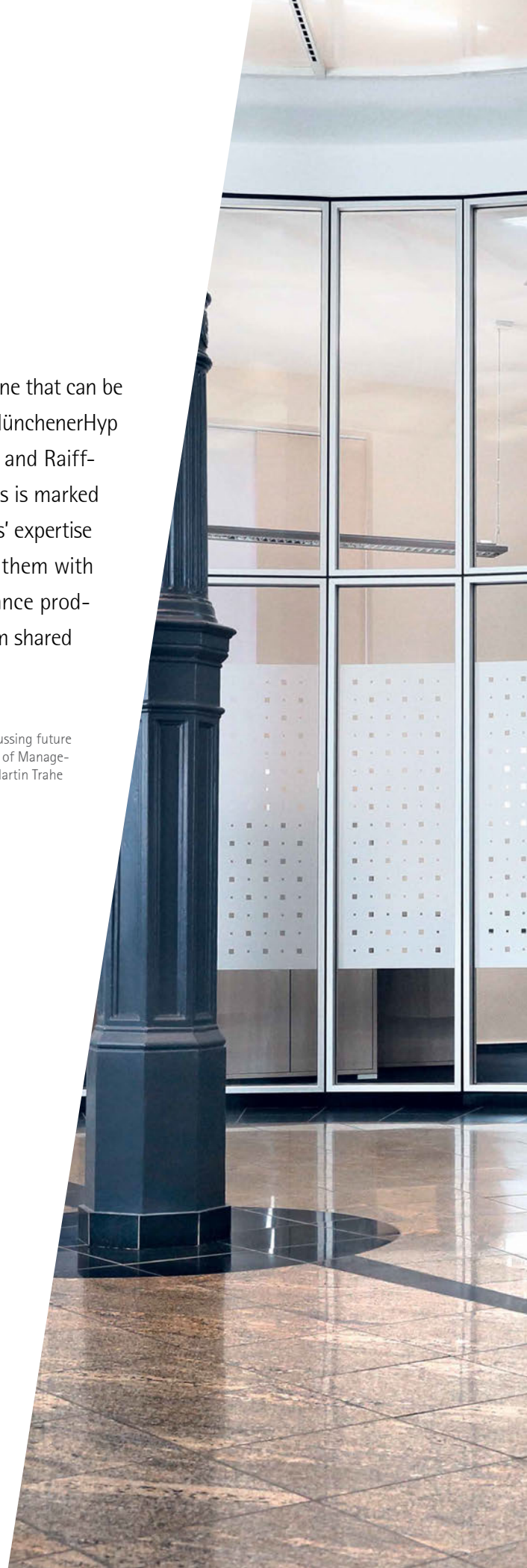
- 46 ECONOMIC DEVELOPMENT AND FINANCIAL MARKETS
- 47 PROPERTY AND PROPERTY FINANCING MARKETS
- 48 DEVELOPMENT OF BUSINESS
AT MÜNCHENER HYPOTHEKENBANK



FROM BANK TO BANK: TRUST GENERATES OPENNESS.

A Chinese proverb states that the best locked door is the one that can be left open. This applies directly to collaboration between MünchenerHyp and its cooperative partners, especially the Volksbanken and Raiffeisenbanken. Our partnership with the cooperative banks is marked by openness and fairness. We especially value our partners' expertise and close proximity to their customers, and we support them with a broad range of attractive and innovative property finance products. This is how we keep the door open for our long-term shared growth.

Bernd Pagenhardt, Head of Berlin Regional Office, Münchener Hypothekenbank eG, discussing future cooperative partnerships in the area of property finance with the members of the Board of Management of Volksbank Jerichower Land eG, Steffen Trost (centre) and Martin Trahe (right). Martin Trahe is also a member of MünchenerHyp's Delegates Meeting.





Volksbank Jerichow



MANAGEMENT REPORT 2014

ECONOMIC REPORT

OVERALL ECONOMIC CONDITIONS

ECONOMIC DEVELOPMENT

The global economy grew at very different speeds during 2014. While economic growth in the USA and Great Britain notably improved, it lagged behind expectations in most of Europe, Japan, as well as in some emerging countries like China and Brazil. According to data provided by the International Monetary Fund (IMF), the pace of growth of the global gross domestic product (GDP) stagnated at 3.3 percent. The tepid expansion of the global economy was primarily due to conflicts in the Ukraine and the Near East, as well as the weaker development of global trade.

The eurozone economy again failed to gather momentum in 2014. The European Commission noted that this was mainly due to weaker development posted by numerous major economies – especially France and Italy – as well as the generally difficult situation in the labour market. Following two years of declines in the eurozone's GDP, marginal growth of 0.8 percent was posted in 2014.

The German economy was able to record comparatively stable development in the face of this difficult environment. While mild winter weather helped fuel a very strong rise in GDP during the first quarter, development weakened over the next six months. The economy stabilised in the final quarter of 2014 and made it possible for the Federal Statistical Office to report economic growth of 1.6 percent for the entire year. Development was primarily driven by private consumption and public sector spending. The pace of new investments in Germany also advanced notably. Investments in construction projects rose by 3.6 percent. Unbroken strong demand for housing led to a 4.1 percent gain in investments for construction of residential housing. Favourable impulses were also generated by foreign trade, despite less than vibrant global trade.

The average rate of inflation for the year was 0.9 percent and notably below the previous years' figures. The low level of inflation was particularly aided by declining energy prices – especially for heating oil and fuel – as the price of crude oil fell by almost half over the course of 2014.

The labour market was stable as the average number of employed persons in Germany hit a new record at about 43 million. The number of unemployed fell to about 2.9 million, while the unemployment rate declined by 0.2 percentage points to 6.7 percent.

FINANCIAL MARKETS

Geopolitical tensions coupled with a generally less dynamic global economy also impacted on the financial markets. Development noted for the European stock markets was subdued, while most of the bond markets, in contrast, posted higher prices and lower yields.

"The key interest rate in the eurozone fell to a historic low following two interest rate cuts by the ECB."

Lower rates of inflation and weak economic data allowed central banks in industrialised countries to continue their expansive monetary policies. The European Central Bank (ECB) cut its main refinancing rate in June and September by ten basis points each time to currently 0.05 percent, a new historic low. The ECB's deposit facility rate was also reduced twice by ten basis points per reduction to minus 0.2 percent, which is the first time that the ECB has set a negative rate. The ECB again provided longer-term liquidity assistance to banks via its targeted longer-term refinancing operation (TLTRO) in an effort to encourage banks to make more loans. In addition, the ECB launched a third programme to buy covered bonds and asset backed securities. In contrast, the US Federal Reserve (Fed) tightened its very loose monetary policy a bit last year as it ended its programme of buying Treasury bonds and mortgage-backed securities in October.

The diverging development of economic growth in the USA and the eurozone also influenced exchange rates in the second half of the year. The strong rise in the US dollar exchange rate was fuelled by good economic data as well as by expectations that the Fed would begin to raise interest rates in mid-2015. By the end of the year the euro has declined to 1.21 USD from 1.37 USD noted at the start of the year. The value of the Swiss franc, which

had been pegged to the euro, also declined. At the start of 2015 the Swiss National Bank (SNB) surprised the markets when it decided to no longer hold the Swiss franc at a fixed exchange rate with the euro. As a result the Swiss franc/euro rate surged from 1.20 to 1.01 Swiss francs.

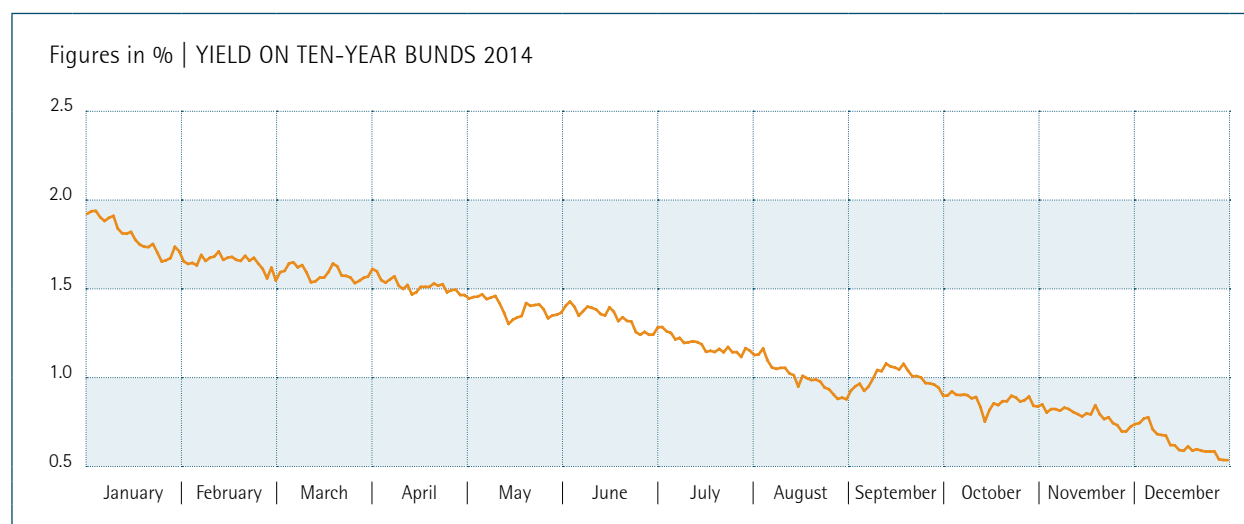
Although the DAX hit new record highs of more than 10,000 points during the course of 2014, it also experienced sharp declines down to 8,350 points and ended the year at about 9,800 points, or 2.7 percent higher than the closing figure posted at the end of the previous year. Stock markets outside of Europe performed better as the Dow Jones Index climbed by 7.5 percent, while the Nikkei Index rose by about 7 percent.

Pfandbriefe and other covered bonds were again sought after investments in 2014 as their good credit quality coupled with the regulatory advantages they offered over senior unsecured bonds, as well as the ECB's third covered bond purchase programme, led to significantly narrowing spreads. The sharp decline in the volume of new issues in the previous year was partially corrected in 2014. More favourable issuing conditions helped increase sales of euro-denominated covered bonds by about € 17 billion to € 114 billion. Sales of all categories of Pfandbriefe in all currencies remained steady at € 159 billion compared to € 158 billion in 2013. The German Pfandbrief continued to benefit from the

low volume of new issues and good asset quality. However, other European covered bonds recorded even stronger narrowing of spreads, which in turn slightly reduced the refinancing advantage of the Pfandbrief.

"Pfandbriefe and other covered bonds remained a sought-after class of investment."

Interest rates continued to steadily drift downwards as 10-year Bunds fell from 1.93 percent at the start of the year to 0.54 percent at the end of 2014. This development was reinforced by a weak European economy, the substantial drop in the price of crude oil and the ECB's policies. Furthermore, numerous historic lows were recorded for yields around the world. Due to the negative yields offered for financial investments in euros and Swiss francs, short-term interest rates through to the yield on 5-year Bunds turned negative.



Source: Bloomberg

PROPERTY AND PROPERTY FINANCING MARKETS

RESIDENTIAL PROPERTY – GERMANY

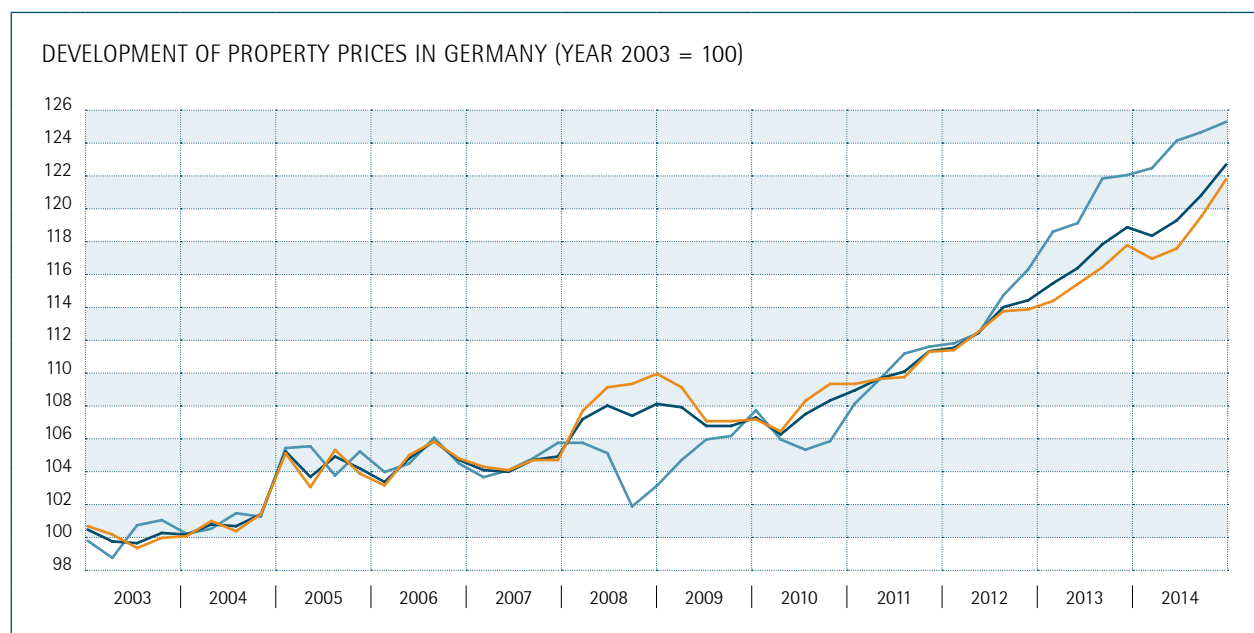
The German residential property market continued to develop favourably in 2014. Demand for houses and apartments was once again strong, especially in the major metropolitan areas and growth regions where demand frequently exceeded the available supply. Demand was primarily driven by continuing low interest rates, which increasingly limited the choice of attractive capital investment opportunities. As a result, private individuals were more and more likely to invest their money in real estate for use as their personal homes or for investment purposes. This is because houses and apartments are viewed as safe and stable investments.

High demand led to a further notable increase in residential property prices. According to the Association of German Pfandbrief Banks (vdp), the price of residential property in Germany in 2014 rose by 5 percent over the previous year. This figure shows that the pace of rising prices has accelerated. A key reason behind this change is the strong 6.9 percent rise in prices seen for multi-family houses. Prices for single and two-family houses increased by 3.1 percent, and by 3.0 percent for condominiums.

In addition, price rises were particularly influenced by the location of properties with the strongest increases noted for residential property in top locations in major metropolitan areas. Last year, however, even mid-sized and smaller cities (so-called B and C locations) posted faster rising prices for properties. Prices rose faster for new buildings than for existing properties. This was also driven by rising construction costs for new buildings and by prices for energy-related investments, which are becoming increasingly more important.

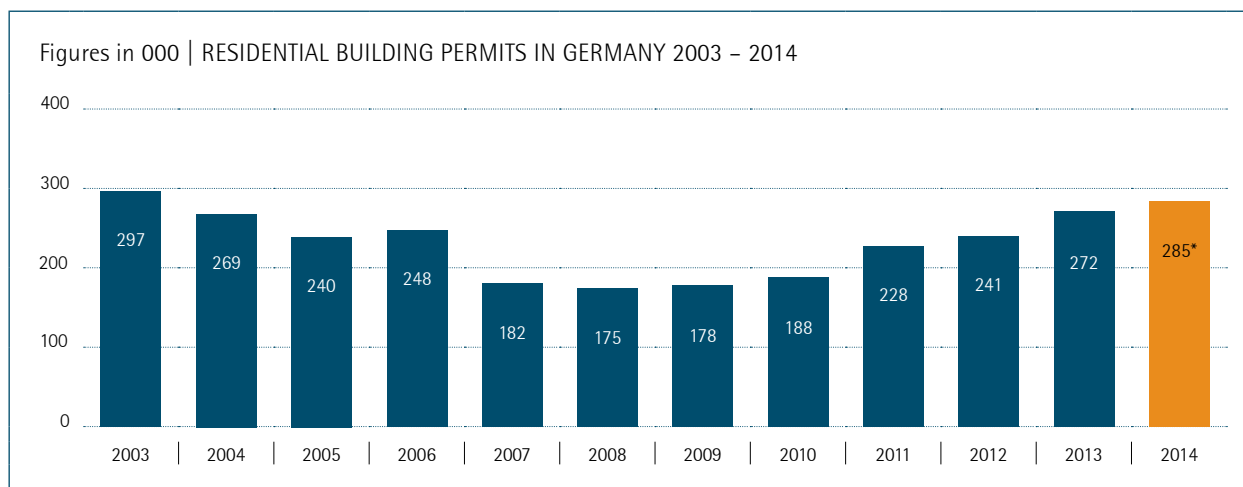
"Demand for residential property remained high and was primarily driven by the unchanging level of low interest rates."

By the end of November 2014 the number of building permits had risen to about 260,000, which represented a gain of more than 5 percent, although this increase was weaker than the same year-ago figure. Above all, higher levels of residential housing



— Owner-occupied residential property — Houses — Condominiums

vdpResearch GmbH calculations based on information
provided by vdp transaction databank
As of: February 2015



* 2014 = estimated

Source: German Federal Statistics Office

construction in growth regions has not yet satisfied demand and has led to housing shortages. This is reflected by the 2 percent vacancy rate currently noted for apartments in growth regions.

Last year's high demand and rising prices again aroused fears of a speculative property bubble forming in Germany. Although the German Institute for Economic Research (DIW) sees indications of speculative excess in certain cities, mainly for newly built housing, it considers the overall German property market to be in good condition. The Bundesbank has also commented on over-pricings, which are particularly visible in cities.

"The trend to loans with longer terms of fixed-interest remained intact as more and more customers sought to lock-in low rates of interest for the long-term."

Interest rates for financing residential property fell again in 2014 and have reached historic lows. Fixed interest rates for up to 30-year loans fell to below 3 percent. This has spurred a trend towards loans with longer terms of fixed interest rates as more and more customers seek to lock-in low interest rates for the

long-term. At the same time, the German Bundesbank reported that the average annual initial rate of repayment of capital has risen by 0.8 percentage points since 2009 to 3.6 percent.

Lending in 2014 is estimated to have expanded moderately by about 2 percent. According to the Bundesbank, banks' lending standards remained fairly constant although the share of fully financed transactions, with loan-to-value ratios of 100 percent and more, increased slightly, especially in cities.

Competitive pressures in the private property financing sector in Germany remained unchanged in 2014 as new providers, like insurance companies, increasingly tried to establish themselves in the market. According to Bundesbank data, up until the end of the third quarter the Volksbanken and Raiffeisenbanken were able to further expand their market share to 21.3 percent or 0.7 percentage points more than at the end of the third quarter in 2013. This increase was driven by the banks' close relationships with their customers and the high quality of the advice they provided to them.

RESIDENTIAL PROPERTY – INTERNATIONAL

Based on the latest available date from Eurostat, house prices in the European residential property markets recorded stable development across Europe during the first half of the year. In addition, first signs of a slow recovery were seen.

The residential property market in Great Britain experienced a notable recovery as the favourable economy and declining unemployment supported demand for residential property. Furthermore, demand was also reinforced by last year's cut in taxes for transactions below 925,000 British pounds. Demand exceeded supply in major metropolitan areas. According to estimates, there is a shortage of about 250,000 flats. London remained the top city as prices for private housing there rose by up to 18 percent. Prices across the UK climbed by 7 percent in 2014.

However, during the course of the year initial indications that the pace of price increases was slowing were starting to be seen, especially in London. This was due to the fact that housing prices had risen substantially faster than wages, and that thus far higher employment rates have barely led to higher pay. Furthermore, starting in April 2014 borrowers have had to meet stricter minimum lending criteria, which have already dampened prices.

The French market for apartments and houses declined further in 2014. Measures taken by the government to encourage investments in construction of new housing and regulate rental prices have not yet shown significant success. This is reflected by the 12 percent decline in house building starts compared to the previous year's figure (status November 2014). Prices for existing houses fell nationwide by 1 percent and even by 2 percent in Paris. The number of transactions rose but remained significantly below the long-term average. Only rents posted a slight increase.

"The first signs of a slow recovery were seen in the European residential property markets."

The Dutch housing market began to recover in 2014 thanks to favourable macroeconomic influences and the liberalisation of the regulated housing market. The main objective here was to allocate existing housing on a more needs-oriented basis. Other noteworthy regulatory measures were: the introduction of a cap on financing of 103 percent based on the fair market value of the property; retention of the 2 percent real estate transfer tax;

reduction of the amount of interest paid for loans that is deductible for tax purposes, as well as the introduction of a law permitting a one-time, tax-free gift of property that may be given within a family for housing purposes.

House prices increased again in the second quarter for the first time in the Netherlands. They rose by about 2 percent over the entire year in the Dutch residential property investment market. The volume of investments made in 2014 was the highest since 2008 and amounted to € 1.8 billion in the first three quarters, which was more than 200 percent higher than the same year-ago figure. Demand was particularly strong for property in Amsterdam and for nationwide portfolios of residential property.

Warnings about prices overheating in the Swiss residential property market have been regularly heard in recent years. Last year the SNB noted for the first time that the build-up of imbalances in both the property market and the property financing market had slowed. Although the SNB views this development as favourable, it does not yet, however, see it as heralding a reversal of the trend as interest rates in Switzerland remain very low. Prices for residential property increased in 2014 by 2.4 percent, which was below the long-term average of 2.8 percent. Price rises almost came to a halt in the fourth quarter as they rose by 0.1 percent and even declined by 0.1 percent for single family houses. The pace of growth of mortgage loans being made also slowed over the course of the year and stood at 3.8 percent in the third quarter following 4.5 percent in the year 2013. This change was due to the Swiss banks' self-regulation and the introduction of an obligatory countercyclical capital buffer for Swiss banks in 2013.

The upswing in the residential property market in the USA continued in 2014, although the average pace of rising prices slowed in comparison to the rate noted in the previous year. The market for rental blocks of apartments, which remained one of investors' preferred asset classes, recorded further gains. Above-average gains in rents paid were observed in locations with thriving job markets. The financing market for this property category was marked by intensive competition, especially between state-supported mortgage banks, banks, life insurance companies and pension funds.

COMMERCIAL PROPERTY – GERMANY

The German commercial property market developed very dynamically as the volume of transactions surged by 30 percent to almost € 40 billion. This marked the fifth year in a row with higher transactions and made 2014 the best year since 2007. This development was fuelled by the unbroken low level of interest rates and the solid development of Germany's economy.

Sales of property portfolios amounting to € 12 billion accounted for almost one-third of the total volume of transactions. This figure meant that turnover volume noted for portfolios more than doubled in comparison to the previous year.

Foreign investors were again very active and accounted for almost half of the volume of transactions. Asian investors, especially Chinese, were increasingly involved. In terms of investor categories, asset managers and special property funds together represented 37 percent of activity in the market followed by private investors/family offices, project developers and oppor-

tunity funds/private equity funds with shares of 8 to 9 percent each.

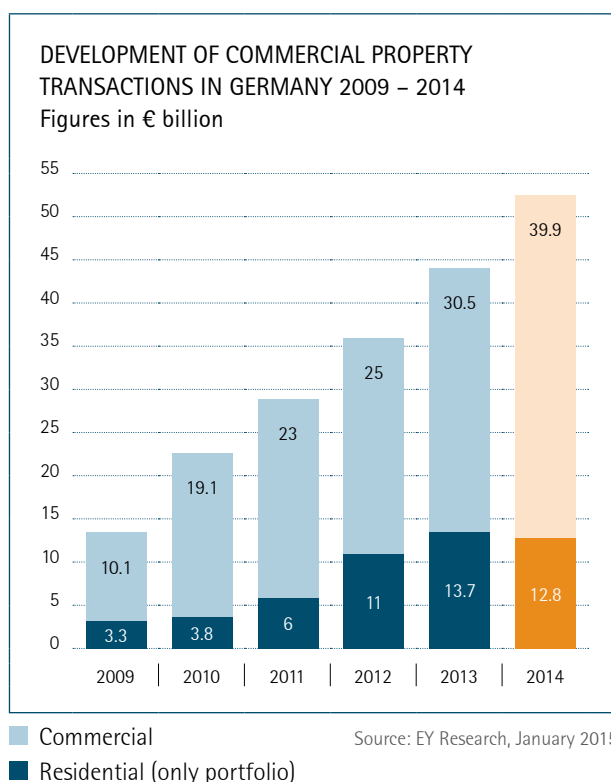
"The German commercial property market developed very dynamically. Office properties were the preferred class of investment."

Top properties in top locations remained the focal point of investor interest. The volume of transactions in the seven best property locations was about € 23 billion. Greater investor interest was also observed for the value-add category. And there was also greater willingness seen to invest in slightly lower quality properties or properties that were not fully let, as well as in properties located in less central locations in major cities or in smaller cities.

Office properties were the preferred asset class followed by retail properties. Hotels and logistic-use properties are also noteworthy as demand surged for both categories.

Top returns for office properties fell again due to strong demand. The average figure noted in the seven best property locations declined by 10 basis points to 4.5 percent. The spectrum ranged from 4.0 percent in Munich to 5.1 percent in Cologne and Stuttgart.

The office rental market proved to be robust over the course of the year, especially due to the strong fourth quarter. The volume of turnover rose slightly and totalled about 3 million square metres. Development in the seven best property locations did, however, vary greatly as Berlin, Hamburg, Stuttgart and Munich recorded gains while Düsseldorf, Frankfurt/Main and Cologne experienced declines. At the end of the year the volume of vacancies in the aforementioned seven cities hit a new low and totalled 6.8 million square metres. The current figure is 7.6 percent, which is 0.6 percentage points less than 2013.



The volume of transactions noted for residential property portfolios fell by about € 1 billion to € 12.8 billion. This decline was, however, not due to lower demand. It was caused by a notably smaller availability of properties while buying interest was very higher.

COMMERCIAL PROPERTY – INTERNATIONAL

Demand for commercial property across Europe was so strong that observers were already calling 2014 a boom year. The volume of transactions rose by almost one third to € 218 billion, of which just three countries, Great Britain, Germany and France, accounted for about 70 percent of total property turnover.

Banks were very willing to provide financing. Correspondingly, their willingness to act as sole providers of financing for bigger investments also rose. The number of lenders continued to rise as increasing numbers of credit funds and insurance companies offered financing services. Providers of financing were observed competing against each other in certain cases. However, cooperation between banks and non-banks was also noted.

"Demand for commercial property across Europe was so strong that 2014 was already being referred to as a boom year."

Demand for property in attractive locations continued to exceed supply in Great Britain. As a result, prices for core properties continued to rise. At the same time investors intensified their focus on regional locations and peripheral properties even more than in 2013. This led to a narrowing of the spread for initial yields attainable in core locations and those in peripheral locations.

The French transaction market developed favourably despite the weak economy. At the end of the third quarter the volume of transactions had risen by about one third to € 14.6 billion. The three main drivers behind this increase were: generally high investor interest in the European property markets; low interest rates, and a greater willingness to provide financing. This was reflected by the fact that foreign investors also represented about

half of the property transactions recorded in France. Yields were under pressure due to high demand as peak yields for top office properties in Paris fell below 4 percent with returns on top retail properties falling even further. Office properties dominated property classes with a 65 percent share.

"Lenders' willingness to provide financing was high, which in turn led to a further intensification of competition."

The budding economic recovery in the Netherlands favourably affected demand for commercial property. The volume of transactions rose notably, and in the final quarter of 2014 an increase of almost 90 percent over the same year-ago figure was recorded. Office properties accounted for the greatest share. Although high demand pushed peak yields down in the Netherlands, they were still quite high in comparison to the average figure noted for Europe.

Most of the primary and secondary markets in the American commercial property market were in very good shape in 2014. Demand was particularly strong for office space and was driven by robust and broad-based economic growth and a further improving jobs market.

The focus of investor interest remained unchanged on the core markets of New York City, San Francisco, Washington DC, Boston, Seattle, Houston, Chicago and Los Angeles. High demand for core properties remained intact. As demand exceeded supply, investors increasingly turned to higher-yielding value-add properties as well as real estate located on the fringes of primary markets. In addition, investor demand rose for properties located in the central business districts of secondary markets.

The financing market appeared stable and liquid, and was marked by intense competition among providers. The market for commercial mortgage backed securities, in particular, was able to further recover. A softening of financing standards resulting from the heavy competition was observed. Financing providers

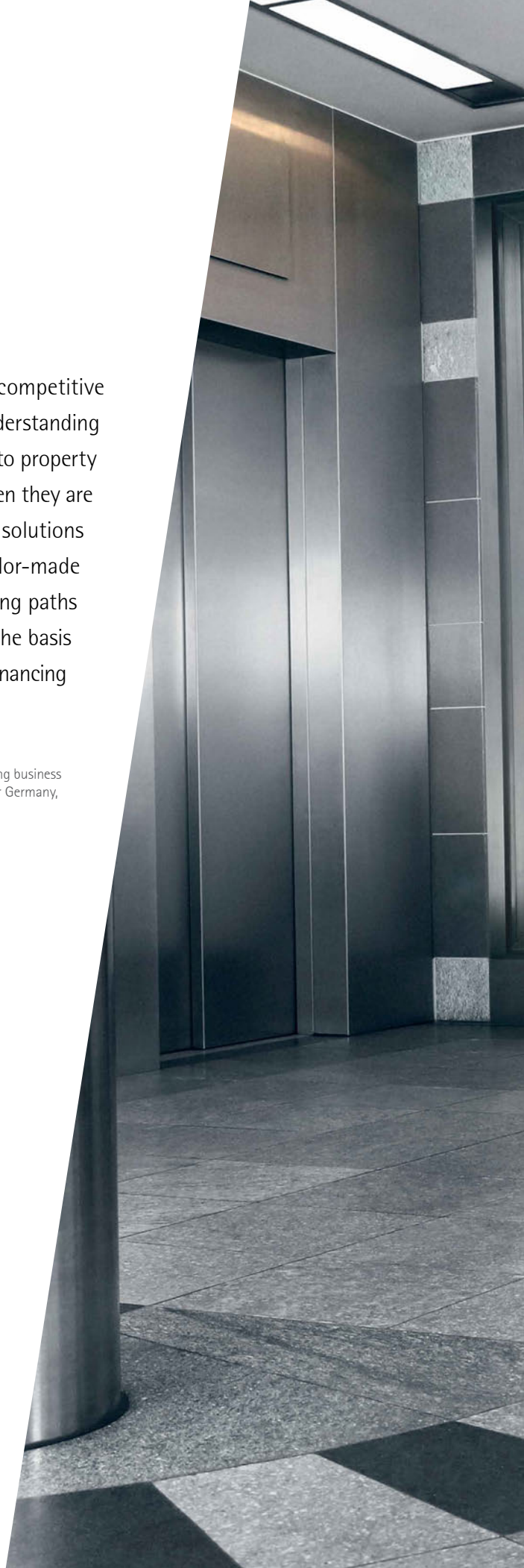
continued to prefer first-class borrowers buying core and value-add properties in the aforementioned core markets. At the same time, a shortage of suitable properties in core markets reinforced providers' willingness to make financing available for secondary markets.



LOCALLY ROOTED AND INTERNATIONALLY PRESENT.

London, Paris, Paderborn. As a well-known and highly competitive provider of commercial property financing, our keen understanding of international trends and local peculiarities adds value to property deals. This means that we see changes in the markets when they are at an early stage and can offer corresponding financial solutions quickly and flexibly. Our customers benefit from our tailor-made financing, comprehensive expertise, short decision-making paths and our high degree of reliability. A solid foundation is the basis for good decisions, especially when it comes to complex financing arrangements.

Andreas Schlosser, Commercial Real Estate Finance, Direct Clients Germany, East, discussing business with our customer Georg Haider, LL.M., Executive Managing Director and Country Director Germany, Northern Horizon Capital.





BUSINESS DEVELOPMENT

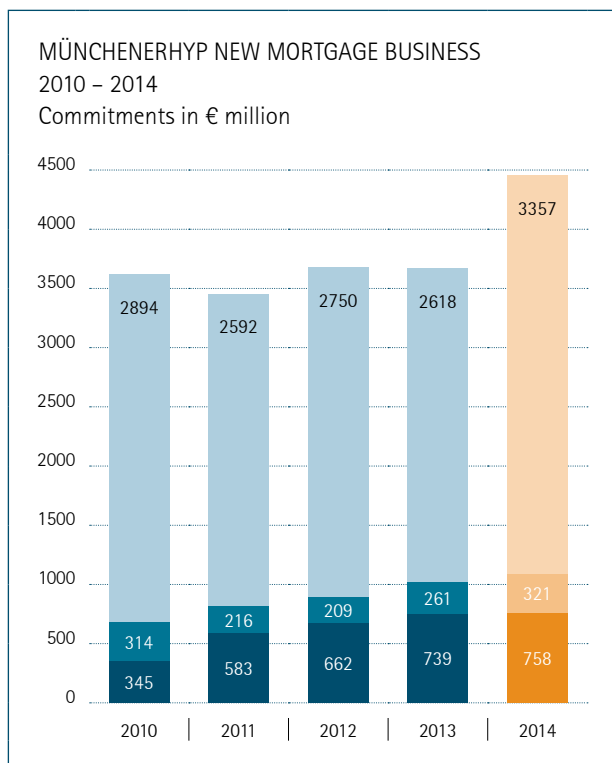
NEW MORTGAGE BUSINESS

The 2014 business year was very successful. Strong demand for property financing gave an added lift to our new business, especially in Germany. The volume of loan commitments made (excluding prolongations) rose by 23 percent to € 4.4 billion. This enabled us to expand our new business to a greater extent than we had anticipated in the last Annual Report.

Private residential property financing accounted for three-quarters of our new business. The total volume of loans made in this area of business amounted to € 3.4 billion, or 28 percent more compared to the previous year's figure. The cooperative banks

were once again our most important sales partner as we again notably expanded and intensified – as planned – our collaboration with them.

"We increased our new business results by 23 percent, which meant that we grew faster than anticipated."



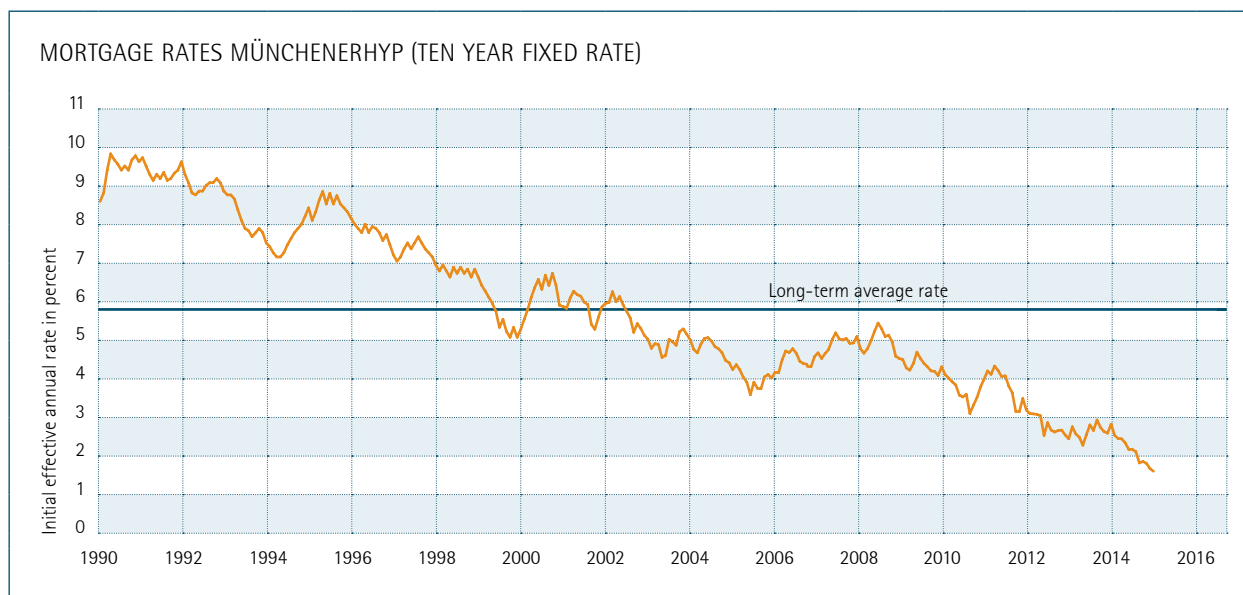
- Residential housing
- Housing Companies
- Commercial property

The numerous combinations offered by our range of products providing long-term interest rate security and greater flexibility strengthened our partner banks' position in the market. Demand was particularly strong for unscheduled repayments, options to alter the rate of repayments, as well as the possibility to lock-in interest rates for follow-up financing even 60 months prior to the maturity of the existing loan and its interest rate. In addition, we once again successfully conducted two nation-wide sales actions with our cooperative partner banks.

In comparison to the previous year, stronger demand was noted for owner-occupant property and financing for new buildings. Demand for forward loans was subdued due to expectations that the low level of interest rates would remain unchanged. Our conservative risk policy was retained. The average loan-to-value ratios noted in our intermediary business with cooperative banks remained almost unchanged at about 60 percent.

Sales of residential property financing generated by independent providers of financial services rose by 10 percent over the previous year's figure to € 584 million, thereby improving within the framework of our objectives. Our collaboration with the Swiss PostFinance developed very favourably. New business brokered via our Swiss partner expanded notably.

Despite greater competitive pressures among providers of finance, we performed quite well in the commercial property finance sector, especially in Germany. We expanded our domestic new business by just under one-third thereby offsetting declining development noted in the foreign business sector. The volume of new lending commitments made to finance com-



As of: 02.01.2015

mercial property increased by 3 percent to about € 760 million and met our target.

The financing business with commercial housing companies increased in comparison to the previous year by € 60 million to about € 320 million.

Total new business recorded in the commercial property financing area of business totalled about € 1.1 billion, which equals a gain of 8 percent.

CAPITAL MARKET BUSINESS

The political and economic uncertainties resulted in strong demand for liquid bonds. Additional support was provided by the ECB's monetary policy and low inflation, which led to notably tighter credit spreads for bonds issued by banks and sovereign states over the course of the year.

In accordance with our business and risk strategy, investments will continue to be limited to liquid securities issued by very creditworthy issuers located in EU core countries, and will be primarily made to manage liquidity. The volume of lending commitments

totalled € 0.9 billion compared to € 0.6 billion in the previous year. The total portfolio contracted due to maturing securities and sales by € 0.9 billion to € 9.4 billion.

REFINANCING

Overall conditions were defined by the unchanged low level of interest rates and the ECB's third Covered Bond Purchase Programme (CBPP), which began in September 2014. Spreads contracted due to the ECB's purchases. As a result we were again able to obtain refinancing funds from the capital markets at very favourable conditions in 2014. Our refinancing requirements were, however, notably lower than in the previous year as only one larger volume Public Pfandbrief of more than € 500 million was scheduled to mature in December 2014.

In a very favourable market environment we issued a 10-year Mortgage Pfandbrief with a volume of € 500 million in July. The issue had a premium of 7 basis points above the mid-swap rate and carried a coupon of 1.5 percent. A total of 42 orders from nine countries were received for the issue. Investors from Germany bought about 80 percent of the issue with the remaining buyers based in Austria, Switzerland, Scandinavian countries,

Benelux and Asia. Banks were the largest investor group and purchased almost 50 percent of the volume followed by central banks and investment funds.

"The issue of the world's first sustainable Mortgage Pfandbrief was a notable success."

A unique Mortgage Pfandbrief we issued was greeted with an unusually strong and favourable reaction by the market. It was unique because the proceeds were used to refinance loans to cooperative home building associations in Germany that met sustainable environmental, social, and governance criteria. The loans granted by MünchenerHyp will be used to purchase, build, or maintain housing that will be used by socially weaker members of society and will also be employed to renovate buildings to make them more energy-efficient. In total, the proceeds of the Pfandbrief will provide support to about 200 cooperative home building associations. The issue was the world's first sustainable Pfandbrief (ESG Pfandbrief).

The sustainability of this Pfandbrief was confirmed by oekom research, a sustainability rating agency, in a second party opinion. The issue had a volume of € 300 million and was oversubscribed by a factor of 1.6 within a short period of time. The issue has a term of five years and a coupon of 0.375 percent. Due to heavy demand the issue was priced 10 basis points below the mid-swap rate. Germany accounted for more than 60 percent of the order volume. Orders were received from 7 European countries, while on the investors' side, 47 percent, of the volume was acquired by banks. It was notable that about one third of the volume issued was purchased by sustainability-oriented investors.

The innovative approach of the sustainable Pfandbrief was honoured with the Editor's Choice Award given by The Cover, a publication that is highly respected among participants in the covered bond market. At the beginning of 2015 we received the CMD Awards for Best Covered Bond Issuer and the Most Innovative Green Covered Bond from the Capital Market Data Network (CMDportal), an international financial market service

network. Our high standing among investors was reflected by winning the title of Best Covered Bond & Pfandbriefbank awarded by Euromoney, a financial trade publication. Together with a Norwegian bank we were clearly elected number one by the magazine's readers in the international Best Borrowers Survey 2014.

Based on our broad base of investors in Germany and abroad, our issues reflect a good level of diversity. The regional focus was generally on Germany.

The Cooperative Financial Network was once again an important partner in the uncovered refinancing segment and covered more than about 60 percent of our requirements.

We obtained a total of € 3.4 billion in refinancing funds during the 2014 business year, of which € 2.6 billion in covered issues was accounted for by Mortgage Pfandbriefe and € 94 million by Public Pfandbriefe. Total sales of uncovered securities used for refinancing purposes amounted to € 0.7 billion.

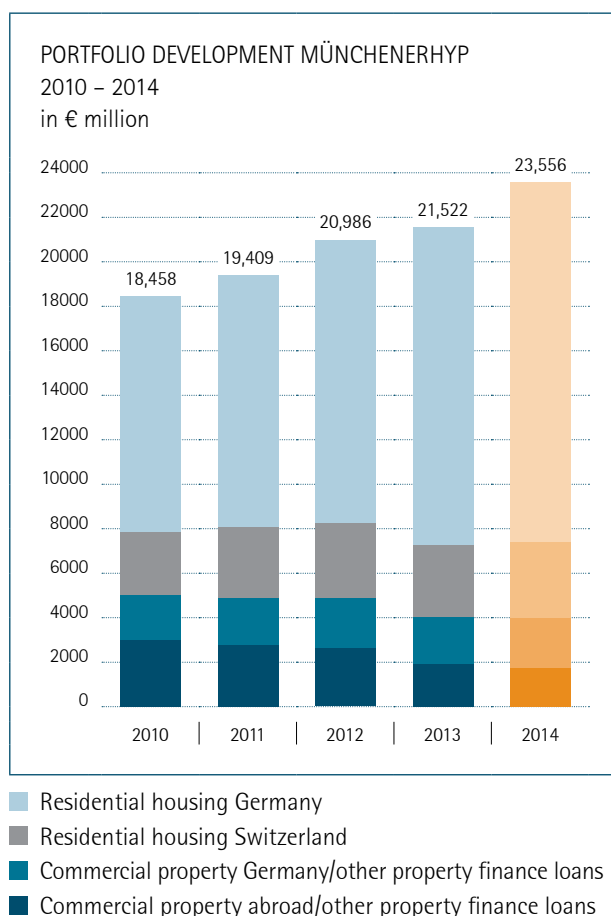
EARNINGS, FINANCIAL AND ASSET SITUATION

BALANCE SHEET STRUCTURE

As of December 31, 2014 total assets had risen to € 36.3 billion following € 34.9 billion posted at the end of 2013. This increase was driven by the very good new business results recorded in the year under review.

The mortgage loan portfolio grew by € 2.0 billion to € 23.4 billion over the course of the year. Domestic residential property loans alone accounted for € 1.9 billion of the increase.

This portfolio consisted of the following categories of loans: domestic mortgage loans € 18.4 billion (previous year € 16.4 billion), of which € 16.2 billion (previous year € 14.3 billion) were residential property loans, and € 2.2 billion (previous year € 2.1 billion) were commercial property loans. The level of foreign loans within



the mortgage loan portfolio remained at the previous year's level with a volume of € 5.0 billion (previous year € 5.0 billion) and represented 22 percent of the total mortgage loan portfolio (previous year 23 percent). Of this amount, residential property loans accounted for € 3.4 billion (previous year € 3.2 billion) while commercial property loans amounted to € 1.6 billion (previous year € 1.8 billion). Residential property loans in Switzerland accounted for 66 percent of foreign mortgage loans, while commercial property loans in the USA represented 10 percent and European Union countries held a 24 percent share of total foreign mortgage loans.

In accordance with our business and risk strategy, our portfolio of loans and securities arising from our business with the public-sector and banks contracted further from € 10.3 billion to € 9.4 billion.

At the end of 2014 the net sum of unrealised losses and unrealised gains in our securities portfolio amounted to plus € 43 million (previous year minus € 46 million). These include unrealised losses of € 16 million (previous year € 81 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 € 0.9 billion (previous year € 1.1 billion).

"We were able to improve our common equity Tier 1 capital ratio to 12.5 percent, which was significantly higher than the minimum ratio required by the ECB."

Following a detailed examination of all securities we came to the conclusion that permanent reductions in value were required for two securities in the portfolio. Due to changes in the indicated creditworthiness of these securities we wrote them down to their market value. Above all, this affects a bond issued by HETA Asset Resolution AG with a nominal value of € 50 million. We wrote down the value of this bond by € 22.4 million. No further write-downs were necessary for the remaining securities which we intend to hold until they mature.

The portfolio of long-term refinancing funds increased by € 0.1 billion to € 30.8 billion. Total refinancing funds – including money market funds – rose from € 32.7 billion in the previous year to € 33.8 billion on December 31, 2014, of which € 17.6 billion consisted of Mortgage Pfandbriefe, € 5.6 billion of Public Pfandbriefe and € 7.6 billion of uncovered bonds.

Paid-up capital increased by € 417.7 million to € 667.3 million due to the very successful efforts we took in the first half of 2014 to attract additional capital. This became necessary after the ECB announced that the MünchenerHyp was one of 120 European banks that would be placed under its direct supervision. This change also placed higher requirements on our common equity Tier 1 capital. The Bank had an extremely limited period of time to achieve the new capital ratio. In addition to attracting new paid-up capital, we also converted silent participations

into € 64.8 million of paid-up capital. The increase in paid-up capital allowed us to terminate silent participations worth € 128.7 million effective December 31, 2014 due to altered overall regulatory conditions.

Total regulatory equity capital rose to € 1,377.5 million (previous year € 1,250.6 million).

The common equity Tier 1 capital amounts to € 942.1 million. As a result, the common equity Tier 1 capital ratio noted on December 31, 2014 was 12.5 percent (previous year 6.9 percent), the core capital ratio stood at 14.2 percent (previous year 11.7 percent) and the total capital ratio was 18.3 percent (previous year 16.7 percent). These figures exceed the minimum ratios defined by the ECB for Pillars I and II (individual risk assessment), which are 9.8 percent for common equity Tier 1 capital, and 13.4 percent for the total capital ratio.

DEVELOPMENT OF EARNINGS

As anticipated, we were able to improve our net interest income¹, which rose by 18.8 percent to € 170.6 million. The gain of € 27.0 million was driven by the successful new business in the previous years. This figure contains income derived from the early termination of interest rate swaps at the level recorded last year.

Commissions paid amounted to € 71.3 million and were almost 17 percent more than in the previous year as the volume of disbursements in the residential property financing business grew again. Due to a slight decrease in commission income to € 11.2 million, the net commission balance² totalled minus € 60.1 million following minus € 49.3 million in the previous year.

This resulted in net interest income and net commission income³ of € 110.5 million, an increase of € 16.2 million, or 17 percent.

Total administrative expenses increased by € 7.6 million to € 74.6 million, including personnel expenses, which rose by € 3.5 million

or 9.7 percent. The higher new business results noted in the past two years, as well as various projects – and, not leastly, the more extensive supervisory requirements – required the Bank to hire new employees to a greater extent than in the past. In particular, the extraordinary burdens we incurred due to the ECB assuming direct supervision of MünchenerHyp, and the associated future requirements, made it necessary for us to hire additional employees with the special qualifications needed for these tasks. The other administrative expenses increased by € 4.1 million due to costs incurred for audit activities that took place within the framework of the Comprehensive Assessment conducted prior to the assumption of direct supervision by the ECB. Just the costs of the external audits mandated by the Federal Financial Supervisory Authority (BaFin) amounted to € 4.0 million. In addition to the auditor's fees, we also incurred expenses of about € 0.5 million for external support.

Depreciations and adjustments to value of intangible and tangible assets amounted to € 6.8 million and were € 0.4 million higher than the same year-ago figure.

"As predicted, we were able to increase our net income. We are satisfied with the way our business has been generally developing."

Total administrative expenses⁴ amounted to € 81.5 million, compared to € 73.5 million recorded in the previous year. The cost-income ratio excluding interest expenses from silent participations was 61 percent (previous year 61 percent).

The net sum of other operating expenses and income amounted to minus € 2.0 million, while results from operations before deducting provisions for risk⁵ amounted to € 27.0 million, 21 percent more than in the previous year.

1) Net sum of interest expenses, interest income, current income, and income from profit pooling agreements, profit transfer, or partial profit transfer agreements

2) Net sum of commission costs and commission income

3) Net sum of net commission income and net commission balance

4) General administrative 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.

The items "Write-downs on and adjustments to claims and certain securities and additions to provisions for possible loan losses", totalled minus € 2.3 million. The lending risk situation remained very satisfactory and allowed us to make just a moderate addition to provisions for risk in the lending business. This amounted to (including direct write-downs) minus € 7.8 million (previous year minus € 11.7 million). Net earnings derived from the redemption and the sale of securities held as current assets, as well as promissory note loans, amounted to € 13.5 million. Expenses of € 6.6 million were incurred for the conversion of silent participations into paid-up capital as part of our efforts to increase equity capital.

The item "Income from reversals of write-downs on participating interests, shares in affiliated companies and securities treated as fixed assets" amounted to plus € 2.0 million. This figure is primarily the result of proceeds from the sale of securities held as fixed assets. We took write-downs on certain securities held as fixed assets that we anticipated would incur a permanent impairment in value. These write-downs are accounted for in this item.

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 € 26.8 million. After transferring € 5.4 million to the Fund for General Banking Risks, and a tax expense item of € 5.2 million, annual net income amounted to about € 16.1 million.

These results 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 € 16,140,177.21.

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 (€ 206,771.02) – amounting to € 16,346,948.23 should therefore be allocated as follows:

3.25 percent dividend	€ 16,144,150.00
Carried forward to new year	€ 202,798.23

RATING, SUSTAINABILITY AND 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 to banks domiciled in these countries. In addition, the Bank had also further reduced its portfolio of loans originated within the USA.

Moody's additionally pointed out that MünchenerHyp had earned a solid 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.

"Moody's acknowledged our high reputation in the capital market, as well as our refinancing strength and firm ties with the Cooperative Financial Network."

In a July 2014 Issuer Comment, Moody's commented favourably on the substantial increase in equity capital carried out by MünchenerHyp ahead of the ECB assuming direct supervision of the Bank.

Moody's announced in the fall that it would revise its rating methodology and would apply the new standards as of the spring of 2015. Based on currently available information, we do not anticipate that Moody's will alter its opinion of the Bank.

Current ratings – stable outlook – at a glance:

	Rating
Public Pfandbriefe	Aaa
Mortgage Pfandbriefe	Aaa
Senior unsecured liabilities	A2
Fundamental financial strength	D
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.

August 2014. This rating means that MünchenerHyp is one of the banks with the best sustainability ratings in the category "Financials/Mortgage & Public Sector Finance". In their comments regarding their rating, oekom research stated that almost all of MünchenerHyp's loan portfolio consists of loans to finance property in countries with high environmental and social standards. In addition, MünchenerHyp's personnel policy was praised as it promotes the work-life balance of its employees. At the beginning of 2015 Sustainalytics, a sustainability rating agency, gave the Bank its latest rating of 57 points. This is an improvement of 10 points over the previous rating. We were able to improve in all of the three areas reviewed by the agency: environment, social and governance. The Bank's decisive promotion of diversity among its workforce was emphasised along with its measures against all forms of discrimination.

SUSTAINABILITY

During the past year we increased our efforts to firmly anchor sustainability in MünchenerHyp's core business. The issuance of the world's first sustainable Pfandbrief was an important step in these efforts. We have intensified the dialogue regarding sustainability with our stakeholders and further developed the Bank's sustainability strategy.

Our sustainability ratings improved further. oekom research, a sustainability rating agency, raised our rating from C- to C in

"Our sustainability rating issued by oekom research rose to Prime Status last year."

MünchenerHyp's latest information on its commitment to sustainability is available at: www.muenchenerhyp.de/en/company

The development of our sustainability ratings since 2011 at a glance:

	2011	2012	2013	2014/2015
oekom research	D	D	C-	C
imug	Public Pfandbriefe: neutral Mortgage Pfandbriefe: neutral Uncovered bonds: negativ	Public Pfandbriefe: favourable Mortgage Pfandbriefe: neutral Uncovered bonds: neutral	Public Pfandbriefe: very favourable Mortgage Pfandbriefe: neutral Uncovered bonds: neutral	Public Pfandbriefe: very favourable Mortgage Pfandbriefe: neutral Uncovered bonds: neutral
Sustainalytics	44 of 100 points	44 of 100 points	47 of 100 points	57 of 100 points



REGULATORY CONDITIONS

BASEL III

We made further progress implementing the Internal Ratings Based Approach (IRBA). At the beginning of 2014 the Use-Test was started, in which according to the latest implementation plan is the last rating system to be reviewed (retail business Switzerland). This step marks the completion of the prerequisites needed for the authorisation audit which is scheduled to begin in the second quarter of 2015.

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 have made it possible for us to assess the effects of future binding minimum standards before they are introduced and make adjustments as needed. Our voluntarily participation has enabled us to continually monitor all important key figures for a long time and use them to manage the Bank. Calculations made to date reveal that the LCR, which is steadily rising and which must be observed as of 2015, has already been well fulfilled. We have also met the NSFR figure, which becomes valid in 2018 and thus far has been foreseen to serve as only an observation ratio, without having to take any specific measures.

A Leverage Ratio will be introduced within the framework of Basel III as of 2018. Up until now the European Parliament has rejected the Leverage Ratio for European regulatory purposes. The European Banking Authority was tasked with presenting a study concerning the Leverage ratio in 2015. According to the requirements of Basel III, the maximum leverage ratio is set at 3 percent for the entire volume of loans made by a bank in relation to its equity capital. Currently it cannot be ruled out that the Leverage Ratio will be applied differently for different business models at the European level and that the low-risk matchingly refinanced mortgage business will be treated differently than 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 the acceptance of higher risks in

order to generate sufficient yields for the equity capital providers. For this reason we believe that our conservative business model will be disproportionately penalised by a non-risk weighted leverage ratio. In view of the Leverage Ratio discussions at the international level favouring its introduction, it appears necessary to make preparations to begin observing the Leverage Ratio in 2018.

Furthermore, we are also 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 in general we will wait until the final version of the respective rules have been approved before we begin to implement them. As the example of LCR shows, significant changes can still occur at the last minute. We believe it is necessary for the regulators to provide an appropriate amount of time for implementation purposes.

New subject areas related to the introduction of Basel III were, and are being, monitored centrally and implemented by the affected divisions in various projects. Up until today all of the known aspects have been 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 and leads to significant costs.

SINGLE SUPERVISORY SYSTEM FOR EU BANKS

At the beginning of November 2014 the ECB took over the direct supervision of more than 120 credit institutions it deemed to be significant in the eurozone, including MünchenerHyp. Prior to assuming its supervisory tasks the ECB conducted intensive audits of all the affected banks' balance sheets, as well as a stress test, within the framework of a comprehensive assessment. The ECB defined December 31, 2013 as the date of reference for these reviews. The Comprehensive Assessment was conducted in the first half of the year 2014. The ECB announced the results at the end of October 2014.

Following its Asset Quality Review (AQR) of MünchenerHyp, the ECB stated that the Bank's processes and valuation approaches did not require any corrections. Our provisions for risk was viewed so favourably that MünchenerHyp was one of the few banks in Europe that did not have its common equity Tier 1 capital reduced following the results of the AQR.

"We clearly fulfilled all of the ECB's equity capital requirements by increasing our common equity Tier 1 capital prior to the ECB assuming direct supervision of our Bank."

Following a substantial increase in MünchenerHyp's common equity Tier 1 capital, the Bank passed the stress test that took place after the AQR. In a nationwide effort to increase our equity capital we attracted € 415 million in new paid-up capital from within the Cooperative Financial Network and from private members. Thanks to this additional equity capital our common equity Tier 1 capital ratio improved to 12.4 percent as of September 30, 2014 thereby exceeding the ECB's requirement minimum ratio of 8 percent by a very notable margin. We had not yet achieved this minimum ratio by the date of reference of the stress test on December 31, 2013, which meant that in formal terms we had not fulfilled the ECB requirements. We had, however, communicated this openly and clearly prior to the publication of the stresstest results. However, by increasing our equity capital prior to the ECB assuming direct supervision of the Bank we did meet all of the equity capital requirements within the time limit. This meant that we do not need to take any further action stemming from the results of the Comprehensive Assessment.

MINIMUM REQUIREMENTS FOR RISK MANAGEMENT (MaRisk)

No changes have been made to the MaRisk since December 15, 2012. As a result, no changes had to be made to the Bank's proven processes.

BODIES AND PERSONNEL

BODIES

The 2014 Delegates Meeting elected Dr. Peter Ramsauer, the former Federal Minister of Transport, Building and Urban Affairs, as a new member of MünchenerHyp's Supervisory Board.

Michael Glos, the former Federal Minister for Economics and Technology, stepped down as a member of MünchenerHyp's Supervisory Board at the conclusion of the Delegates Meeting due to age reasons. Mr. Glos had been a member of the Bank's Supervisory Board for a total of 17 years, including numerous years as Deputy Chairman. Konrad Irtel, the Chairman of the Supervisory Board, thanked Michael Glos his dedicated service and the many years of trusted cooperation.

The members of the Supervisory Board elected one of their colleagues, HSH Albrecht Prince of Oettingen-Spielberg, as the new Deputy Chairman of the Supervisory Board.

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 the growing number of regulatory requirements.

Sixty new colleagues were selected from almost 1,200 job applications received by the Bank. This increased the total number of new hires made over the last four years to about 200. The main emphasis of the Bank's current personnel efforts is to integrate the newly hired employees and quickly familiarise them with their quite specific work assignments.

The primary focus in 2014 shifted to the human resources development. MünchenerHyp based this on a broad spectrum of internal seminars through to external educational providers. The Bank's reintroduced health management measures are closely linked to the further development of our employees' professional and personal abilities.

The average number of persons employed⁶ at the Bank during the year was 462, plus 18 apprenticed trainees. Despite the numerous new hires, the average number of years of employment per employee only fell slightly from 10.6 to 10.4 years.

REPORT ON EVENTS AFTER THE BALANCE SHEET DATE

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

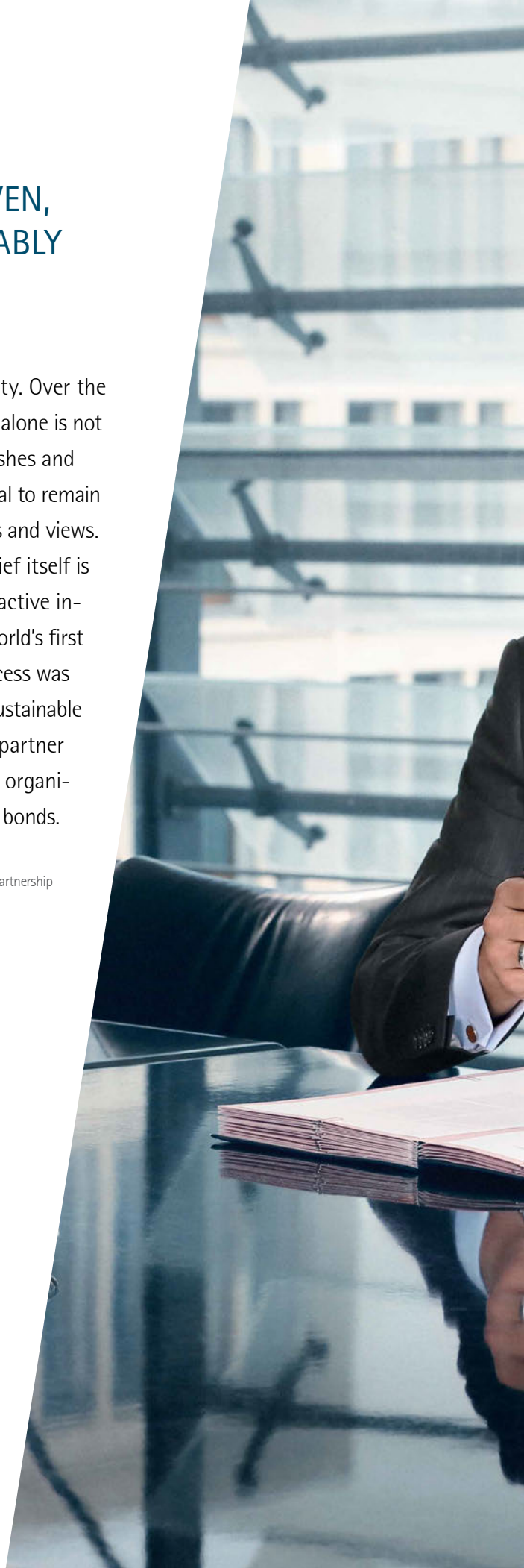
6) Number of employees pursuant to Art. 267 (5) HGB: Apprenticed trainees, employees participating in parental leave, early retirement, partial retirement (non-working phase), or employees suspended with pay.



OUR PFANDBRIEFE: PROVEN, POPULAR, AND SUSTAINABLY ENRICHED.

The Pfandbrief's special strength is its high level of safety. Over the past 100 years there has never been a default. But safety alone is not enough to win, and keep, the trust of investors. Their wishes and requirements must be understood – and, above all, it is vital to remain in touch with them on a regular basis and exchange news and views. However, it is also important to ensure that the Pfandbrief itself is continuously upgraded to ensure that it remains an attractive investment. This is the reason behind our issuance of the world's first sustainable Pfandbrief (ESG Pfandbrief) last year. The success was impressive. This year we will expand our commitment to sustainable investments. At the beginning of the year we became a partner in the Climate Bonds Initiative, a non-profit international organisation established to promote the circulation of ecological bonds.

Rafael Scholz, Head of Treasury, and Sean Kidney, CEO of the Climate Bonds Initiative, sign the partnership agreement between MünchenerHyp and the Climate Bonds Initiative.





MANAGEMENT REPORT 2014

RISK, OUTLOOK AND OPPORTUNITIES REPORT

RISK REPORT

The ability to monitor and keep risks under control at all times is essential for the successful management 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, investment, modelling and operational risks. Additional risks such as placement risks, reputational risk, business risk etc., are viewed as parts of the abovementioned 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 loans with moderate loan-to-value ratios. The current breakdown based on loan-to-value ratios is as follows:

TOTAL PORTFOLIO OF MORTGAGE AND OTHER LOANS (INCLUDING OPEN COMMITMENTS)				
MORTGAGE LENDING VALUE RATIO	31 Dec. 2014		31 Dec. 2013	
	€	relative	€	relative
Up to 60 %	12,674,146,888.34	49.8 %	12,195,471,461.19	52.7 %
60.01 % to 70 %	4,472,072,954.74	17.6 %	3,980,613,280.27	17.2 %
70.01 % to 80 %	5,439,839,479.71	21.4 %	4,477,413,336.06	19.3 %
80.01 % to 90 %	1,749,051,440.68	6.9 %	1,597,784,154.49	6.9 %
90.01 % to 100 %	584,691,783.55	2.3 %	469,310,007.59	2.0 %
over 100 %	507,999,283.91	2.0 %	385,953,713.15	1.7 %
without	14,257,665.17	0.1 %	42,310,847.50	0.2 %
Total	25,442,059,496.10	100.0 %	23,148,856,800.25	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. 2014		31 Dec. 2013	
	€	relative	€	relative
Baden-Wuerttemberg	2,253,357,082.38	8.9 %	2,002,970,977.50	8.7 %
Bavaria	4,673,151,931.72	18.4 %	4,236,689,484.83	18.3 %
Berlin	1,521,365,666.65	6.0 %	1,353,106,419.94	5.8 %
Brandenburg	374,279,662.11	1.5 %	332,980,607.27	1.4 %
Bremen	56,166,627.09	0.2 %	47,222,300.00	0.2 %
Hamburg	652,298,830.13	2.6 %	684,438,162.29	3.0 %
Hesse	1,454,615,794.24	5.7 %	1,297,298,788.69	5.6 %
Mecklenburg-Lower Pomerania	205,718,322.30	0.8 %	182,493,649.16	0.8 %
Lower Saxony	1,628,187,779.29	6.4 %	1,429,620,728.58	6.2 %
North Rhine-Westphalia	3,740,166,754.93	14.7 %	3,283,465,018.98	14.2 %
Rhineland-Palatinate	785,658,563.80	3.1 %	625,971,130.42	2.7 %
Saarland	121,939,504.32	0.5 %	81,006,004.89	0.3 %
Saxony	717,505,709.83	2.8 %	644,839,462.49	2.8 %
Saxony-Anhalt	282,918,237.33	1.1 %	169,453,602.60	0.7 %
Schleswig-Holstein	1,512,291,349.09	5.9 %	1,373,814,396.09	5.9 %
Thuringia	173,276,936.46	0.7 %	158,652,750.00	0.7 %
Total domestic	20,152,898,751.67	79.2 %	17,904,023,483.73	77.3 %

TOTAL PORTFOLIO OF MORTGAGE AND OTHER LOANS (INCLUDING OPEN COMMITMENTS)				
SOVEREIGN STATE	31 Dec. 2014		31 Dec. 2013	
	€	relative	€	relative
Austria	86,468,268.87	0.3 %	92,608,765.44	0.4 %
France	328,108,652.83	1.3 %	293,493,261.96	1.3 %
UK	543,292,444.74	2.1 %	583,135,176.07	2.5 %
Spain	180,231,516.48	0.7 %	97,070,685.01	0.4 %
Luxembourg	33,500,000.00	0.1 %	4,279,856.25	0.0 %
Sweden	4,863,941.23	0.0 %	5,157,070.13	0.0 %
Switzerland	3,379,571,177.72	13.3 %	3,161,580,918.31	13.7 %
The Netherlands	159,888,888.82	0.6 %	168,722,890.10	0.7 %
Belgium	6,439,938.24	0.0 %	6,439,938.24	0.0 %
USA	566,795,915.50	2.2 %	832,344,755.01	3.6 %
Total foreign	5,289,160,744.43	20.8 %	5,244,833,316.52	22.7 %
Total domestic and foreign	25,442,059,496.10	100.0 %	23,148,856,800.25	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 administrative authorities, and west European banks. Regional emphasis is on Germany or Western Europe. Our objective is to achieve further substantial reductions in this portfolio. 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 mentioned in this notice is calculated using 60 percent of the average volume of defaults that took place over the last five years compared to 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

The individual and general adjustments to value developed as follows in 2014:

TOTAL LENDING BUSINESS						
in € millions	Opening balance	Addition	Reversals	Utilisation	Changes related to exchange rate shifts and other factors	Closing balance
Individual adjustments to value	52.8	11.0	-8.4	-3.8	4.2	55.8
General adjustments to value	13.5	0.0	-0.5	0.0	0.0	13.0

stability of the residential property market. This also generally applies for our commercial property financing business, whereby continuing difficult market conditions in the Netherlands in 2014 resulted in provisions for risk, although they were low. MünchenerHyp has not entered into any new business transactions in the USA since 2009. Provisions for risk taken for the remaining loan portfolio were reduced.

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 security 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 2014 – due to the ongoing debt and confidence crisis in certain European countries – especially for supervisory authorities and market participants. The valuation of our securities portfolio was favourably affected as spreads – which had widened sharply in earlier years – have almost completely closed in recent 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; is understood to be the risk that measures how the passage of time impacts on the value of a derivative instrument), 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 cur-

rency 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 – in addition to our investments – our total investments in this asset class amount to less than € 5 million.

Market price risks are managed 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 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

	SOVEREIGN STATES		BANKS		TOTAL	
Nominal value in € millions						
	31 Dec. 2014	31 Dec. 2013	31 Dec. 2014	31 Dec. 2013	31 Dec. 2014	31 Dec. 2013
Portugal	60	60	87	127	147	187
Italy	47	97		40	47	137
Ireland	23	23	60	60	83	83
Spain	61	65	610	620	671	685
Total	191	245	757	847	948	1.092

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 2014 was just under € 17 million. The average figure was about € 9 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 2014.

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 € 360 million in 2014, while the average figure was about € 342 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 2014, 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 assurance of solvency 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. All of the currently applicable legal supervisory requirements as defined by the terms of MaRisk and CRD IV, regarding liquidity reserves that must be held by banks, are being fully implemented.

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 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 agreement 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 three year horizon in three currencies: euro, US dollar, and Swiss francs. Positions in other currencies are negligible. Limitation takes place over a 60-day horizon.

In addition, pursuant to CRD IV, the Liquidity Coverage Ratio (LCR) is calculated for all currencies on a monthly basis, and presented separately for all relevant currencies; currently, these are the euro and the Swiss franc. As the LCR is not yet binding (it will take effect as of October 2015, and then with a 60 percent ratio) and the values are currently stable at over 100 percent, this ratio is not being actively managed at this time.

MID-TERM STRUCTURAL LIQUIDITY PLANNING

The purpose of structural liquidity planning is to ensure mid-term liquidity. The legal basis comprises of the MaRisk BTR 3 and CRD IV for the Net Stable Funding Ratio (NSFR).

Mid-term liquidity management in accordance to the terms of MaRisk is based on short-term liquidity management in accordance to the terms of MaRisk, which means that both procedures use the same scenario definitions and modelling assumptions. However, due to the longer observation period, additional modelling assumptions are also taken into account that are not crucial for managing short-term liquidity – for example, new business planning or current expenses such as salaries and taxes.

Mid-term liquidity planning involves the following key liquidity figures as components for determining results over the passage of time:

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

The limitation of liquidity risks takes place using the structured liquidity forecast and the stress scenarios based on the available liquidity within a year.

In addition, pursuant to CRD IV, the NSFR is calculated on a quarterly basis for all currencies and presented separately for all relevant currencies; these are currently the euro and the Swiss franc. As the supervisory authority has not yet issued any binding plans for complying with NSFR requirements, and the values are currently stable at about 100 percent, this ratio is not being actively managed at this time.

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 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 about € 8 million as of December 31, 2014 and consisted of one final Commercial Mortgage Backed Security (CMBS) backed by property in Europe. The remaining anticipated time-to-maturity of this security is about 2.3 years.

INVESTMENT RISK

Investment risk is understood to mean the danger of financial loss due to a decline in the value of a long-term investment to less than its book value and held by MünchenerHyp in companies belonging to the Cooperative Financial Network due to strategic reasons.

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 (more than 50 percent) of damages from operational risks incurred last year stemmed, as usual, from losses related to the disposal of properties which 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, investment risks, property risks, as well as modelling 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 2014 business year.

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 used. We use asset swaps as micro-hedges at the level of individual transactions. 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 refinancing. 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 rollingly planned, thereby allowing the Bank to respond appropriately and in a timely manner to fluctuations in earnings or costs.

Planning also includes issues regarding appropriate levels of equity capital. Following the assumption of direct supervision of the Bank by the ECB, MünchenerHyp met all of the requirements for equity capital. Mid-term equity capital planning is geared towards fulfilling the Leverage Ratio of 3 percent.



SUSTAINABILITY – IS NOT JUST IN OUR HEART, IT'S IN OUR GENES.

Sustainability has many facets. For us sustainability means that we assume responsibility for our ecological, social and societal actions. For the most part, this standpoint can already be found in the historical roots of our Bank. MünchenerHyp's original purpose was to lend money to farmers to help them improve their livelihood. Up until today we are still committed to this sustainable and cooperative concept of providing help for self-help. Our objective is to anchor the principles of sustainability ever deeper in our core area of business – property finance. This extends from financing products through to property valuation standards. We still have a long way to go. For this reason we were quite pleased that oekom research, a sustainability rating agency, had already issued us their Prime Status for our industry in 2014, which makes us one of the top three in our industry.

The Oberbayerische Heimstätte Gemeinnützige Siedlungsgesellschaft mbH is modernising apartments that are protected as historic-cultural landmarks and were built in the 1920's in Haar. The company is also building four new blocks of apartments on the site with 28 apartments which are being built to modern energy standards. Managing Director, Michael Zaigler (2nd from right) explains details to Thomas Hügler, Head of Private Customers/Cooperative Financial Network Sales (left), Frank Hemmer, Managing Director M-Wert GmbH (2nd from left), and Dr. Patrick Wellas, Head of Sustainability Management (right). Michael Zaigler is also a member of MünchenerHyp's Delegates Meeting.





OUTLOOK – OPPORTUNITIES AND RISKS

ECONOMIC DEVELOPMENT AND FINANCIAL MARKETS

The outlook for the global economy is mixed. On one hand, low oil prices, in particular, are likely to bolster the global economy. While on the other, prospects for growth in almost all of the major economic areas – with the exception of the USA – have weakened. According to the IMF, growth is being dampened by higher volatility in the financial markets, low inflation in the eurozone and Japan, the continuing decline in investments in China, as well as the economic downturn in the oil exporting nations, especially Russia, due to the drop in oil prices. Tensions between Russia and the Ukraine continue to cause uncertainty, along with concerns about the Middle East and threats posed by Islamic terrorist acts. These reasons led the IMF to cut its forecast for global economic growth by 0.3 percentage points at the start of 2015. The IMF currently anticipates that the global economy will only see a minor pick-up in growth in 2015 and expand by 3.5 percent followed by 3.7 percent in 2016.

It is expected that the economic recovery in the eurozone is likely to continue its listless progress. The EU Commission predicted that the economy would grow by 1.3 percent in 2015 and 1.9 percent in 2016. Growth is being assisted, in particular, by the low price of oil as well as the weaker euro, which is supporting the export economy. In contrast, the outlook is dampened by the unresolved structural problems in parts of the eurozone. Political developments are also expected have a major influence on the economy as parliamentary elections are scheduled to be held in numerous countries in southern Europe. The January elections in Greece put populist parties in power which questioned previous reform efforts. The results of the parliamentary elections this fall in Spain and Portugal could also have an impact on the reform measures in these countries.

Germany will be able to continue the comparatively dynamic growth of its economy seen in the fourth quarter of 2014 into the new year. The export economy will be strengthened by the low price of oil, the weaker euro and favourable interest rates. The domestic economy will benefit from further improvements in the job market and significant gains in the personal income

level, which is also a collateral effect of the newly introduced minimum wage. At the end of January 2015 the Federal Government published its Economic Report for 2015 wherein they raised their growth forecast for the year by 0.2 percentage points to 1.5 percent. The Federal Government anticipates that investments in construction will rise by 2.2 percent, and that private residential construction, due to the overall favourable conditions, will develop more favourably than commercial and public-sector construction.

"The outlook for growth in Germany improved further at the beginning of 2015."

The Federal Government is forecasting that the number of employed will continue to increase and push the unemployment rate down slightly to 6.6 percent. Furthermore, they also anticipate that consumer prices will rise at an even slower pace compared to 2014 and climb by just 0.8 percent.

The finance and capital markets are likely to remain volatile. This outlook is underlined by the exchange rate adjustments seen between the US dollar, British pound, Swiss franc and the euro, or the yen. If the Fed begins its widely anticipated new cycle of rising interest rates in 2015 then ECB monetary policy will be contrary to the policy pursued by the American Federal Reserve System. The objective of the ECB's programme to buy government bonds, which was approved in January 2015, is to raise the supply of money and halt deflation. The effectiveness of this programme is the subject of controversial discussions.

The burdens on the banking sector will remain at a high level due to the continuing and excessive regulatory requirements. Based on the current status, the introduction of a European banking levy would have a significantly negative effect on banks' earnings situation in the eurozone. A further fall in interest rates to negative interest rates will burden banks' income. Rising costs and declining earnings will force the banking sector to adjust its strategic direction.

The covered bonds and Pfandbrief market will again be well supported in 2015 and offer attractive funding levels to issuing banks. High demand generated by the ECB's bond purchase program will, however, place an additional burden on the secondary market. Moreover, it cannot be ruled out that traditional Pfandbrief investors will turn to alternative asset classes and forms of investment in view of the level of yields and spreads that have been reached in the interim.

PROPERTY AND PROPERTY FINANCING MARKETS

The overall conditions in the European property markets will most likely remain generally favourable. This applies especially to Germany as it is viewed as a safe investment location by investors. Furthermore, high demand for property and property financing will remain intact and receive additional support from unchanging low interest rates.

In addition, the German residential property market will be bolstered by the robust economy and the favourable developments noted for employment and incomes. For this reason we anticipate that demand for houses and condominiums will remain strong and will exceed supply, especially in the major metropolitan areas as the number of housing permits has flattened recently. The Bundesbank views this, however, as just a temporary corrective phase. This is why it may be anticipated that prices will rise at a similar pace as noted last year, including those in B and C locations.

Furthermore, we do not expect to see a nationwide housing bubble developing in the residential property market in 2015. However, in some regionally and locally limited cases – especially in major metropolitan areas – the danger of exaggerated exuberance does exist.

Against this background, demand for property financing will remain brisk as interest rates stay low. Experts anticipate that the volume of lending in the residential property financing sector will rise by more than 2 percent, which is equal to the level noted in the previous year. The cooperative banking sector has a good chance in this environment to again grow faster than the overall market in 2015. This estimate is driven by the Volksbanken and Raiffeisenbanken's close local and personal proximity

to their customers, who also continue to have a very high opinion of the banks' expertise. There are no foreseeable signs of lending standards softening.

The residential property market in Switzerland is expected to show signs of easing in 2015, although prices will, however, remain at a high level. Property experts predict that prices for single-family houses will only rise by 0.8 percent and by just 0.2 percent for condominiums. Currently there are no clear indications visible as to how the property market will be influenced by the unpegging of the Swiss franc to the euro. Experts are divided with one group predicting higher demand for property as the franc is viewed as a safe and strong currency, while others believe the strong franc will dampen the outlook for the Swiss economy and therefore reduce demand for property.

Driven by favourable economic conditions, as well as visibly stronger gains in wages, we anticipate that the residential property market in the USA will continue to recover. Strong demand seen for rental blocks of apartments could continue in the mid-term, although there is a chance that the completion of new properties could also lead to a cooling of this market segment.

Major property brokers expect investments in German commercial property to continue to grow in 2015 with the volume of transactions anticipated to top € 40 billion. This outlook is supported by the ongoing low level of interest rates, favourable financing conditions and the high level of liquidity available in the market. It is also very likely that the share of transactions involving foreign investors will increase again. Experts also anticipate that investors' appetite for risk will also increase.

For this reason investor interest will no longer be solely focused on top properties in top locations (core properties) as these are barely being offered. As a result, the share of core-plus (properties in locations with potential for future development) and value-add properties (undervalued markets and properties with potential to increase in value) will rise and in general cause the level of returns to remain at a low level.

Following the strong fourth quarter noted for the office rental market in 2014, it is not anticipated that demand will remain strong. Instead, the market is expected to remain stable at a

high level for a longer period of time. Forecasts for 2015 are again predicting turnover of 3 million square metres, and that the vacancy rate is likely to stabilise at last year's level.

Higher demand is expected to be seen for residential property portfolios, especially in major metropolitan areas.

In view of unbroken robust investor interest in the German commercial property market, we anticipate strong demand for financing for commercial property and residential property portfolios. Competition among financing providers is likely to intensify further as interest rates remain low. A similar situation is visible in international markets. Moreover, experts also expect that lenders will be more willing to act as sole financiers of larger volume transactions, and simultaneously accept lower margins and higher risks.

"The overall conditions in the European property markets are anticipated to remain generally favourable."

London will remain by far the most important market for commercial property investments in Great Britain, with investors primarily focused on core properties. However, the shortage of appropriate properties has already led to notably rising prices in recent years. In the interim prices have reached a level that is causing investors to increasingly expand their horizons to other regions and B locations in London and its surrounding areas. As a result, yields will retreat a bit in London while the pace of price rises will slow notably on a high level. In contrast, higher prices will continue to be seen in secondary locations and regions. On an overall basis it is expected that the gap between yields obtainable for core and non-core-properties will narrow.

The outlook for the commercial property market in France is good despite the weaker economic perspectives. The ongoing low level of interest rates, as well as the lack of investment alternatives, have generated corresponding incentives to invest in property so that the volume of transactions should, at a minimum, reach

the previous year's level. Furthermore, conditions are also favourable for investors, as Paris, in particular, is a very liquid and stable market which allows longer-term investments.

The favourable market environment in the commercial property market in the USA will consolidate in 2015, especially in locations with above-average job growth. These developments are not, however, self-supporting as overall economic conditions – despite good perspectives – and the future development of interest rates in the USA are still accompanied by uncertainty. The financing markets for commercial and residential property continue to have high levels of liquidity and fierce competition among providers of finance. A softening of financing standards cannot be ruled out in this environment.

DEVELOPMENT OF BUSINESS AT MÜNCHENER HYPOTHEKENBANK

We again want to continue on our successful course in 2015 and expand our new business in the residential and commercial property financing areas. Overall conditions in the markets are in our favour despite increasingly tough competition in our core markets of Germany, Great Britain and France. For this reason we plan to sign up at least € 4 billion of new mortgage financing business.

We expect to see renewed high demand for property financing, especially in Germany. The Volksbanken and Raiffeisenbanken will continue to be our most important partner for brokered business. We anticipate that they will be able to further expand their market share thanks to their strong competitive capabilities and solid anchoring in their markets. Planned new business activities with our cooperative partner banks will be primarily driven by providing financing for single-family houses and condominiums and secondly by financing for multi-family houses. We also expect that the share of loans with long fixed-interest rates will rise as many customers want to lock-in low interest rates for the long-term.

High demand for residential property financing will continue to have a favourable influence on our collaboration with independent providers of financial services. We also anticipate posting another good volume of new business in this segment. We

expect that our cooperation with Swiss PostFinance will lead to a continuation of the favourable new business results we have seen in previous years, even in a quieter market environment.

Our plans call for a slight increase in the the total volume of new business in the area of commercial property financing over the previous year's level. The main focus here will remain on financing property in Germany. Furthermore, our recruiting has enhanced our ability to acquire new business. As a result, we anticipate that the volume of new business in Germany will rise further. Our direct and syndicated lending business in 2015 will again be primarily focused on institutional and professional private investors. Beyond this, we plan to expand the volume of commercial property financing deals arranged in collaboration with the Volksbanken and Raiffeisenbanken.

The objective of our lending business with the public-sector and banks will remain unchanged and primarily serve to manage liquidity and cover pools.

We anticipate higher liquidity requirements for refinancing purposes in 2015 than in the previous year. These are expected to be about € 7 billion. We believe that we will be able to obtain attractive refinancing conditions due to the interest rate environment, our standing as an issuer, as well as the quality of our cover pool. Pfandbriefe will remain unchanged as the primary emphasis of our issues. We currently plan to float three covered benchmark issues with a minimum volume of € 500 million per issue. Private placements are also an important refinancing element for us which we employ to meet individual investor requirements.

As in the previous year, we anticipate that demand from institutes within the Cooperative Financial Network will absorb the major portion of our uncovered refinancing products.

We plan to further pursue our sustainability-related strategic objectives and deepen our commitment. We plan to use ecological and social financing criteria, as well as sustainable product options, to anchor the concept of sustainability more firmly within MünchenerHyp's core area of business. We also plan to float a further sustainable issue as part of our refinancing activities.

We are striving to achieve a moderate increase in our net interest income from our business operations in 2015. The stable development seen in our core markets offers us unchanged opportunities to further expand our new business results and thus our mortgage portfolio.

This will also have an increasingly favourable effect on the Bank's performance. As a result we are striving to achieve a further increase in our earnings.

We expect administrative expenses to rise in 2015 in view of unchanging high levels of regulatory requirements, the first-time imposition of the European banking levy, and higher fees paid to supervisory authorities. Our expenses will rise substantially if we do not reduce administrative expenses unrelated to regulatory requirements. Nevertheless, we still expect that our cost-income ratio will be below 60 percent.

Based on currently available information, we anticipate that provisions for risk related to our lending business will develop stably.

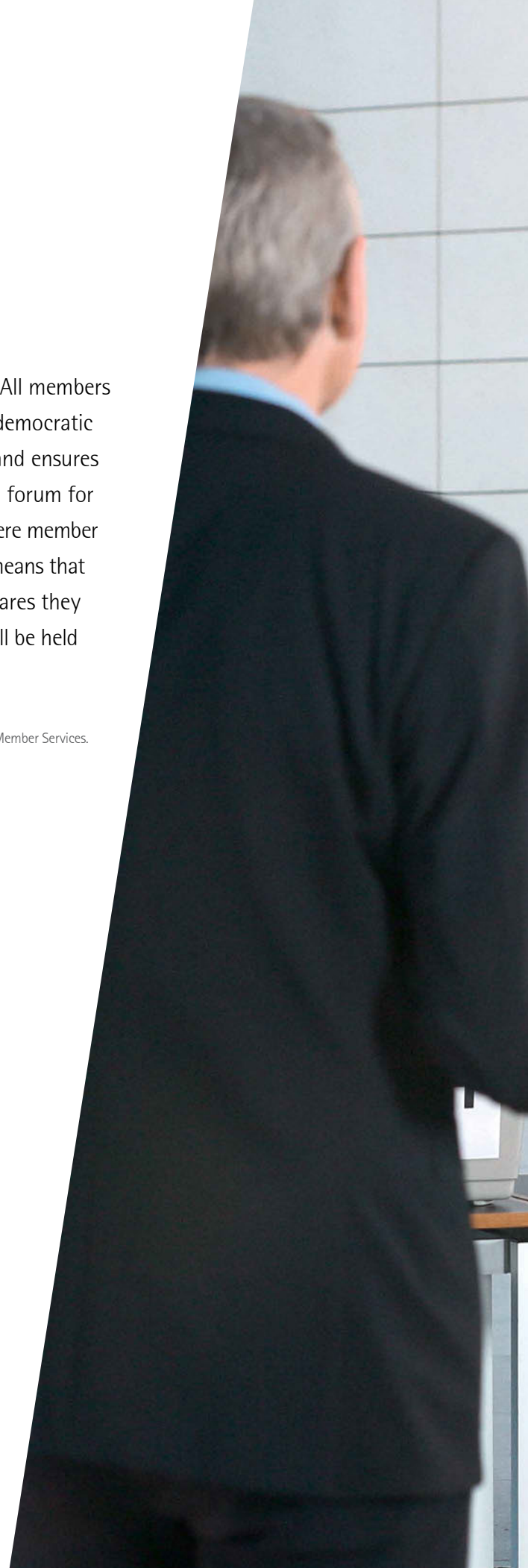
In light of the anticipated favourable market environment, we are confident that we will achieve our objectives for the 2015 business year and be able to further expand our market position. We expect that net income for the year will be at the previous year's level.



EVERY VOTE COUNTS. BECAUSE EVERY MEMBER COUNTS.

Solidarity is one of the key values of every cooperative. All members meet as equals and are included in their organisation's democratic decisions. This generates trust in the business strategy and ensures a long-term and sustainable business policy. The central forum for members at MünchenerHyp is the Delegates Meeting, where member delegates are elected in secret and equal elections. This means that every member has one vote, regardless of how many shares they own in the cooperative. The next election of delegates will be held in 2016.

Active during delegates elections at MünchenerHyp: Funda Oral and Marion Scherer from Member Services.





I - Q



R - Z



MünchenerHyp

ANNUAL STATEMENT OF ACCOUNTS

54	BALANCE SHEET
58	INCOME STATEMENT
60	STATEMENT OF DEVELOPMENT IN EQUITY CAPITAL AND CASH FLOW STATEMENT
62	NOTES
84	AUDITORS' REPORT
85	AFFIRMATION BY THE LEGAL REPRESENTATIVES
86	REPORT OF THE SUPERVISORY BOARD

BALANCE SHEET, 31 DECEMBER 2014

ASSETS		31 Dec. 14	31 Dec. 13
	€	€	€ 000
1. Cash reserve			
a) Cash on hand	22,605.60		18
b) Balances with Central Banks	10,463,655.28		43,103
of which			
with Deutsche Bundesbank € 10,463,655.28			
		10,486,260.88	43,121
2. Claims on banks			
a) Mortgage loans	15,918,191.48		24,391
b) Public-sector loans	641,080,048.34		818,592
c) Other claims	2,906,813,361.37		2,420,838
of which			
payable on demand € 1,639,792,151.46			
		3,563,811,601.19	3,263,821
3. Claims on customers			
a) Mortgage loans	23,396,915,756.47		21,345,001
b) Public-sector loans	4,682,695,473.18		5,074,276
c) Other claims	98,022,475.12		110,645
		28,177,633,704.77	26,529,922
4. Bonds and other fixed-income securities			
a) Bonds and Notes	4,268,555,442.91		4,573,630
aa) Public-sector issuers € 1,379,726,929.03			(1,045,742)
of which			
eligible as collateral for Deutsche Bundesbank advances € 1,281,244,040.08			
ab) Other issuers € 2,888,828,513.88			(3,527,888)
of which			
eligible as collateral for Deutsche Bundesbank advance € 2,453,761,526.19			
b) Own bonds and notes	0.00		181,133
Nominal value € 0.00			
		4,268,555,442.91	4,754,763
Carried forward		36,020,487,009.75	34,591,627

LIABILITIES, CAPITAL AND RESERVES

	31 Dec. 14	31 Dec. 13
€	€	€ 000
1. Liabilities to banks		
a) Registered mortgage Pfandbriefe issued	667,504,923.77	709,070
b) Registered Public Pfandbriefe issued	139,480,861.53	91,628
c) Other liabilities	4,794,668,828.11	3,496,563
of which		
payable on demand € 1,252,278,194.31		
delivered to lenders as collateral for loans received		
registered mortgage Pfandbriefe € 4,216.00		
	5,601,654,613.41	4,297,261
2. Liabilities to customers		
a) Registered mortgage Pfandbriefe issued	7,219,207,822.97	6,395,573
b) Registered Public Pfandbriefe issued	3,473,273,502.56	3,796,085
c) Other liabilities	2,436,078,429.27	2,434,116
of which		
payable on demand € 2,990,028.40		
	13,128,559,754.80	12,625,774
3. Certificated liabilities		
a) Bonds issued	15,921,618,564.30	16,487,000
aa) Mortgage Pfandbriefe € 9,888,222,233.53		(9,523,866)
ab) Public Pfandbriefe € 2,114,178,140.26		(2,613,613)
ac) Other bonds and fixed-income securities € 3,919,218,190.51		(4,349,521)
b) Other certificated liabilities	4,992,107.32	282,491
of which		
Money market paper € 4,992,107.32		
	15,926,610,671.62	16,769,491
4. Liabilities incurred as trustee	45,386.61	83
of which		
loans € 45,386.61		
5. Other liabilities	195,236,030.81	80,917
Carried forward	34,852,106,457.25	33,773,526

ASSETS		31 Dec. 14	31 Dec. 13
	€	€	€ 000
Brought forward		36,020,487,009.75	34,591,627
5. Equities and other variable-yield securities		13,103,695.09	13,123
6. Participations and shares in cooperatives			
a) Participations	98,324,570.67		77,508
of which			
credit institutions € 17,789,382.18			
b) Shares in cooperatives	18,500.00		19
of which			
in credit cooperatives € 15,500.00			
		98,343,070.67	77,527
7. Shares in affiliated companies		11,151,601.64	11,152
8. Assets held in trust		45,386.61	83
of which			
loans € 45,386.61			
9. Intangible assets			
Concessions acquired for consideration, commercial rights and similar rights and values, as well as licenses to these rights and values	10,581,729.21		12,531
		10,581,729.21	12,531
10. Tangible assets		72,613,242.44	73,784
11. Other assets		67,186,402.43	64,688
12. Deferred items			
a) From issuing and lending business	46,340,769.93		53,080
b) Other	243,293.54		923
		46,584,063.47	54,003
Total assets		36,340,096,201.31	34,898,518

LIABILITIES, CAPITAL AND RESERVES

	31 Dec. 14	31 Dec. 13
€	€	€ 000
Brought forward	34,852,106,457.25	33,773,526
6. Deferred items		
From issuing and lending business	15,456,047.99	19,845
	15,456,047.99	19,845
7. Provisions		
a) Provisions for pensions and similar obligations	26,840,725.00	26,080
b) Provisions for taxes	368,199.64	6,159
c) Other provisions	24,912,928.00	20,289
	52,121,852.64	52,528
8. Subordinated liabilities	156,200,000.00	156,200
9. Profit-participation certificates	6,135,502.57	6,136
10. Fund for general banking risks	14,650,000.00	9,250
11. Capital and reserves		
a) Subscribed capital	943,241,051.88	590,287
aa) Members' capital contributions € 667,342,255.44		(249,640)
ab) Silent participations € 275,898,796.44		(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	16,346,948.23	6,908
	1,243,426,340.86	881,033
Total liabilities, capital and reserves	36,340,096,201.31	34,898,518
1. Contingent liabilities		
Contingent liability on guarantees and indemnities	7,070,781.11	14,308
2. Other commitments		
Irrevocable loan commitments	2,750,100,165.89	2,597,421

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2014

EXPENSES	31 Dec. 14	31 Dec. 13
€	€	€ 000
1. Interest expenses	994,427,050.86	1,073,277
2. Commission paid	71,349,524.03	61,038
3. General administrative expenses		
a) Personnel expenses	39,282,930.72	35,818
aa) Wages and salaries € 33,421,815.76		(29,540)
ab) Social security contributions and cost of pensions and other benefits € 5,861,114.96		(6,277)
of which		
for pensions € 1,020,575.41		
b) Other administrative expenses	35,363,286.88	31,228
	74,646,217.60	67,046
4. Depreciation and write-downs of intangible and tangible assets	6,821,625.76	6,462
5. Other operating expenses	5,091,456.19	5,076
6. Write-downs on and adjustments to claims and certain securities and additions to provisions for possible loan losses	2,242,972.53	21,363
7. Payment to fund for general banking risks	5,400,000.00	5,000
8. Taxes on revenue and income	5,227,608.04	9,493
9. Net income	16,140,177.21	6,708
Total expenses	1,181,346,632.22	1,255,463
1. Net income	16,140,177.21	6,708
2. Retained earnings brought forward from previous year	206,771.02	200
3. Unappropriated profit	16,346,948.23	6,908

INCOME		31 Dec. 14	31 Dec. 13
	€	€	€ 000
1. Interest income from			
a) Lending and money market operations	1,022,636,699.80		1,042,353
b) Fixed-income securities and government debt register claims	140,543,101.62		172,217
	1,163,179,801.42		1,214,570
2. Current income from			
a) Participating interests and shares in cooperatives	1,234,898.88		1,091
b) Investments in affiliated companies	500,000.00		1,000
	1,734,898.88		2,091
3. Income from profit-pooling, profit transfer or partial profit transfer agreements		133,570.93	231
4. Commission received		11,215,192.31	11,726
5. Income from reversals of write-downs on participating interests, shares in affiliated companies and securities treated as fixed assets		1,979,977.84	20,204
6. Other operating income		3,103,190.84	6,641
Total income		1,181,346,632.22	1,255,463

STATEMENT OF DEVELOPMENT IN EQUITY CAPITAL AND CASH FLOW STATEMENT

STATEMENT OF DEVELOPMENT IN EQUITY CAPITAL FOR 2014

	Subscribed capital		Revenue reserves	Unappropriated profit	Total capital and reserves
	Members' capital contributions	Silent participations			
	€ 000	€ 000	€ 000	€ 000	€ 000
Capital and reserves as at 01.01.2013	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
Net change in capital	417,702	-64,748	0	0	352,954
Dividends paid	0	0	0	6,702	6,702
Net income	0	0	0	16,140	16,140
Capital and reserves as at 31.12.2014	667,342	275,899	283,838	16,347	1,243,426

CASH FLOW STATEMENT FOR 2014

	31 Dec. 14 in € millions	31 Dec. 13 in € millions
Net income before extraordinary items	16.1	6.7
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	40.9	33.6
Changes in reserves	-0.4	5.2
Changes in other non-cash items	4.0	2.0
Gains/losses from the disposal of tangible fixed assets and financial assets	24.8	20.2
Other adjustments	0.0	0.0
Sub-total	85.4	67.7

CASH FLOW STATEMENT FOR 2014

	31 Dec. 14 in € millions	31 Dec. 13 in € millions
Changes in assets and liabilities from operating activities		
Claims		
- on banks	-309.6	771.1
- on customers	-1,658.3	-116.9
Securities (to the extent not financial investments)	412.2	-42.0
Other assets from operating activities	34.6	65.5
Liabilities		
- to banks	1,339.0	-1,992.2
- to customers	505.1	1,619.3
Securitised liabilities	-835.0	-1,333.8
Other liabilities from operating activities	-164.4	-321.3
Interest and dividends received	1,164.9	1,216.7
Interest paid	-994.4	-1,073.3
Extraordinary amounts received/paid	0.0	0.0
Income taxes paid	-5.2	-9.5
Cash flow from operating activities	-425.7	-1,148.7
Cash receipts from the disposal of		
- Financial assets	992.4	1,602.7
- Tangible fixed assets	0.0	-0.4
Cash payments for acquisition of		
- Financial assets	-941.9	-509.4
- Tangible fixed assets	-1.1	-1.1
Cash receipts/payments from gains/losses in subsidiary companies	0.0	0.0
Net increase/decrease in funds from other investing activities	-2.6	-6.4
Cash flow from investing activities	46.8	1,085.4
Cash receipts from changes in capital	417.7	87.0
Dividends paid	-6.7	-5.2
Increase/decrease in funds from other capital	-64.7	0.0
Cash flow from financing activities	346.3	81.8
Cash and cash equivalents at start of reporting period	43.1	24.6
+/- Cash Flow from operating activities	-425.7	-1,148.7
+/- Cash Flow from investing activities	46.8	1,085.4
+/- Cash Flow from financing activities	346.3	81.8
+/- 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	10.5	43.1

NOTES 2014

GENERAL INFORMATION ON ACCOUNTING POLICIES

The Münchener Hypothekenbank eG annual financial statement as of December 31, 2014 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. Furthermore, there are also reserves pursuant to Art. 340 f (1) of the German Commercial Code.

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

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

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

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 4.55 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. 14 € 000	31 Dec. 13 € 000
Claims on banks	3,563,812	3,263,821
≤ Three months	2,848,292	2,457,772
> Three months ≤ one year	152,406	97,868
> One year ≤ five years	433,289	569,239
> Five years	129,825	138,942
Claims on customers	28,177,634	26,529,922
≤ Three months	927,360	991,324
> Three months ≤ one year	1,521,133	1,431,984
> One year ≤ five years	6,977,174	6,788,494
> Five years	18,751,967	17,318,120
Bonds and other fixed-income securities ≤ one year	631,994	422,027

LIABILITIES, CAPITAL AND RESERVES

	31 Dec. 14 € 000	31 Dec. 13 € 000
Liabilities to banks	5,601,655	4,297,261
≤ Three months	2,978,377	2,005,512
> Three months ≤ one year	479,733	495,621
> One year ≤ five years	1,047,314	809,952
> Five years	1,096,230	986,176
Liabilities to customers	13,128,560	12,625,774
≤ Three months	383,487	424,260
> Three months ≤ one year	425,500	214,113
> One year ≤ five years	1,331,435	1,352,073
> Five years	10,988,138	10,635,328
Certificated liabilities	15,926,611	16,769,491
Bonds issued		
≤ Three months	585,205	881,506
> Three months ≤ one year	3,609,809	1,730,365
> One year ≤ five years	7,321,648	9,936,459
> Five years	4,404,956	3,938,670
Other certificated liabilities		
≤ Three months	0	254,890
> Three months ≤ one year	4,992	27,601

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

	31 Dec. 14 € 000	31 Dec. 13 € 000
Claims on		
Banks	23,840	23,811
Customers	1,305	22,904
Liabilities to		
Banks	211,365	207,949
Customers	0	0

CLAIMS ON AND LIABILITIES TO AFFILIATED COMPANIES

	31 Dec. 14 € 000	31 Dec. 13 € 000
Claims on customers	1,086	2,392
Liabilities to customers	3	4

SECURITIES MARKETABLE ON THE STOCK EXCHANGE

	31 Dec. 14 € 000		31 Dec. 13 € 000	
Asset category	listed	unlisted	listed	unlisted
Bonds and other fixed-income securities	3,966,847	234,680	4,252,071	422,297
Shares and other non-fixed-income securities	8,090	0	8,110	0
Participations	0	2,750	0	2,150

TRADING BOOK

As at 31.12.2014 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 produc- tion costs	Additions	Writeups	Transfers	Disposals	Deprecia- tion taken in 2014	Accumu- lated de- preciation	Net book value on 31 Dec. 14	Net book value on 31 Dec. 13
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Intangible assets	35,294	2,555	0	0	0	4,504	27,267	10,582	12,531
Concessions acquired for consideration, commercial rights and similar rights and values, as well as licenses to these rights and values	35,294	2,555	0	0	0	4,504	27,267	10,582	12,531
Tangible assets	102,006	1.147	0	0	12	2,318	30,527	72,613	73,784
	Acquisition and produc- tion costs				Changes total +/- *)			Net book value on 31 Dec. 14	Net book value on 31 Dec. 13
Participations and shares in cooperatives	77,527				20,816			98,343	77,527
Shares in affiliated companies	11,152				0			11,152	11,152
Bonds and other fixed-income securities	4,523,871				-300,301			4,223,570	4,523,871
Shares and other non fixed-in- come securities	8,110				-20			8,090	8,110

*) 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 € 1,562,975 (thousand) (previous year € 2,513,457 (thousand)) exceeding the present value of € 1,536,402 (thousand) (previous year € 2,399,838 (thousand)). To the extent that these securities are associated with a swap transaction, they are valued together with the transaction as a single item. Securities held as fixed assets in the business year, and which are not expected to be subject to a permanent impairment in value, are valued in accordance with the moderated lower of cost or market principle. In light of our intention to hold these securities until they mature, we generally assume that market price-related decreases in value will not become effective and that securities will be repaid in full at their nominal value at maturity. As they are expected to be subject to a permanent impairment we wrote down the book value of two securities held as fixed assets to the fair value at the balance sheet date.

TRUST TRANSACTIONS

	31 Dec. 14 € 000	31 Dec. 13 € 000
Assets held in trusts		
Claims on customers	45	83
Liabilities incurred as trustee		
Liabilities to banks	45	83

TANGIBLE ASSETS

The portion of the total value attributable to the land and buildings used by the Bank is € 60,688 (thousand) (previous year € 61,645 (thousand)), and of plant and office equipment € 1,568 (thousand) (previous year € 1,591 (thousand)).

SUBORDINATED ASSETS

	31 Dec. 14 € 000	31 Dec. 13 € 000
Shares and other non-fixed-income securities	8,090	8,110

OTHER ASSETS

The item "Other assets" includes deferred items of € 16,058 (thousand) related to the derivative business, and € 35,999 (thousand) in commissions for mortgage loans that will be paid after the date of record, and, above all, tax claims of € 12,561 (thousand).

OTHER LIABILITIES

The item "Other liabilities" consists of € 94,487 (thousand) for deferred items and adjustment items for valuation of foreign currency items, and € 75,534 (thousand) related to derivative transactions as well as, above all, liabilities for accrued interest and other deferrable amounts related to registered profit-participation certificates and silent participations valued at € 22,974 (thousand).

DEFERRED ITEMS FROM THE ISSUING AND LOAN BUSINESS

	31 Dec. 14 € 000	31 Dec. 13 € 000
Assets side 12.		
Discount from liabilities	36,845	39,390
Premium from claims	9,496	13,690
Other deferred charges	243	923
Liabilities side 6.		
Premium from liabilities	8,278	10,633
Discount from claims	7,141	9,138
Other deferred income	37	74

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 € 8,762 (thousand) (previous year € 8,760 (thousand)). Subordinated liabilities which individually exceed 10 percent of the overall statement amount to:

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

The instruments comply with the provisions of Art. 63 of the Capital Requirements Regulation (CRR). Premature repayment obligations are excluded in all cases. The conversion of these funds into capital or other forms of debt has not been agreed upon nor is foreseen. Reporting on the balance sheet is shown at nominal value.

PROFIT-PARTICIPATION CERTIFICATES

The amount of profit-participation capital of nominal € 6,136 (thousand) (previous year € 6,136 (thousand)) fulfils the criteria of Art. 63 CRR with € 6,136 (thousand) (previous year € 6,136 (thousand)).

DETAILS OF REVENUE RESERVES

	Legal reserve € 000	Other revenue reserves € 000
01 Jan. 2014	282,304	1,534
Transfer from 2013 retained earnings	0	0
Transfer from 2014 net income	0	0
31 Dec. 2014	282,304	1,534

MEMBERS' CAPITAL CONTRIBUTIONS

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

	31 Dec. 14 €	31 Dec. 13 €
Capital contributions	667,342,255.44	249,640,212.53
a) of remaining members	664,114,765.44	246,914,972.53
b) of former members	2,949,870.00	2,246,230.00
c) in respect of shares under notice	277,620.00	479,010.00
Outstanding obligatory payments in respect of shares	14.56	17.47

SILENT PARTICIPATIONS

Silent participations in the amount of € 275,899 (thousand) are eligible for grandfathering pursuant to section 484 CRR in the amount of €147,150 (thousand), and are considered to be additional Tier 1 capital pursuant to section 51 CRR. Expenses attributable to these participations amounted to € 24,081 (thousand) (previous year € 26,776 (thousand)).

ASSETS PLEDGED TO SECURE LIABILITIES

Within the framework of open market deals with the European Central Bank, securities valued at € 641,000 (thousand) (previous year € 100,000 (thousands)) were pledged as collateral to secure the same amount of liabilities. The book value of the pledged assets (genuine repurchase agreements) was € 639,806 (thousand) (previous year € 503,963 (thousand)). Within the framework of security arrangements for derivative transactions, cash collateral of € 2,475,980 (thousand) (previous year € 1,786,150 (thousand)) was provided. Securities valued at € 12,730 (thousand) (previous year € 13,268 (thousand)) were pledged to secure pension obligations and requirements of the partial retirement model for older employees. Securities valued at € 30,000 (thousand) (previous year € 30,086 (thousand)) were pledged to secure financial aid obligations within the framework of a Contractual Trust Arrangement (CTA).

FOREIGN CURRENCY ITEMS

	31 Dec. 14 € 000	31 Dec. 13 € 000
Assets side	4,679,575	4,971,107
Liabilities side	1,898,937	2,273,067
Contingent liabilities and other obligations	233,276	223,347

OTHER OBLIGATIONS

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

Pursuant to Art. 3 (3) of the Restructuring Fund Regulation, a retroactive amount of € 9,006 (thousand) is not shown under other financial liabilities in the balance sheet.

OTHER OPERATING EXPENSES

This position contains expenses arising from adding interest effects of € 2,835 (thousand) (previous year € 2,162 (thousand)) for established provisions.

OTHER OPERATING INCOME

This item shows income arising from value-added tax repayments of € 1,879 (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 Transaction					
Interest rate swaps	6,757	17,355	35,232	59,344	-943
Interest rate options					
- Calls	22	82	61	165	20
- Puts	25	225	143	393	-4
Other interest rate contracts	50	100	2,925	3,075	-347
Currency-Related Transactions					
Cross-currency swaps	285	1,236	1,565	3,086	-85
Currency swaps	301	0	0	301	0

*) 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 € 3.2 million (previous year € 2.8 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 € 364.8 million (previous year € 371.1 million) and "Liabilities to banks" with € 411.9 million (previous year € 447.6 million). The accrual of compensatory payments made is entered under "Other assets" with € 12.8 million (previous year € 14.9 million); the accrual of compensatory payments received is entered under "Other liabilities" with € 75.5 million (previous year € 54.2 million).

Compensatory items in the amount of € 94.5 million (previous year € 6.0 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, € 3,152 million (previous year € 2,891 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 € 376 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 31.12.2014.

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. 14 € 000	31 Dec. 13 € 000
Ordinary cover assets	18,638,101	17,101,921
1. Claims on banks (mortgage loans)	15,273	23,543
2. Claims on customers (mortgage loans)	18,570,364	17,025,914
3. Tangible assets (charges on land owned by the Bank)	52,464	52,464
Substitute cover assets	957,150	964,672
1. Other claims on banks	0	150,000
2. Bonds and other fixed-income securities	957,150	814,672
3. Other assets (offsetting currency derivatives)	0	0
Total cover	19,595,251	18,066,593
Total mortgage Pfandbriefe requiring cover	17,541,708	16,233,362
Surplus cover	2,053,543	1,833,231

B. PUBLIC PFANDBRIEFE

	31 Dec. 14 € 000	31 Dec. 13 € 000
Ordinary cover assets	5,812,157	6,952,458
1. Claims on banks (public-sector loans)	637,488	798,671
2. Claims on customers (public-sector loans)	4,567,001	4,949,653
3. Bonds and other fixed-income securities	607,668	1,204,134
Substitute cover assets	144,000	284,580
1. Other claims on banks	0	50,000
2. Bonds and other fixed-income securities	144,000	234,580
3. Other assets (offsetting currency derivatives)	0	0
Total cover	5,956,157	7,237,038
Total public-sector Pfandbriefe requiring cover	5,625,812	6,390,644
Surplus cover	330,345	846,394

PUBLICATION IN ACCORDANCE WITH SECTION 28 PFANDBRIEF ACT

MORTGAGE PFANDBRIEFE OUTSTANDING AND THEIR COVER

	Nominal value		Net present value		Risk-adjusted net present value*	
	31 Dec. 14	31 Dec. 13	31 Dec. 14	31 Dec. 13	31 Dec. 14	31 Dec. 13
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Mortgage Pfandbriefe	17,541,708	16,233,362	20,099,446	17,123,941	21,438,934	18,235,529
Cover pool	19,595,251	18,066,593	23,071,126	20,094,075	23,833,803	20,681,646
of which						
further cover assets	957,150	964,672	1,093,341	1,035,258		
Over-collateralisation	2,053,543	1,833,231	2,971,680	2,970,134	2,394,869	2,446,117

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

	Maturity structure			
	31 Dec. 14		31 Dec. 13	
	Mortgage Pfandbriefe	Cover pool	Mortgage Pfandbriefe	Cover pool
	€ 000	€ 000	€ 000	€ 000
≤ 0,5 year	1,674,681	862,468		
> 0,5 year and ≤ 1 year	1,023,027	1,373,596	1,356,581	2,013,142
> 1 year and ≤ 1,5 years	2,062,110	843,031		
> 1,5 years and ≤ 2 years	405,567	1,195,592	2,628,905	2,216,352
> 2 years and ≤ 3 years	573,945	2,054,044	2,371,481	2,104,453
> 3 years and ≤ 4 years	619,637	1,750,934	498,031	1,688,905
> 4 years and ≤ 5 years	1,005,380	1,547,140	542,945	1,538,250
> 5 years and ≤ 10 years	4,276,796	6,628,204	3,473,372	5,845,038
> 10 years	5,900,565	3,340,242	5,362,047	2,660,453

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

31 Dec. 14					31 Dec. 13			
		thereof				thereof		
		money claims in accordance with section 19 (1) no 2		Bonds in accordance with section 19 (1) no 3		money claims in accordance with section 19 (1) no 2		Bonds in accordance with section 19 (1) no 3
		Overall	thereof			Overall	thereof	
			Covered bonds from banks in accordance with Article 129 Regulation (EU) no 575/2013				Covered bonds from banks in accordance with Article 129 Regulation (EU) no 575/2013	
	Total				Total			
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Germany	622,000	0	0	622,000	275,000	0	0	275,000
Belgium	13,000	0	0	13,000	0	0	0	0
France	70,000	0	0	70,000	49,422	49,422	0	0
Great Britain	0	0	0	0	98,000	98,000	50,000	0
Luxembourg	0	0	0	0	150,000	150,000	0	0
Netherlands	0	0	0	0	95,400	95,400	0	0
Norway	0	0	0	0	29,700	29,700	0	0
Austria	202,150	50,000	5,000	152,150	242,150	100,000	5,000	142,150
Sweden	0	0	0	0	25,000	25,000	0	0
EU institutions	50,000	0	0	50,000	0	0	0	0
Total – all states	957,150	50,000	5,000	907,150	964,672	547,522	55,000	417,150

KEY FIGURES FOR PFANDBRIEFE OUTSTANDING AND THEIR COVER

		31 Dec. 14	31 Dec. 13
Outstanding Mortgage Pfandbriefe	€ 000	17,541,708	16,233,362
thereof share of fixed-rate Pfandbriefe section 28 (1) no 9*	%	90	
Cover pool	€ 000	19,595,251	18,066,593
thereof total amount of claims, which exceed the limits laid down in section 13 (1) section 28 (1) no 7	€ 000	0	0
thereof total amount of claims, which exceed the limits laid down in section 19 (1) no 2 section 28 (1) no 8	€ 000	0	0
thereof total amount of claims, which exceed the limits laid down in section 19 (1) no 3 section 28 (1) no 8	€ 000	0	0
thereof share of fixed-rate Cover pool section 28 (1) no 9*	%	93	
Net present value pursuant to section 6 Pfandbrief-Net Present Value Regulation for each foreign currency in Euro section 28 (1) no 10 (Net Total)	USD (€ 000)	21,210	333,702
	GBP (€ 000)	-3,110	44,121
	CHF (€ 000)	1,854,029	1,645,329
	JPY (€ 000)	0	0
Volume-weighted average of the maturity that has passed since the loan was granted (seasoning) section 28 (1) no 11	Years	5	5
Average loan-to-value ratio using the mortgage lending value section 28 (2) no 3	%	50	50

* Previous year's figures do need to be specified.

MORTGAGE LOANS USED AS COVER FOR MORTGAGE PFANDBRIEFE

A. ACCORDING TO THEIR AMOUNTS IN TRANCHES

	31 Dec. 14	31 Dec. 13
up to € 300.000	11,898,976	10,929,272
more than € 300.000 up to 1m euros	1,623,319	1,553,068
more than 1m euros up to 10m euros	1,908,502	1,830,157
more than 10m euros	3,154,840	2,736,960
Total	18,585,637	17,049,457

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

		Residential							Commercial						
		Total	Total	Apartments	Single and two-family houses	Multi-family houses	Buildings under construction	Building land	Total	Office buildings	Retail buildings	Industrial-buildings	Other commercially used buildings	Buildings under construction	Building land
		€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Germany	31 Dec. 14	15,038,009	13,248,786	1,746,715	7,573,328	3,890,058	37,643	1,042	1,789,223	931,527	682,514	32,070	142,646	174	292
	31 Dec. 13	13,340,722	11,759,693	1,569,780	4,829,939	5,316,115	43,300	559	1,581,029	703,997	737,025	37,523	101,352	201	931
Belgium	31 Dec. 14	5,508	0	0	0	0	0	0	5,508	5,508	0	0	0	0	0
	31 Dec. 13	6,440	0	0	0	0	0	0	6,440	6,440	0	0	0	0	0
France	31 Dec. 14	233,112	14,160	0	0	14,160	0	0	218,952	195,618	23,334	0	0	0	0
	31 Dec. 13	180,786	6,720	0	0	6,720	0	0	174,066	158,946	15,120	0	0	0	0
Great Britain	31 Dec. 14	339,239	0	0	0	0	0	0	339,239	288,150	51,089	0	0	0	0
	31 Dec. 13	356,406	0	0	0	0	0	0	356,406	258,820	97,586	0	0	0	0
Luxembourg	31 Dec. 14	33,500	0	0	0	0	0	0	33,500	33,500	0	0	0	0	0
	31 Dec. 13	4,250	0	0	0	0	0	0	4,250	0	4,250	0	0	0	0
Netherlands	31 Dec. 14	90,590	0	0	0	0	0	0	90,590	87,734	0	0	2,856	0	0
	31 Dec. 13	128,951	0	0	0	0	0	0	128,951	126,095	0	0	2,856	0	0
Austria	31 Dec. 14	74,658	6	0	6	0	0	0	74,652	20,940	53,712	0	0	0	0
	31 Dec. 13	82,109	6	0	6	0	0	0	82,103	27,234	54,869	0	0	0	0
Spain	31 Dec. 14	112,306	0	0	0	0	0	0	112,306	9,882	68,806	0	33,618	0	0
	31 Dec. 13	82,069	0	0	0	0	0	0	82,069	0	44,506	0	37,563	0	0
Switzerland	31 Dec. 14	2,289,473	2,289,473	716,368	1,573,105	0	0	0	0	0	0	0	0	0	0
	31 Dec. 13	2,288,874	2,288,874	711,475	1,577,399	0	0	0	0	0	0	0	0	0	0
USA	31 Dec. 14	369,242	29,800	0	0	29,800	0	0	339,442	317,423	22,019	0	0	0	0
	31 Dec. 13	578,850	33,587	0	0	33,587	0	0	545,263	460,189	32,605	0	52,469	0	0
Total – all states	31 Dec. 14	18,585,637	15,582,225	2,463,083	9,146,439	3,934,018	37,643	1,042	3,003,412	1,890,282	901,474	32,070	179,120	174	292
	31 Dec. 13	17,049,457	14,088,880	2,281,255	6,407,344	5,356,422	43,300	559	2,960,577	1,741,721	985,961	37,523	194,240	201	931

PAYMENTS IN ARREARS ON COVERING MORTGAGES

	31 Dec. 14		31 Dec. 13	
	Total amount of payments in arrears for at least 90 days	Total amount of these claims inasmuch as the respective amount in arrears is at least 5 percent of the claim	Total amount of payments in arrears for at least 90 days	Total amount of these claims inasmuch as the respective amount in arrears is at least 5 percent of the claim
	€ 000	€ 000	€ 000	€ 000
Germany	21,621	22,899	22,330	23,179
Switzerland	677	669	5	0
Total – all states	22,298	23,568	22,335	23,179

PUBLIC PFANDBRIEFE OUTSTANDING AND THEIR COVER

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

	Nominal value		Net present value		Risk-adjusted net present value*	
	31 Dec. 14	31 Dec. 13	31 Dec. 14	31 Dec. 13	31 Dec. 14	31 Dec. 13
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Public Pfandbriefe	5,625,812	6,390,644	6,847,318	7,195,524	6,419,550	6,761,247
Cover pool	5,956,157	7,237,038	7,709,340	8,446,058	7,105,746	7,924,701
of which						
further cover assets	144,000	284,580	207,103	323,637		
of which						
derivatives			44,767	25,879		
Over-Collateralisation	330,345	846,394	862,022	1,250,534	686,196	1,163,454

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

Maturity structure

	31 Dec. 14		31 Dec. 13	
	Public Pfandbriefe	Cover pool	Public Pfandbriefe	Cover pool
	€ 000	€ 000	€ 000	€ 000
≤ 0,5 year	207,899	251,824		
> 0,5 year and ≤ 1 year	157,220	220,206	861,653	722,282
> 1 year and ≤ 1,5 years	50,637	212,738		
> 1,5 years and ≤ 2 years	186,966	289,912	368,412	774,428
> 2 years and ≤ 3 years	1,118,321	487,059	229,856	689,053
> 3 years and ≤ 4 years	979,988	456,857	1,110,651	647,891
> 4 years and ≤ 5 years	129,832	302,654	962,306	559,366
> 5 years and ≤ 10 years	1,091,530	711,337	940,403	1,205,643
> 10 years	1,703,419	3,023,570	1,917,363	2,638,375

FURTHER COVER ASSETS FOR PUBLIC PFANDBRIEF IN ACCORDANCE WITH SECTION 20 (2) PFANDBRIEF ACT

	31 Dec. 14		31 Dec. 13	
	money claims in accordance with section 20 (2) no 2		money claims in accordance with section 20 (2) no 2	
	Overall	thereof	Overall	thereof
		Covered bonds from banks in accordance with Article 129 Regulation (EU) no 575/2013		Covered bonds from banks in accordance with Article 129 Regulation (EU) no 575/2013
	€ 000	€ 000	€ 000	€ 000
Germany	119,000	0	144,580	0
Belgium	25,000	0	0	0
Great Britain	0	0	90,000	90,000
Luxembourg	0	0	50,000	0
Total – all states	144,000	0	284,580	90,000

KEY FIGURES ON PFANDBRIEFE OUTSTANDING AND THEIR COVER

		31 Dec. 14	31 Dec. 13
Outstanding Public Pfandbriefe	€ 000	5,625,812	6,390,644
thereof percentage share of fixed-rate Pfandbriefe section 28 (1) no 9*	%	89	

		31 Dec. 14	31 Dec. 13
Cover pool	€ 000	5,956,157	7,237,038
thereof total amount of claims, which exceed the limits of section 20 (2) section 28 (1) no 8	€ 000	0	0
thereof percentage share of fixed-rate Cover pool section 28 (1) no 9*	%	84	
Net present value pursuant to section 6 Pfandbrief-Net Present Value Regulation for each foreign currency in Euro section 28 (1) no 10 (Net Total)	GBP (€ 000)	132,900	110,678
	CHF (€ 000)	-140,333	-142,259
	JPY (€ 000)	-3,102	-2,729

* Previous year's figures do not need to be specified.

TOTAL VOLUME OF CLAIMS USED TO COVER PUBLIC PFANDBRIEFE

		Total	State	Regional authorities	Local authorities	Other debtors
		€ 000	€ 000	€ 000	€ 000	€ 000
Germany	31 Dec. 14	4,742,024	45,697	3,647,534	546,862	501,931
	31 Dec. 13	5,639,285	42,369	3,920,625	645,691	1,030,600
Belgium	31 Dec. 14	195,000	100,000	95,000	0	0
	31 Dec. 13	270,000	175,000	95,000	0	0
France	31 Dec. 14	0	0	0	0	0
	31 Dec. 13	20,256	0	20,000	256	0
Ireland	31 Dec. 14	22,695	22,695	0	0	0
	31 Dec. 13	22,695	22,695	0	0	0
Iceland	31 Dec. 14	15,000	15,000	0	0	0
	31 Dec. 13	15,000	15,000	0	0	0
Italy	31 Dec. 14	16,317	16,317	0	0	0
	31 Dec. 13	46,146	46,146	0	0	0
Austria	31 Dec. 14	280,124	162,124	35,000	0	83,000
	31 Dec. 13	264,792	159,792	35,000	0	70,000
Poland	31 Dec. 14	41,584	41,584	0	0	0
	31 Dec. 13	54,730	54,730	0	0	0
Portugal	31 Dec. 14	45,000	45,000	0	0	0
	31 Dec. 13	53,400	53,400	0	0	0
Switzerland	31 Dec. 14	199,950	0	24,950	0	175,000
	31 Dec. 13	199,438	0	24,438	0	175,000
Slovakia	31 Dec. 14	0	0	0	0	0
	31 Dec. 13	19,000	19,000	0	0	0
Slovenia	31 Dec. 14	90,000	90,000	0	0	0
	31 Dec. 13	90,000	90,000	0	0	0
Spain	31 Dec. 14	61,000	0	61,000	0	0
	31 Dec. 13	65,000	0	65,000	0	0
Czech Republic	31 Dec. 14	0	0	0	0	0
	31 Dec. 13	42,000	42,000	0	0	0
EU institutions	31 Dec. 14	103,463	0	0	0	103,463
	31 Dec. 13	150,716	0	0	0	150,716
Total - all states	31 Dec. 14	5,812,157	538,417	3,863,484	546,862	863,394
	31 Dec. 13	6,952,458	720,132	4,160,063	645,947	1,426,316

COVERING MORTGAGES WITH OVERDUE INTEREST

	overall		thereof residential		thereof commercial	
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
	2014	2013	2014	2013	2014	2013
Overdue interest for period 01.10.2013 to 30.09.2014	363	439	357	427	6	12
Overall overdue not adjusted to value	315	361	304	331	10	30

FORECLOSURES AND RECEIVERSHIPS OF MORTGAGES USED AS COVER

	overall		thereof residential		thereof commercial	
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
	2014	2013	2014	2013	2014	2013
Pending on date of record						
- Foreclosure proceedings	216	194	206	184	10	10
- Receivership proceedings	93	76	88	71	5	5
	86*)	73*)	81*)	68*)	5*)	5*)
Foreclosures completed during business year	79	57	70	55	9	2

*) Thereof included in pending foreclosures proceedings.

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

OTHER DISCLOSURES**MEMBERSHIP DATA**

	Number of members	Number of shares	Members' liability for additional contributions €
Beginning of 2014	77,519	3,527,357	901,768,817.05
Additions in 2014	1,045	6,103,396	1,560,333,187.40
Reductions in 2014	2,935	143,399	36,659,954.35
End of 2014	75,629	9,487,354	2,425,442,050.10

	€
Increase in remaining members' capital contributions in 2014	417,199,792.91
Increase in members' liability for additional contributions in 2014	1,523,673,233.05
Amount of each share	70.00
Members' liability for additional contributions per share	255.65

PERSONNEL STATISTICS

The average number of employees employed by the Bank in 2014 was as follows:

	Male	Female	Total
Full-time employees	238	137	375
Part-time employees	9	78	87
Total number of employees	247	215	462

These figures do not include:

Apprenticed trainees	8	10	18
Employees participating in parental leave, early retirement, partial retirement (non-working phase), or employees suspended with pay	4	21	25

SHAREHOLDINGS

	Percentage of capital held	Capital in € 000	Profit/Loss in € 000
M-Wert GmbH, Munich*	100	300	139
ImmobilienService GmbH der Münchener Hypothekenbank eG (M-Service), Munich (profit transfer agreement)**	100	509	134
Nußbaumstrasse GmbH & Co. KG, Munich*	100	11,882	370

* Annual financial statements 2013, ** Annual financial statements 2014

SPECIAL DISCLOSURE REQUIREMENTS

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

Pursuant to section 26a (1) (4) of the German Banking Act (KWG), the quotient of net income and total assets is equal to 0.0444 percent.

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 (until 12.04.2014)
Master Craftsman (Miller)
Deputy Chairman of the Supervisory Board

HSH Albrecht Prince of Oettingen-Spielberg ... Oettingen
Deputy Chairman of the Supervisory Board
(as of 21.07.2014)

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
Member of the Board of Management of
Volksbank Lingen eG

Rainer Jenniches ... Bonn
Chairman of the Board of Management of
VR-Bank Bonn eG

Dr. Peter Ramsauer ... Traunwalchen (as of 12.04.2014)
Master Craftsman (Miller)

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 € 1,019 (thousand) (previous year € 1,071 (thousand)). As in the previous year no loans were outstanding for members of the Board of Management. Pension provisions of € 16,830 (thousand) (previous year € 18,670 (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 € 1,588 (thousand) (previous year € 1,566 (thousand)), for members of the Supervisory Board € 250 (thousand) (previous year € 237 (thousand)). Total compensation received by the members of Advisory Committee amounted to € 53 (thousand) (previous year € 57 (thousand)). Total compensation received by former members of the Board of Management and their surviving dependants amounted to € 1,326 (thousand) (previous year € 1,435 (thousand)).

AUDITING ASSOCIATION

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

Pursuant to Art. 53 of the Cooperatives Act, in association with Art. 340k of the German Commercial Code, total costs of € 725 (thousand), including valued added tax, (previous year € 700 (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 € 73 (thousand) (previous year € 12 (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 € 15,704 (thousand).

Munich, 10 February, 2015

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 2014. 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, 13 March, 2015

DGRV – DEUTSCHER
GENOSSENSCHAFTS- UND RAIFFEISENVERBAND e.V.

Gahlen
Auditor

Schraer
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, 10 February, 2015

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, planning and increasing the Bank's equity capital, the conduct of a "Comprehensive Assessment" by the European Central Bank (ECB) as a preparatory measure ahead of the ECB assuming direct supervision of the Bank, as well as the risk situation.

The Supervisory Board has established committees to enable it to carry out its duties efficiently. During the year under review the Supervisory Board revised the structure of its committees in accordance with the new version of Art. 25d of the German Banking Act (KWG). The newly constituted committees were the Audit Committee, the Risk Committee, and a Nomination and Remuneration Control 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 2014 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 Audit 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 2014 annual

statement of accounts for the Münchener Hypothekbank 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 2014 – 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, Michael Glos stepped down as member of MünchenerHyp's Supervisory Board as scheduled at the end of his term of office. Mr. Glos had been a member of the Bank's Supervisory Board for a total of 17 years, including numerous years as Deputy Chairman. His business expertise, especially as an owner of a mid-sized enterprise, as well as his vast experience and strong commitment, provided vital support to MünchenerHyp and its Supervisory Board during a time marked by numerous changes and challenges.

Dr. Peter Ramsauer, a former federal minister, was newly elected as a member of the Bank's Supervisory Board during the 2014 Delegates Meeting.

The Supervisory Board elected from among its members, HSH Albrecht Prince of Oettingen-Spielberg, as the new Deputy Chairman.

MünchenerHyp's 2014 business year was primarily driven by preparations required ahead of the ECB taking over direct supervision of the Bank after it had been deemed to be a "significant" bank. This posed a major challenge and burden to the Bank and its employees, especially because of the extensive audits required by the ECB's Comprehensive Assessment. MünchenerHyp passed all of the related requirements in an exemplary manner. Furthermore, the substantially higher equity capital requirements that arose without warning due to the unexpected classification of

MünchenerHyp as a significant bank were successfully met within a remarkably short period of time thanks to the Bank's unique and historic efforts to attract new equity capital. The results of these efforts not only substantially strengthened MünchenerHyp's level of equity capital for supervisory requirements, they also contributed towards the Bank's continued growth in the future. Despite all of the additional burdens placed on MünchenerHyp in the previous year, it successfully underlined the sustainability of its path of growth by posting very successful new business results.

The Supervisory Board expresses its gratitude to the Board of Management and the Bank's employees for their considerable and very successful efforts to continue moving MünchenerHyp ahead during an extraordinary year.

Munich, April 2015
MÜNCHENER HYPOTHEKENBANK eG

Konrad Irtel
Chairman of the Supervisory Board

THE MEMBERS OF THE DELEGATES MEETING

AS OF 31 DECEMBER 2014

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.)
 Eckhard Dämon ... Bank director (ret.)
 Lothar Erbers ... Bank director (ret.)
 Johann Fuhlendorf ... Bank director
 Klaus Graniki ... Managing director
 Markus Gschwandtner ... Bank director
 Eberhard Heim ... Bank director
 Gottlob Heller ... Bank director (ret.) (as of 04.07.2014)
 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.) † (until July 2014)
 Klaus Korte ... Bank director (ret.)
 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 (ret.)
 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 18 APRIL 2015, 10.30 A.M.

1. Report on the 2014 business year by the Board of Management and presentation of the Annual Statement of Accounts and the 2014 Management Report
2. Report of the Supervisory Board
3. Auditors' report
4. Resolutions to ratify:
 - a) the 2014 Annual Statement of Accounts
 - b) proposed appropriation of distributable income
 - c) the acts of the Board of Management and the Supervisory Board for the 2014 business year
5. Amendments to the Articles of Association
6. Maximum lending limit fixed in accordance with Art. 49 of the Cooperatives Act (GenG)
7. Elections to the Supervisory Board
8. 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 (until 12.04.2014)
[Deputy Chairman](#)
HSH Albrecht Prince of Oettingen-Spielberg ... Oettingen
[Deputy Chairman](#) (as of 21.07.2014)
Wolfhard Binder ... Grafing
Heinz Fohrer ... Esslingen
Jürgen Hölscher ... Lingen
Rainer Jenniches ... Bonn
Dr. Peter Ramsauer ... Traunwalchen (as of 12.04.2014)
Erich Rödel ... Ingolstadt
Kai Schubert ... Tittau

TRUSTEES

Klaus Jasper ... Ministry director (ret.), Munich
Dr. Johann Haimerl ... Ministry director (ret.), Gilching
[Deputy](#) (until 31.01.2015)
Dr. Joseph Köpfer ... Senior Ministerial Counsellor (ret.), Munich
[Deputy](#) (as of 01.02.2015)

ADVISORY COMMITTEE

Thomas Höbel ... Dachau
[Chairman](#)
Peter Bahlmann ... Hatten
[Deputy Chairman](#)
Markus Dünnebacke ... Dortmund
[Deputy Chairman](#)
Uwe Augustin ... Pinneberg
Oliver Conradi ... Heidenheim
Ralf Daase ... Waren (Müritz)
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 Schlagenhauser ... Mittweida
Manfred Stevermann ... Düsseldorf
Horst Weyand ... Bad Kreuznach

EXECUTIVE DIRECTOR

Ingo Schramm

CONTACT

HEADQUARTERS

Münchener Hypothekbank eG
Karl-Scharnagl-Ring 10 | 80539 Munich
PO box 22 13 51 | 80503 Munich
Phone + 49 89 5387 - 0 | Fax + 49 89 5387 - 900

E-Mail: Serviceteam800@muenchenerhyp.de
Internet: www.muenchenerhyp.de
Lotus Notes Adresse: mhb_hotline@mhb_eg

SERVICETEAM 800

Phone + 49 89 5387 - 800 | Fax + 49 89 5387 - 900

HYPOLINE HOTLINE

Phone + 49 89 5387 - 145

ACCOUNTING | TAXES

Johann Götz ... Phone + 49 89 5387 - 204

BOARD OF MANAGEMENT STAFF | ORGANISATION | HUMAN RESOURCES

Dr. Phil Zundel ... Phone + 49 89 5387 - 319

CAPITAL MARKETS

Richard-Peter Leib ... Phone + 49 89 5387 - 127

COMMERCIAL REAL ESTATE FINANCE

Dr. Jan Peter Annecke ... Phone + 49 89 5387 - 116

CONTROLLING

Hansjörg Eisenreich ... Phone + 49 89 5387 - 744

CREDIT PRINCIPLES

Kurt Herold ... Phone + 49 89 5387 - 167

INFORMATION PROCESSING | OPERATIONS

Dieter Graupe ... Phone + 49 89 5387 - 555

INTERNAL AUDIT

Klaus Brnabic ... Phone + 49 89 5387 - 516

INTERNATIONAL DEBT INVESTMENTS

Guido Zeitler ... Phone + 49 89 5387 - 355

LEGAL

Günther Schwarz ... Phone + 49 89 5387 - 642

OFFICES OF THE BOARD OF MANAGEMENT

Dr. Louis Hagen (Spokesman) ... Phone + 49 89 5387 - 407

Bernhard Heinlein ... Phone + 49 89 5387 - 401

Michael Jung ... Phone + 49 89 5387 - 404

PRIVATE CUSTOMERS | PRIVATE HOUSING BUSINESS | BROKERS

Dr. Peter Knorr ... Phone + 49 89 5387 - 593

PRIVATE CUSTOMERS | PRIVATE HOUSING BUSINESS | VERBUND

Thomas Hügler ... Phone + 49 89 5387 - 644

PROPERTIES | SERVICES

Hubert Mayr ... Phone + 49 89 5387 - 639

TRANSACTION MANAGEMENT CAPITAL MARKETS | TREASURY

Ingeborg Eitler ... Phone + 49 89 5387 - 608

TRANSACTION MANAGEMENT PROPERTY FINANCE

Commercial Real Estate Customers

Susanne Falkenberg ... Phone + 49 89 5387 - 359

Private Customers

Ingo Schramm ... Phone + 49 89 5387 - 940

TREASURY

Rafael Scholz ... Phone + 49 89 5387 - 106

CONTACTS IN THE FEDERAL STATES

REGIONAL OFFICE AUGSBURG

Münchener Hypothekenbank eG
Schertlinstrasse 19
86159 Augsburg
Phone + 49 821 25763 - 0
Fax + 49 821 25763 - 20

REGIONAL OFFICE BERLIN

Münchener Hypothekenbank eG
Rankestrasse 26
10789 Berlin
Phone + 49 30 329007 - 0
Fax + 49 30 329007 - 20

REGIONAL OFFICE COLOGNE

Münchener Hypothekenbank eG
Hohenzollernring 55
50672 Cologne
Phone + 49 221 500616 - 0
Fax + 49 221 500616 - 20

REGIONAL OFFICE DRESDEN

Münchener Hypothekenbank eG
Cossebauder Strasse 20
01157 Dresden
Phone + 49 351 427971 - 0
Fax + 49 351 427971 - 20

REGIONAL OFFICE FRANKFURT

Münchener Hypothekenbank eG
Mainluststrasse 12
60329 Frankfurt am Main
Phone + 49 69 743465 - 0
Fax + 49 69 743465 - 20

REGIONAL OFFICE HAMBURG

Münchener Hypothekenbank eG
Beim Alten Gaswerk 1
22761 Hamburg
Phone + 49 40 355430 - 0
Fax + 49 40 355430 - 35

REGIONAL OFFICE HANNOVER

Münchener Hypothekenbank eG
Berliner Allee 5
30175 Hannover
Phone + 49 511 856144 - 0
Fax + 49 511 856144 - 20

REGIONAL OFFICE MUNICH

Münchener Hypothekenbank eG
Karl-Scharnagl-Ring 10
80539 Munich
Phone + 49 89 5387 - 521
Fax + 49 89 5387 - 566

REGIONAL OFFICE MUENSTER

Münchener Hypothekenbank eG
Hafenweg 46-48
48155 Muenster
Phone + 49 251 91997 - 0
Fax + 49 251 91997 - 20

REGIONAL OFFICE NUREMBERG

Münchener Hypothekenbank eG
Wallensteinstrasse 61-63
90431 Nuremberg
Phone + 49 911 214675 - 0
Fax + 49 911 214675 - 20

REGIONAL OFFICE STUTTGART

Münchener Hypothekenbank eG
Lange Strasse 6
70173 Stuttgart
Phone + 49 711 222962 - 0
Fax + 49 711 222962 - 22

COOPERATION PARTNERS

PARIS

ARP CONSEIL S.A.R.L.
Pascal Roth
1 Rue François 1er
F-75008 Paris
Phone +33 1 456262 - 50
Fax +33 1 456262 - 51
Pascal.Roth@groupe-arp.fr

MADRID

REALCIS S.L.
Peter von Puttkamer
Ribera del Loira, 28
E-28042 Madrid
Phone +34 91 72105 - 53
Fax +34 91 72114 - 07
Info@realcis.com

WIEN

Dr. Georg Formanek GmbH
Dr. Georg Formanek
An der Wasserleitung 16
A-2721 Bad Fischau-Brunn
Phone +43 664 51066 - 00
Fax +43 2639 328 - 23
Office@formanek-gmbh.at

IMPRINT

PUBLISHED BY

© Münchener Hypothekenbank eG
Karl-Scharnagl-Ring 10 | 80539 Munich
Registergericht Gen.-Reg. 396

COORDINATION

Board of Management Staff | Organisation |
Human Resources
Münchener Hypothekenbank eG

CONCEPT | DESIGN

Hillert und Co. Werbeagentur GmbH
Ungererstr. 129 | 80805 Munich
www.hillertundco.de

PRINTING

deVega Medien GmbH
Anwaltinger Strasse 10 | 86165 Augsburg
www.deVega.de

PHOTO CREDITS

Tommy Lösch

DISCLAIMER REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report contains statements concerning future expectations and forecasts. These forward-looking statements, especially those pertaining to the development of MünchenerHyp's business and income, are based on our planned assumptions and estimates and are subject to risks and uncertainties. There are a number of factors that could affect our business and which are mainly beyond our sphere of influence. These include, above all, economic developments, the state and further development of the financial and capital markets in general and our refinancing conditions in particular, as well as unexpected defaults on the part of our borrowers. Therefore, the actual results and developments may vary from the assumptions that have been made today. For this reason they are only valid at the time this report was prepared.



Volksbanken Raiffeisenbanken
cooperative financial network

Münchener Hypothekenbank eG
Karl-Scharnagl-Ring 10 | 80539 Munich
PO Box 22 13 51 | 80503 Munich
Phone +49 89 5387 - 800
Fax +49 89 5387 - 900
Serviceteam800@muenchenerhyp.de
www.muenchenerhyp.de