



MünchenerHyp

**GROWING
SUSTAINABLY.**

2015

**MÜNCHENER HYPOTHEKENBANK eG
ANNUAL REPORT**

OVERVIEW

BUSINESS DEVELOPMENT (IN MILLIONS OF €)*

	2015	2014	Change %
Lending Business			
a) Mortgage loans	4,850	4,436	9
aa) Residential property financing	3,835	3,678	4
ab) Commercial property financing	1,015	758	34
b) Loans to public sector and banks	671	861	-22
Total	5,521	5,297	4

BALANCE SHEET (IN MILLIONS OF €)*

	2015	2014	Change %
Total assets	38,099	36,340	5
Mortgage loans	25,678	23,556	9
Loans to public sector and banks	8,235	9,421	-13
Pfandbriefe and other bonds	32,463	31,117	4
Liable equity capital	1,372	1,378	0

INCOME STATEMENT (IN MILLIONS OF €)*

	2015	2014	Change %
Net interest income and net commission income	155	111	40
Administrative expenses	89	82	9
Results from operations before deducting provisions for risks	61	27	127
Results from operations after deducting provisions for risks	56	27	107
Transfer to the Fund for General Banking Risks	-8	-5	60
Net income	22	16	38

EMPLOYEES (NUMBER)

	2015	2014	Change %
Average number of employees per year	493	462	7
Apprentices	20	18	11
Employees participating in parental leave, early retirement and partial retirement (non-working phase)	17	25	-32

*Amounts have been rounded.

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Growing sustainably means doing business responsibly.

The 2008 crisis in the financial markets sparked a different way of thinking. Since then sustainable business success has become the strategic objective for an increasing number of firms. For cooperative banks – like MünchenerHyp – achieving sustainable profitability is nothing new. This objective is an integral part of the principles of doing business as a cooperative. Thus, for us growing sustainably means the long-term and responsible expansion of our earnings power to the benefit of our members, customers, partners and investors. This year we would like to present a few selected examples and figures to give you a closer look at the progress we made towards this goal over the last five years.

+39%
INCREASE IN THE MORTGAGE
LOAN PORTFOLIO SINCE 2010



The Board of Management of MünchenerHyp (from left to right):
Bernhard Heinlein, Dr. Louis Hagen (as of 14 March 2016 Chairman),
Michael Jung



+78%
RISE IN NET INTEREST
INCOME SINCE 2010



LETTER FROM THE BOARD OF MANAGEMENT

DEAR SHAREHOLDERS AND BUSINESS ASSOCIATES,

The 2015 banking year was marked by two far-reaching developments: a significant increase in regulatory requirements and a distinctly low interest rate environment. Both developments can be traced back to the outbreak of the crisis in the financial markets in 2008. Since then policymakers and regulators have acted to contain the immediate dangers of the crisis by placing increasingly strict rules on banks and cutting interest rates to historic lows. These policies have succeeded. In the meantime, the risks and dangers associated with these policies are becoming increasingly visible, although there are no signs at this time that regulatory zeal is lessening or that low interest rates could begin to rise. In view of this, it is more important than ever to have a business model that can also defy these burdens.

MEETING REGULATORY CHALLENGES

Münchener Hypothekbank faces especially challenges posed by new regulatory requirements, which often do not consider our low-risk business model. This frequently leads to disproportionately high costs and burdens, such as those shouldered by the Bank in 2014 when the European Central Bank (ECB) took over the direct supervision of MünchenerHyp.

However, up until the present we have been able to master these challenges quite well. We have built a constructive dialogue with the new supervisory authorities. We have met the requirements placed on the Bank in full and on time. One example of this was the minimum required common equity Tier 1 capital ratio, which was set at 9.25 percent for MünchenerHyp. We achieved a ratio of 17.3 percent thereby notably exceeding the requirement.

NEW BUSINESS GOALS SURPASSED

The second major challenge facing banks – the low interest rate environment – is actually rather beneficial for our core area of business: financing property purchases. This is because the more interest rates decline the more demand will increase for property as an investment, and thus the greater the attraction will be for long-term fixed rates of interest. MünchenerHyp is ideally positioned for this market thanks to its range of products. We benefit from good conditions for our long-term refinancing needs, and therefore our financing activities do not have to include risks related to changing interest rates.

The favourable overall conditions contributed towards the renewed and notable expansion of our new business results in 2015. We clearly exceeded our objectives as we once again achieved record results as our new property financing business rose by over 9 percent to € 4.9 billion.

Our brokerage business with banks within the Cooperative Financial Network – the Volksbanken, Raiffeisenbanken, Sparda-Banken and PSD-Banken – played a major role in our success. These results continued the favourable development noted in previous years as the volume of brokered loans has risen by over 120 percent since 2010.

For us this is also a pleasing confirmation of the good level of partner-like collaboration within the Cooperative Financial Network. In a network that is decentrally organised along specialised companies, the key element is the smooth interaction between local banks and the network's partners. We are – and this is not only visible in the developments noted over the last five years – a stable and a capable partner of the cooperative banks for long-term property financing. Our nationwide presence and the excellent refinancing conditions we enjoy as a Pfandbrief bank strengthen our partners' product competence.

Our cooperation with the Swiss PostFinance is also developing very favourably. PostFinance's good presence in the market, our attractive financial solutions and proven processes have led to a notable increase in the volume of brokered new mortgage loans. Due to challenging market conditions we have acted cautiously in our dealings with independent providers of financial services and have consciously accepted an accordingly lower volume of brokered business.

We also recorded strong gains in our commercial property financing business, which we were able to substantially expand. We could post success in a market environment marked by intensive price competition and where some participants are showing a greater willingness to take on more risk. Thus, it is even more satisfying for us to note that our business grew at an acceptable level of risk.

EARNINGS POWER FURTHER STRENGTHENED

Our successfully realised growth strategy is the cornerstone of our market success. Its focus is on ensuring that the Bank is able to

sustainably increase its earnings power by growing organically in its core areas of business: providing financing for residential and commercial property. We took another important step towards realising this goal in the 2015 business year. Net interest income improved by almost 30 percent to € 221.5 million, and without taking on any higher risks. The risk situation in our lending business remained satisfactory. Our good new business results also had favourable effect on our portfolio of mortgage loans, which exceeded € 25 billion for the first time ever.

We want to continue pursuing our growth strategy in the future. For this reason we held talks with Hausbank München last year covering subjects ranging from cooperation through to a merger, with the objective of providing additional impetus to our organic growth with external growth. Following constructive talks, Hausbank München decided at the start of 2016 that it did not wish to pursue a merger for the time being. The talks did, however, reveal potential areas of business where we could deepen or expand our collaboration.

FOUR SUCCESSFUL, LARGE-VOLUME PFANDBRIEF ISSUES

Demand for our Pfandbriefe was also very good in the previous year. The overall market was heavily affected, in particular, by the ECB's third Covered Bond Purchase Programme, which favourably influenced the sale of covered bonds. In this environment we were able to successfully place four large-volume, benchmark Mortgage Pfandbriefe issues with very low risk premiums. Our good name as an issuer among investors contributed to this success. During the year under review we were once again honoured as the best issuer of covered bonds and Pfandbriefe.

OUR SUCCESS IS THE SUCCESS OF MANY

The many challenges we faced in recent years have strengthened MünchenerHyp's performance capabilities. A great deal of this is owed to our employees' motivation, the constructive cooperation with the Works Council and the Executive Employees Committee, as well as the support we received from our members. Please accept our warmest thanks for your efforts. We would also like to thank the members of the Supervisory Board, the Cooperative Advisory Committee, our colleagues in the associations and firms within the Cooperative Financial Network, and last, but not least, our customers for their productive and beneficial collaboration.

The success of one link in a strong network always benefits the success of the entire community.

Our sustained growth course is a joint effort and its success is based on the high motivation of our employees and the interaction between MünchenerHyp and its partners. For this reason, we want use this annual report to present some of the stories behind the numbers. We have selected some examples of the important steps and developments that have enabled us to implement our growth strategy.

We will strive to continue growing organically in the current business year. We are confident that we will achieve this objective in view of the market environment, our competitive strengths, the dedication and expertise of our employees, and our attractive range of products.

Sincerely yours,



Dr. Louis Hagen



Bernhard Heinlein



Michael Jung

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"For many years the Volksbank Griesheim has valued their good and successful financing business relationship with the Münchener Hypothekenbank. Our customers benefit from attractive conditions available for property loans as well as fixed-interest rates for longer terms of up to 30 years," says Armin Pabst, Chairman of the Board of Management of the Volksbank Griesheim eG, shown here in discussion with Michael Hohmann (left), the Head of our Frankfurt Regional Office, about further expanding cooperation.



+122%

GROWTH IN OUR NEW MORTGAGE BUSINESS
WITH THE COOPERATIVE BANKS
SINCE 2010

Partnership is a strength that makes successes unique.

The German residential property market is booming – and the financing market is booming along with it. This is because anyone who buys a home generally needs to obtain financing as well. Therefore, more and more providers of financing are pushing their way into the market, and this has led to a substantial intensification of competition. Today a provider of financing has to offer more than just attractive conditions to successfully maintain its position in this market. In addition to competence, they also have to offer individually tailored and innovative financing solutions. Therefore, it's ideal when two strong partners join together. Our cooperative partner banks offer a high level of advisory competence and have earned the confidence of their customers – and we deliver suitable financing solutions. For example, our new product: MünchenerHyp's sustainability loan – for home buyers who not only want to build sustainably, but also want to finance sustainably.



MANAGEMENT REPORT 2015

ECONOMIC REPORT

OVERALL ECONOMIC CONDITIONS

ECONOMIC DEVELOPMENT

The global economy weakened slightly in 2015. Based on an initial assessment prepared by the International Monetary Fund (IMF), global gross domestic product (GDP) grew by 3.1 percent following 3.4 percent recorded in the previous year. Results were mainly dampened by economic development in the emerging markets, and especially in China. Furthermore, global trade weakened notably.

In the industrialised nations, a moderate upswing gained further traction. This was also visible in the eurozone where the IMF recorded growth of 1.5 percent, which was primarily driven by domestic demand, as well as rising exports due to the declining value of the euro.

The German economy was robust in 2015 as the country's GDP grew by 1.7 percent, which was slightly higher than in the previous year. The domestic economy was the also strongest growth driver in Germany with private consumption playing a particularly active role. Investments contributed favourably to growth with capital expenditures for plant and equipment at the forefront. Investments in construction projects were only able to record marginal growth and rose by a total of 0.3 percent. This increase was solely driven by investments in residential construction, which grew by 1.6 percent. Construction in the public sector fell by 1.7 percent while construction of commercial property projects contracted by 1.4 percent. The construction industry viewed an insufficient backlog of orders as the primary reason for the decline.

Consumer prices once again rose at a significantly slower pace: the gain of 0.3 percent was the lowest rate of price increases in six years. This situation was primarily influenced by declining global market prices for oil as well as falling prices for natural gas and energy. In contrast, prices for food and services rose.

The stable economy also had a favourable influence on the labour market. The annual average number of employed persons rose to more than 43 million for the first time ever. The number of unemployed persons fell by 100,000 to just below 2.8 million pushing the unemployment rate down by 0.3 percentage points to 6.4 percent.

FINANCIAL MARKETS

Financial markets were once again volatile in 2015. The markets were upset by the decision taken by the Swiss National Bank at the start of the year to discontinue the pegging of the Swiss Franc at a fixed exchange rate to the euro. The move led to a rapid rise in the value of the Swiss franc over the euro as it soared by about 20 percent. During the first half of the year the crisis surrounding Greece worsened again and led to increasing fears of a national bankruptcy and that Greece would leave the eurozone. These fears were alleviated following numerous negotiating sessions as the Greek government agreed to make concrete reforms in return for financial assistance.

Bond markets were heavily influenced by the European Central Bank's (ECB) ultra-loose monetary policy. The ECB already announced in January that it was expanding its bond purchasing programme, which began in March. This again led to notable profits in government bond spreads, which in turn pushed bond yields down sharply as 10-year Bunds posted a record low yield of 0.05 percent in April. This was followed by a counter-reaction which pushed yields back up to over 1.0 percent by the beginning of June. This move marked the highest yields for the year as they retreated over remainder of 2015. At the end of the year 10-year Bunds were yielding 0.6 percent.

"The Pfandbrief continued to set the standard in Europe. German issuers accounted for the greatest share of euro-denominated benchmark issues."

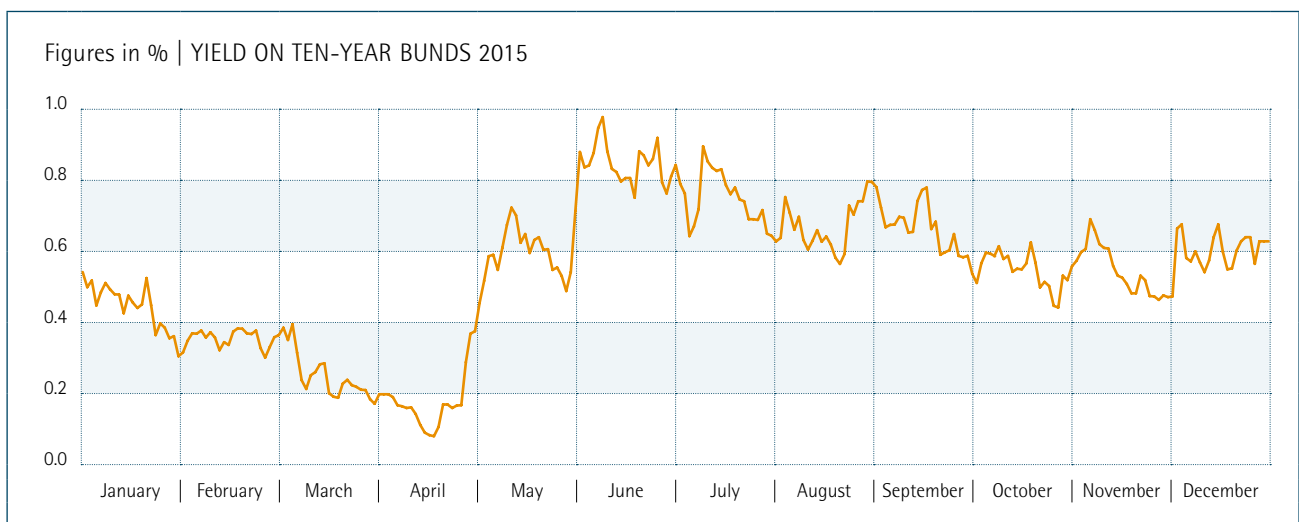
Following seven years of zero interest policy the American central bank (the Fed) raised its key interest rate to the range of 0.25 percent to 0.50 percent in December 2015. The market had long speculated that this move was coming as the Fed had previously sent out numerous signals. In contrast, the ECB did not change its expansive monetary policy and in December responded to unchanging low inflation rates with another reduction in the deposit facility rate by 0.1 percentage points to minus 0.3 percent.

The foreign exchange markets saw the US dollar rise over the euro and especially during the first quarter. Changes in the exchange rate were less pronounced during the remaining course of the year as the euro moved in a range between 1.05 and 1.15 US dollar. The value of the euro vis-à-vis the British pound fluctuated more moderately as it stood at 0.74 GBP at year-end, or only 4 pence less than it was at the start of the year. Following the surprise revaluation of the Swiss franc in January, the euro was able to strengthen in the second half of the year and closed out the year at 1.09 CHF, or about 10 percent over the low point recorded in January 2015.

issues rose to € 144.6 billion in 2015 or by 24 percent over the previous year's figure. German issuers once again represented the biggest group of issuers. It is likely that this development was assisted by attractive issuance levels and the ECB's covered bond purchase programme.

There was also greater volatility in the stock markets. The DAX rose by 9.6 percent over the course of the year, which was a good performance compared to other equity markets around the world. However, after reaching an all-time high of almost 12,400 points, the DAX fell sharply in late summer and then again in the autumn due to the slowdown of growth in China which stoked fears concerning the state of the Chinese economy.

The German Pfandbrief continued to set standards in Europe and traded at the lowest spreads compared to other covered bonds. Yields fell to historic lows due to the ECB's bond purchasing programme and its interest rate policy. Signs of private investors being squeezed out of the markets by the ECB were also increasingly visible in the Pfandbrief market. The volume of benchmark euro



Source: Bloomberg (closing rate)

PROPERTY AND PROPERTY FINANCING MARKETS

RESIDENTIAL PROPERTY – GERMANY

Growth seen in previous years continued in the German residential property market. Demand for houses and apartments remained high from buyers who sought to buy for their personal use as well as those who bought property as an investment. The reasons behind this did not change in 2015. Due to the overall financial environment, on the one hand the affordability of residential housing improved by unchanged low interest rates, despite rising prices. On the other hand low interest rates earned by savers increased the attractiveness of residential property as an investment.

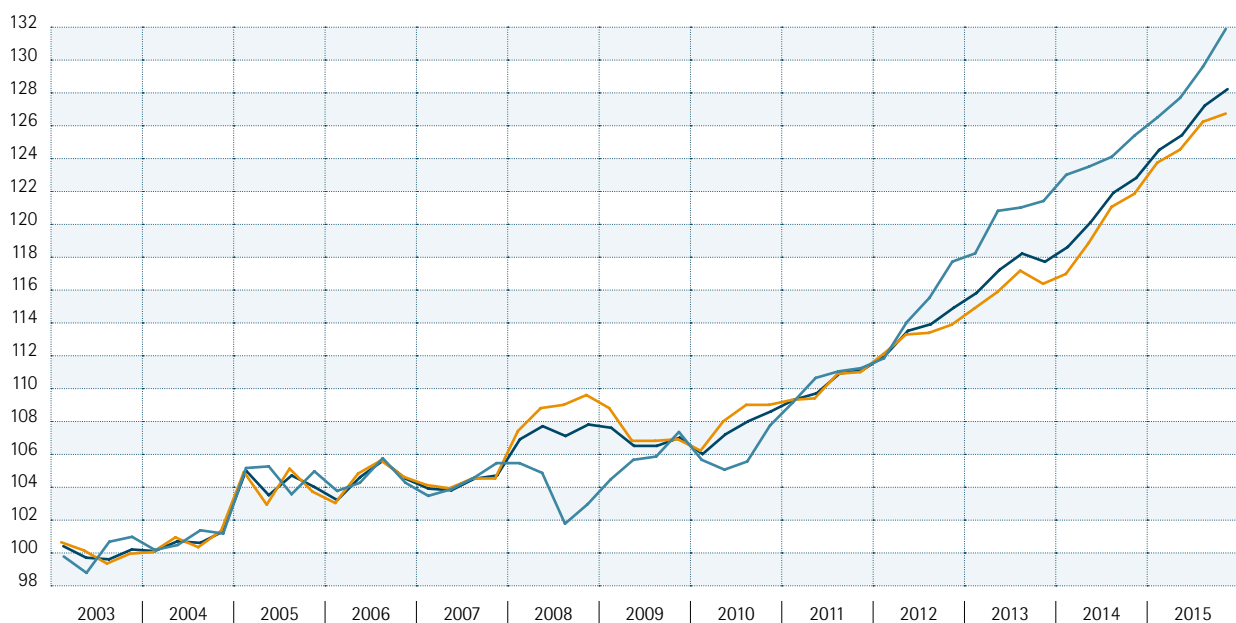
Extremely high demand for residential property accelerated the rise of prices paid in the housing market. Based on the Association of German Pfandbrief Banks' (vdp) property price index, prices rose by 5.9 percent in 2015 over the previous year's figure. This gain was primarily driven by prices for multi-family houses, which advanced by 7.2 percent. This significant rise is due, in particular, to the great

interest shown by institutional investors in residential property as they were under great pressure to invest. This is also reflected by developments seen in the volume of investments made in residential property. Purchases of residential property portfolios made by institutional investors amounted to about € 23 billion in 2015, or nearly 70 percent more than noted in the previous year.

"Growth noted in previous years in the residential property market continued. Prices paid for houses and apartments rose at faster pace due to strong demand."

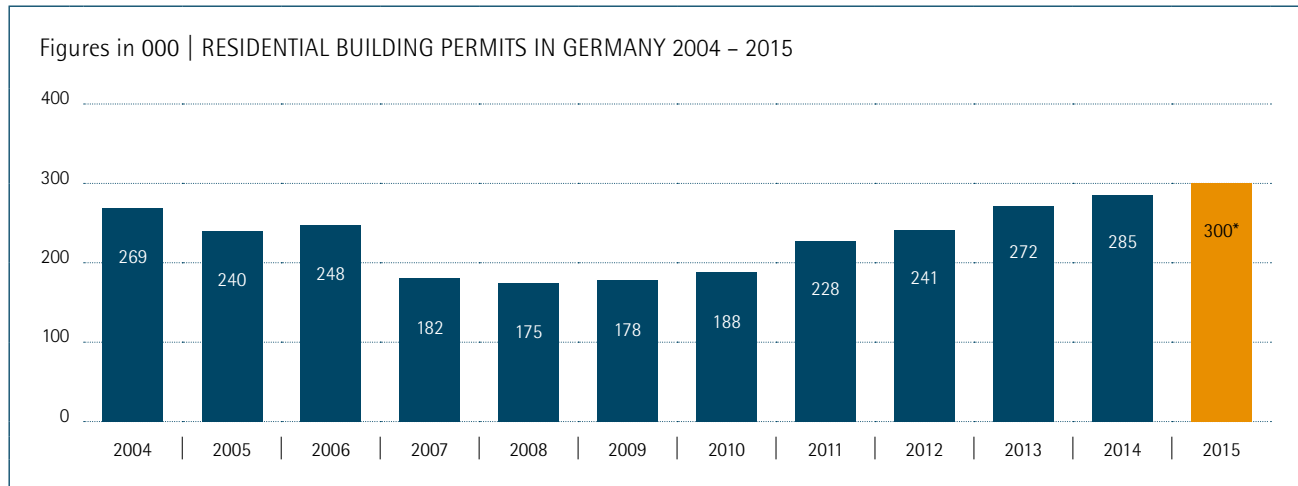
In addition, a further notable increase of 3.8 percent in rents was recorded. Although the development of rental prices weakened slightly in comparison to the previous year, the rental housing

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



— Owner-occupied residential property — Houses — Condominiums

vdpResearch GmbH calculations based on information provided by vdp transaction databank
As of: February 2016



* 2015 = estimated
Source: German Federal Statistics Office

market remained tight in many major metropolitan areas and large cities. Meanwhile, vacancy rates in these cities are so low that rents are continuing to rise as more people move to these areas. In contrast to these prospering cities, many rural regions noted no changes in their above-average vacancy rates and, at best, stagnant rents, because of the demographic development.

"Against the background of the major need for housing, discussions concerning the creation of a property bubble in Germany decreased notably during the second half of the year."

Prices accelerated again for owner-occupied residential property as prices for houses (+ 4.8 percent) and condominiums (4.0 percent) rose over the previous year's figures. This was driven by the tight supply of existing housing in many areas as potential sellers were hesitant to sell due to the lack of alternative investment opportunities.

Construction activities in 2015 again lagged behind demand. By the end of November 2015 permits had been issued for the con-

struction of 276,000 housing units – new housing units housing units and modernisation projects. This figure was about 16,000 housing units more than in the previous year, or 6.3 percent higher. In contrast, the Federal Ministry for Building has stated that at least 350,000 new housing units must be built annually by 2020 in order to stop the upward development of prices driven by excess demand. However, the vdp estimates that only about 250,000 new housing units were built in 2015.

Against the background of the major need for housing, discussions concerning the creation of a property bubble in Germany decreased notably during the second half of the year. According to the Bundesbank's 2015 Financial Stability Review there are still no signs of macro-economic, crisis-like developments in the residential property market, despite clearly rising property prices in recent years. It was noted that a combination of rising property prices, speculative building activities, excessive lending and an easing of lending standards would be dangerous. Based on statements made by the Bundesbank, the increase in the volume of property loans is actually moderate when viewed on a long-term basis. Furthermore, according to a study prepared by the vdp, which examined the structures of residential property financing in 2015, lending practices still remain safety-oriented. Moreover, the portion of equity capital provided by borrowers who sought loans to buy a condominium even rose slightly.

Strong demand for residential property led to a further intensification of competition in the residential property finance market in 2015. Banks within the Cooperative Financial Network, especially the Volksbanken and Raiffeisenbanken, were not only able to withstand pressures posed by new providers, they were also able to once again strengthen their market position. According to statistics prepared by the German Bundesbank, they held a 21.9 percent share of market at the end of the third quarter 2015 – and were able to expand their share faster than other banking groups.

RESIDENTIAL PROPERTY – INTERNATIONAL

The economic recovery in numerous European countries had a positive impact on the residential property markets. Strong dynamics was noted in these countries, which in turn was reflected in the development of prices. According to Eurostat, house prices in the European Union rose by 3.1 percent in the third quarter of 2015 over the same year-ago period and by 2.3 percent in the eurozone. These figures were influenced by countries posting above average high rates of growth like Sweden, Ireland and Denmark, as well as those with declining housing prices including, in particular, Latvia, Italy and France.

For France this meant the continuation of a development that began in 2012. On an overall basis housing prices fell moderately and are currently only about 4 percent below the peak level reached in 2011. Demand for residential property rose slightly in 2015 due to the slight improvement in France's economic situation and the very low interest rates. Demand for new housing, in particular, exceeded supply. The shrinking level of new construction of housing noted since 2012 contributed to this situation, which in turn led to a slight revival of higher purchase prices in this segment at the end of the year.

The British housing market remained tight as demand stayed high due to the good economic situation and the low level of interest rates. As a result, prices for houses climbed by a notable 4.5 percent, although this gain was slightly less than the figure posted in the previous year. The supply of apartments tightened even further as the rate of new construction once again did not keep pace with the increase in population during the year under review. Furthermore, restrictive lending practices meant that the volume of transaction remained at the previous year's level despite heavy demand.

The first signs of a recovery in the Dutch residential property market were seen in 2014. The recovery gathered strength in 2015 as demand by owner-occupiers and investors increase substantially. Demand seen in the Netherlands was also driven by favourable economic development and low interest rates for mortgages. House prices also rose as a result and in the third quarter of 2015 had increased by an average of 2.9 percent over the figure in the same year-ago quarter. Nevertheless, sales prices were still about 16 percent below the peak levels seen in the record-setting year of 2008. Moreover, the growing deregulation of the rental housing market also contributed towards making the Dutch residential property market more attractive for international investors. However, as supply was relatively limited, the volume of transactions totalled about € 1.8 billion and was 20 percent lower than the level recorded in 2014.

The strong rise in prices noted in Switzerland in previous years ebbed further in 2015. While the price of single family houses rose by 3.1 percent in the third quarter of 2015, prices for condominiums only climbed by 1.3 percent over same year-ago quarter. A certain amount of market saturation could be increasingly observed in this segment, although demand for property as a capital investment remained at a high level in light of the low interest rates and the lack of investment alternatives. The pace of increases in rental prices also fell slightly as prices noted in the third quarter of 2015 were one percent higher than in the same year-ago quarter. The Swiss National Bank noted in their 2015 Financial Stability Report that the imbalances in the mortgage and residential property market did not rise any further. At the same time, however, they warned that the existing imbalances remained at a high level.

Prices recorded in the residential property market in the USA rose further. The S&P/Case Shiller Index showed that prices for November 2015 had risen by 5.8 percent over the same year-ago period. Notable regional differences were visible as Portland, San Francisco and Denver posted double-digit increase, while house prices in Chicago, Washington and Cleveland only rose by 3 percent during the same period. The nationwide rate of price increases, which was substantially higher than forecast, continued to be driven by low interest rates, favourable developments in the labour market as well as the tight supply of available housing. At the same time demand was very high, which led to a veritable seller's housing

market in many locations. The number of transactions completed for existing housing rose by 6.5 percent over the figure recorded in 2014.

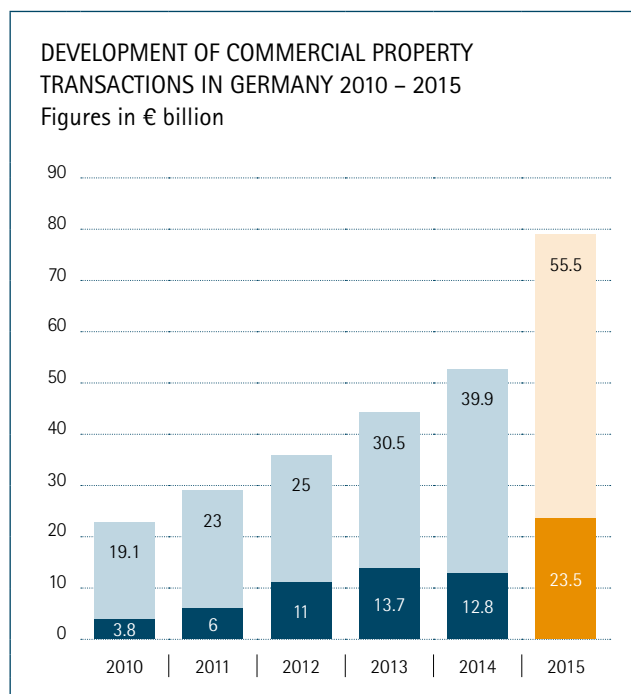
COMMERCIAL PROPERTY – GERMANY

The German commercial property market had a record-setting year as more than € 55 billion was invested in commercial property in 2015, or about 40 percent more than in the previous year. About half of the transactions were made by foreign investors, who viewed Germany as a very interesting country to invest in due to the solid overall economic situation and the stable rental property market. Low interest rates were also a key factor driving capital investments in the commercial property market.

Demand for single properties and property portfolios remained very clearly focused on the seven best property locations, which accounted for about 56 percent of the volume of transactions. However, sales outside of these major metropolitan areas also rose disproportionately. This development was spurred by the tight

availability of properties in the most desirable locations and the fact that initial returns offered by commercial properties outside of the top office locations were relatively high as they had higher liquidity risks. However, when viewed on an overall basis, returns once again fell slightly. This development affected office properties as well as retail and logistics properties, which had attracted increased investor interest in the previous year. Retail properties alone accounted for almost one-third of total transactions in 2015.

"The German commercial property market had a record-setting year with low interest rates as a key factor driving capital investments in commercial property."



■ Commercial
■ Residential (only portfolio)

Source: Ernst & Young Real Estate GmbH, January 2016

The rental market also posted very good results that significantly exceeded the expectations of market participants. The seven most important office locations generated office space sales of about 3.6 million square meters, or about 20 percent higher than in 2014. No excess capacities in the form of speculative office projects were created on the supply side due to conservative financing practices adopted by banks since the end of the finance and economic crisis. This had a favourable effect on the market as vacancy rates for office space in all of the major office locations was noticeably reduced. In total, the volume of vacant space fell again below 6 million square meters for the first time since 2002, which is equal to an average vacancy rate of 6.4 percent.

Increased demand for office space not only led to shortages of space in prime locations, it also extended to office locations outside of major centres. As a result, rents paid in top office locations increased substantially with top rents rising by 3 percent and average rents by 4 percent. In contrast, the situation was slightly weaker when viewed on a nation-wide basis as the 2015 vdp Office Property Rent Index showed an increase of 0.6 percent. This figure reflected a somewhat weaker increase for all of Germany.

Lower returns and rising rents combined to push prices for commercial properties higher again in 2015. The vdp Commercial

Property Price Index grew by 2.0 percent compared to the same-year-ago figure.

COMMERCIAL PROPERTY – INTERNATIONAL

The commercial property market also expanded internationally. Investors focused on liquid markets offering a broad range of large-volume properties. Within Europe the most attractive investment destinations were Great Britain, France and Germany. The rankings changed as the enormous increase in the volume of transactions in Germany moved it up to the number two position behind Great Britain as France slipped to number three. The volume of transactions in Europe once again grew very strongly and by the end of the third quarter had increased by 27 percent to € 182 billion.

"The commercial property market also expanded internationally. Within Europe the most attractive destinations for investors were Great Britain, France and Germany."

Turnover of office space was very high and especially in the fourth quarter. In addition, on a European-wide basis rents rose by almost 3 percent compared to the same year-ago figure. At the same time vacancy rates fell. At the end of 2015 the average vacancy rate for office space in the 24 most important office markets in Europe was just under 9 percent, which was the lowest vacancy rate since the end of 2008.

Great Britain was the unchallenged sales leader in the commercial properties market with 64 billion pounds. Turnover only rose marginally compared to the previous year's figure. The transaction market remained heavily dominated by foreign investors as they represented about half of the volume. Investors remained primarily focused on office properties in London, where vacancy rates sank below 3 percent. This in turn led to further increases in rents charged in the London City.

Paris retained its title as the European city with the second largest volume of property investments. Properties valued at about € 19 billion changed hands in the greater Paris region, or about 7 percent

more than in the previous year. French investors accounted for more than two-thirds of all transactions made followed by American investors with a share of about 14 percent. Investors preferred to buy office properties. Although the market for office users was muted in the first half of 2015, by the end of the year volumes marketed had been propelled to 2.2 million square meters due to very good rental results. Vacancy rates only fell at a very slow pace thus allowing rents to remain at a generally stable level since 2013. Peak returns declined further in view of unbroken high demand.

The Dutch commercial property market again developed at a lively pace. With sales of almost € 12 billion in 2015, the market posted the highest turnover recorded in many years with foreign investors, mainly coming from the USA and the UK, made about half of the volume of transactions. More than one-third of the investments made flowed into office properties. Correspondingly, turnover of office space increased substantially and especially in Amsterdam. High demand also led to a further mild decline in top returns.

"Investments in American commercial property increased substantially. Property prices also rose."

The upswing in the commercial property markets in the USA continued. Based on first projections, property investments totalled about US\$ 435 billion in 2015, or about 20 percent over the previous year. Parallel to the increase in the volume of investments made, the property price index published by Moody's/RCA showed an increase of 1.4 percent just in November alone, with a gain of 14.7 percent year-over-year. Prices for office properties in central business districts posted strong above-average growth of about 26 percent. The development of these prices was accompanied by a further improvement in the condition of the office market as the vacancy rate fell to 14.7 percent, which was the lowest rate recorded in the past eight years. The range extended from 6.4 percent in Salt Lake City to 24.6 percent in New Jersey. Rents paid for office space recorded a slight gain of 2.3 percent while top rents paid declined by a further 10 basis points.



1 + 8 + X

WE ARE ACTIVE IN GERMANY + 8 EUROPEAN COUNTRIES
TODAY + THE FURTHER INTERNATIONALISATION OF
OUR COMMERCIAL REAL ESTATE FINANCING BUSINESS

Ready for new markets.

Every second euro that's invested in commercial property in Germany comes from abroad, and the situation is similar in many other European markets. This is why providers of property finance are challenged to think and act internationally and to know more than just the ins and outs of their home markets. This is because international investors expect a provider to deliver a flexible response to their ideas and requirements and be open-minded about new financing products and product variations. We kept this in mind in recent years as we expanded our international commercial property financing business and extended our range of products. Today we provide property financing services in Germany and eight other European countries - as we pursue our goal of offering our expertise and services to customers in additional countries.

DEPARTURES			
ORIGIN	FLIGHT	TIME	GATE
Birmingham	1101	1:20 PM	B5
Lyon	174	1:50 PM	C3
Barcelona	2775	3:25 PM	B6
Amsterdam	4153	4:00 PM	C2
Brüssel	903	4:25 PM	D4
Luxemburg	119	4:40 PM	B3
Wien	3848	5:08 PM	D5
Zürich	2046	5:30 PM	C3
München	683	5:44 PM	C4

Progressing towards the next financing deal:
Dr. Jan Peter Annecke (right), Head of Commercial Real Estate Finance,
in discussion with a customer

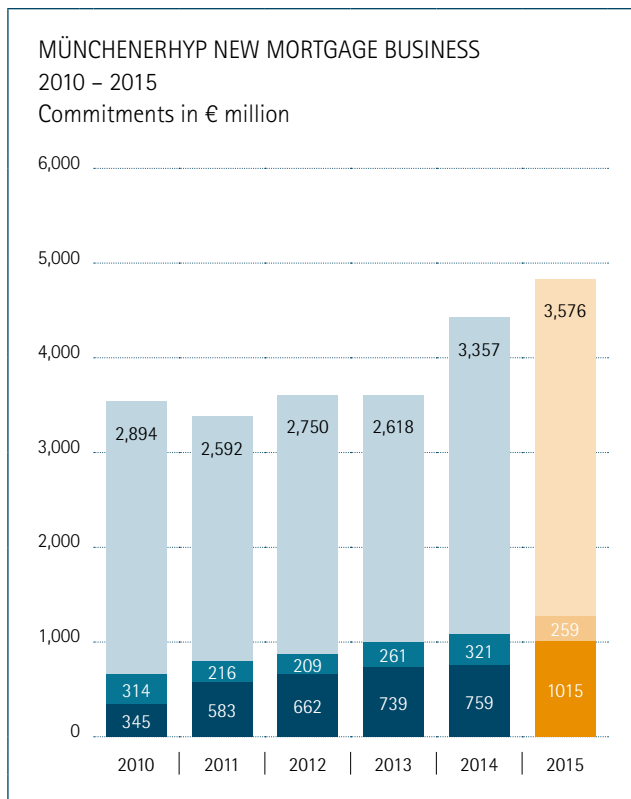


BUSINESS DEVELOPMENT

NEW MORTGAGE BUSINESS

Our new business thrived anew. We were able to notably exceed the previous year's record results by 9.3 percent, which surpassed the forecast we made in the previous Annual Report. We made total of € 4.9 billion (previous year € 4.4 billion) in new property loans.

In accordance with our business strategy, the majority, or € 3.6 billion, of the lending commitments we made were for financing private residential property. We were thus able to exceed the very high level we achieved last year by 6.5 percent.



- Residential housing
- Housing Companies
- Commercial property

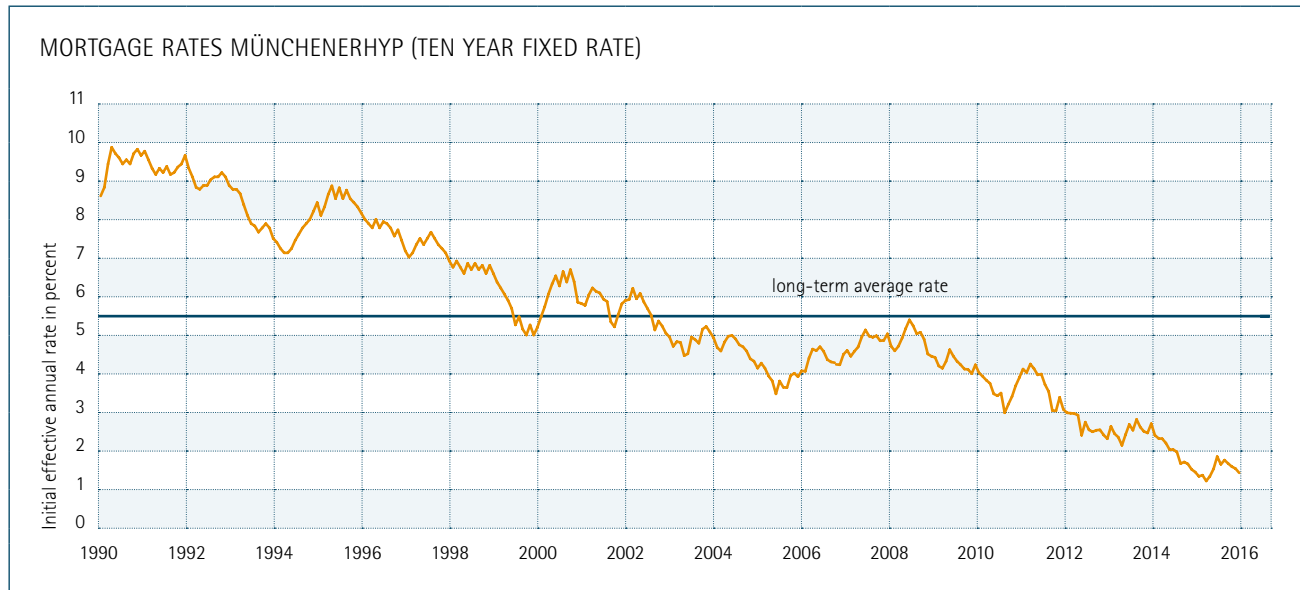
As in the previous years, our very good performance is based on three foundations:

- 1) Our close cooperation with banks within the Cooperative Financial Network. Thanks to their high level of competence and selling power in their individual areas of business they were able to further strengthen their market position in 2015.
- 2) Low interest rates for property loans combined with the lack of other attractive capital investment opportunities resulted in unbroken high demand for houses and apartments, and therefore also for property financing.
- 3) Our range of products that offers numerous opportunities for customers to obtain financing that is tailor-made for their individual requirements, and, in particular, long-term financing. Thanks to our excellent standing as a Pfandbrief issuer we can offer many optional extras at attractive conditions.

"We were able to significantly expand the record results we posted in the previous year. The volume of commitments made in our mortgage loan business rose to € 4.9 billion."

Furthermore, during the year under review we also successfully launched a new lending product into the market: The MünchenerHyp Sustainability Loan. The focus of this product is on financing environmentally-friendly and ecological properties. Lending criteria are based on the primary energy usage of low-energy houses with an annual energy consumption for space heating and domestic water of no more than 70 kilowatt hour (kWh) per square meter of usable space. In addition the loan can be used for all financing purposes and – in contrast to some other developmental loans – to completely finance the property. Furthermore, the MünchenerHyp Sustainability Loan marked another important step for us to anchor sustainability – as announced in the last Annual Report – even more solidly in the Bank's core area of business.

We were successful in our efforts to further expand our cooperation with the banks within the Cooperative Financial Network in 2015. New business with them grew by 9.3 percent to € 2.7 billion.



As of: 02.01.2016

Sales of private property loans via independent providers of financial services fell by 43 percent from the previous year's figure to € 336 million. We accepted the decline in order to optimise the credit margins we obtain in this segment.

Our cooperation with Swiss PostFinance developed quite nicely as the volume of loans they brokered rose substantially.

We were also able to expand our new commercial property finance business at a faster pace – by 18 percent to € 1.3 billion (previous year € 1.1 billion) – than predicted. Lending commitments of about € 1 billion made to finance commercial properties represented the majority of new business generated in this segment as our financing business with commercial housing companies amounted to € 0.3 billion and was slightly below the previous year's performance.

We achieved these results in a market environment that was increasingly difficult because of declining margins and tendencies to once again accept greater risks in financing. The fact that we were nevertheless able to grow our new business at an acceptable level of risk was primarily owed to the expansion of our processing capacities and the optimisation of our internal processing procedures. These improvements allow us to review a higher volume

of new business inquiries and offer made-to-measure customer-oriented solutions. In addition, we also accepted the challenges posed by price competition. We were able to increase the volume of our new business in our foreign markets, in particular, over the previous year's figure due our favourable refinancing conditions.

CAPITAL MARKETS BUSINESS

Regulatory requirements as well as the low interest rate policy continued to have a major effect on the securities business with the public sector and banks.

For these reasons our activities in this sector were marked by great restraint. In accordance with our business and risk strategy we only invested in liquid securities issued by very creditworthy issuers located in EU core countries. The volume of new business contracted by about € 200 million to € 0.7 billion. The volume of these securities in our portfolio declined by € 1.2 billion to € 8.2 billion.

REFINANCING

Overall conditions in the capital markets were again marked by the ECB's third Covered Bond Purchase Programme (CBPP3) and the low interest rate environment. In addition, the first half of the year saw critical developments in Greece and the Ukraine. At this point in time the negative spreads also declined to the lowest values.

During the past year we successfully placed four major volume Mortgage Pfandbriefe. All issues were placed by us in benchmark format and below the mid-swap rate. Each of the first three Pfandbriefe achieved the lowest spreads in their individual maturity segments in 2015.

The first issue was a 10-year Mortgage Pfandbrief benchmark issue placed in March with a volume of € 750 million and a discount of 14 basis points below the mid-swap rate. We recorded 70 orders from 16 countries. Total orders for the issue amounted to over € 2 billion.

This was followed in June with an 8-year Mortgage Pfandbrief that had a volume of € 750 million and was placed at a discount of 17 basis points below the mid-swap rate. The order book contained 46 orders totalling over € 1 billion from twelve countries.

"Demand for our Pfandbriefe was again very good. We were able to successfully place four large-volume Mortgage Pfandbriefe."

In August we placed a Mortgage Pfandbrief with a term slightly longer than 5 years. This issue also had a volume of € 750 million. Orders were received from 49 investors from 14 countries to purchase more than € 1 billion of the new issue.

Demand for these three issues was so high that we increased the volume of each of them by € 250 million during the book-building phase to accommodate demand shown by institutional investors as well as the CBPP3.

We closed out our series of benchmark issues in October with a 6-year Mortgage Pfandbrief that had a volume of € 500 million. The € 750 million in orders taken reflected a slight saturation of the market as we received 32 orders from five countries.

On average German investors represented 73 percent of all the bids submitted for the benchmark issues placed in 2015. The remaining shares were held by other European countries as well as Asian nations. The biggest investor groups consisted of banks, central banks, funds, and insurance companies.

Among our maturing issues in 2015 was, in particular, a Jumbo Mortgage Pfandbrief with a volume of over € 1.5 billion that matured in June.

Our issuing work – characterised by competence, efficiency and timing – was honoured with an award in December 2015: Capital Market Data Network (CMDportal), an international financial market service network, awarded MünchenerHyp the CMD Prize for "Best Covered Bond Issuer". In addition we also defended our first place ranking in the Euromoney, a trade magazine, "Best Borrowers Survey 2015" in the category "Covered Bonds & Pfandbriefe". The vote is based on an international survey taken of major banking clients.

We broke new ground with our uncovered refinancing activities as we issued two large volume bonds via investment banks we had mandated for this purpose. The first bond had a volume of over € 300 million and a 7-year term while the other was a 5-year bond with a volume of over € 250 million. Thanks to an innovative new product that we jointly developed with an investment bank, we were able to win corporate clients as well as new customers for MünchenerHyp. Banks from within the Cooperative Financial Network were also well represented as buyers.

During the year under review we obtained a total of € 7.9 billion in refinancing funds, of which Mortgage Pfandbriefe accounted for € 6.1 billion, and € 1.8 billion generated by uncovered bonds. Due to the direction of MünchenerHyp's business strategy we only issued a very limited volume of Public Pfandbriefe.

ASSET, FINANCIAL AND EARNINGS SITUATION

BALANCE SHEET STRUCTURE

Our strong new business results led to a further increase in total assets which rose from € 36.3 billion on 31 December 2014 to € 38.1 billion at the end of 2015.

During the course of the year our mortgage loan portfolio grew by € 2.1 billion to € 25.6 billion. Domestic residential property loans were once again the strongest growing area of business and increased by € 1.6 billion.

Our portfolio of loans is structured as follows: domestic mortgage loans € 20.0 billion (previous year € 18.4 billion), of which € 17.8 bil-

lion (previous year € 16.2 billion) were residential property loans, and € 2.2 billion (previous year € 2.2 billion) were commercial property loans.

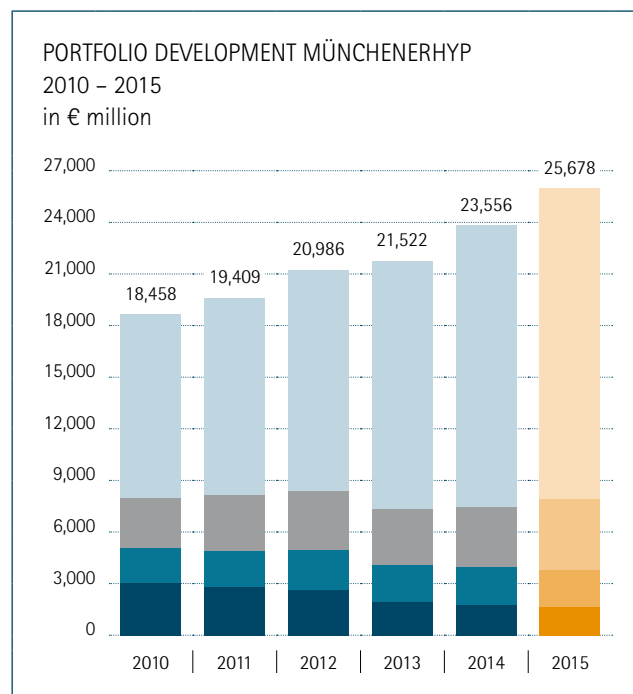
The level of foreign loans remained unchanged compared to previous year. With a volume of € 5.6 billion (previous year € 5.0 billion) foreign loans continued to represent 22 percent of our total mortgage loan portfolio. Within this segment residential property loans accounted for € 4.1 billion (previous year € 3.4 billion) while commercial property loans amounted to € 1.5 billion (previous year € 1.6 billion). Foreign loans we made consisted of residential property loans granted in Switzerland, which accounted for 71 percent of the total, while commercial property loans in the USA represented 6 percent, and commercial property loans granted within European Union countries stood at 23 percent.

In accordance with our business and risk strategy, our portfolio of loans and securities related to our business with the public-sector and banks contracted further from € 9.4 billion to € 8.2 billion, of which € 3.9 billion were securities and bonds.

At the end of 2015 the net sum of unrealised losses and unrealised gains in our securities portfolio amounted to plus € 34 million (previous year plus € 43 million). These include unrealised losses of € 10 million (previous year € 16 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 € 0.9 billion).

Following a detailed examination of all securities we came to the conclusion that a permanent reduction in value was required for one security in the portfolio: a bond issued by HETA Asset Resolution AG with a nominal value of € 50 million. During the year under review we wrote down the value of this bond by an additional € 2.5 million to 50 percent of its nominal value. Despite this write-down we will exhaust all legal means to recover the full value of the nominal amount.

The portfolio of long-term refinancing funds increased by € 1.4 billion to € 32.1 billion, of which € 20.0 billion consisted of Mortgage Pfandbriefe, € 5.0 billion of Public Pfandbriefe and € 7.1 billion of uncovered bonds. The total volume of refinancing funds – including money market funds – rose from € 33.8 billion in the previous year to € 35.4 billion on 31 December 2015.



- Residential housing Germany
- Residential housing Switzerland
- Commercial property Germany/other property finance loans
- Commercial property abroad/other property finance loans

The item "Other liabilities to customers" is structured as follows:

	Remaining term < one year in € 000	Remaining term > one year in € 000	Total in € 000
Other liabilities to customers as of 31.12.2015	1,023,200	2,143,851	3,167,051
Registered bonds	10,020	1,145,622	1,155,642
of which institutional investors	10,020	1,144,613	1,154,633
Promissory note loans on the liabilities side	685,573	998,229	1,683,802
of which institutional investors	486,044	984,920	1,470,964
Other	327,607	0	327,607
of which institutional investors	320,000	0	320,000

Paid-up capital grew by € 38.0 million to € 705.3 million. Total regulatory equity capital of € 1,372.0 million was slightly below the previous year's figure of € 1,377.5 million due to the step-by-step reduction of eligible equity capital elements subject to a transitional provision per the terms of the Capital Requirements Regulation (CRR).

Our common equity Tier 1 capital was € 979.6 million compared to € 942.1 million in the previous year. On 31 December 2015 the common equity Tier 1 capital ratio was 17.3 percent (previous year 12.5 percent), the Tier 1 capital ratio was 19.5 percent (previous year 14.2 percent) and the total capital ratio was 24.2 percent (previous year 18.3 percent).

DEVELOPMENT OF EARNINGS

Net interest income¹ improved by € 50.9 million, or 29.8 percent, to € 221.5 million and rose in line with our forecast. This rise was due, in particular, to the successful and growing new business seen in the previous years. This figure also contains income derived from the early termination of interest rate swaps at last year's level.

Commissions paid amounted to € 75.7 million and were 6.1 percent higher than the previous year's figure as the volume of disbursements in the residential property financing business grew again.

Commission income fell to € 8.9 million. The net commission balance² amounted to a minus € 66.8 million following a minus € 60.1 million in the previous year.

This resulted in net interest income and net commission income³ of € 154.7 million, an increase of € 44.2 million, or 40 percent.

"We were able to increase our earnings power. This was reflected by the almost 30 percent increase in net interest income, which rose to € 221.5 million."

General administrative expenses rose by € 7.8 million to € 82.4 million. Personnel expenses increased by € 3.3 million or 8.4 percent. This increase was primarily due to the higher number of persons employed because of stronger new business performance in recent years as well as the unchanged high level of regulatory requirements, and also because of moderate pay raises.

The other administrative expenses rose by € 4.5 million or 12.6 percent. The reason behind this increase was the substantially higher

1) Net sum of Income Statement items 1, 2, 3 and 4

2) Net sum of Income Statement items 5 and 6

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

expenses incurred for banking supervision. These costs were € 6.1 million in 2014 – including € 4.0 million paid for one-time auditing expenses incurred as part of the Comprehensive Assessment prior to the ECB assuming direct supervision of the Bank. In 2015 these costs surged to € 9.9 million, including fees paid to national and international banking supervision institutions and for the bank levy.

The total bank levy in 2015 amounted to € 12.3 million (previous year € 1.6 million). We covered 30 percent of the amount due with an irrevocable payment obligation in the form of cash collateral. This amount of € 3.7 million was not booked as an expense. However, € 8.6 million was booked as an expense under other administrative expenses.

After adjusting for costs arising from the direct supervision of the Bank, we incurred a moderate 2.3 percent increase in other administrative expenses.

Depreciation and write-downs of intangible and tangible assets amounted to € 6.5 million and were € 0.3 million below the same year-ago figure.

Total administrative expenses⁴ amounted to € 88.9 million, compared to € 81.5 million recorded in the previous year. The cost-income ratio excluding interest expenses from silent participations was 52 percent (previous year 61 percent).

The net sum of other operating expenses and income amounted to minus € 4.4 million. The doubling of this negative figure was caused by the discontinuation of value added tax refunds for previous years received in 2014 as well as the decline in the discount rate used for pension provisions.

This led to results from operations before deducting provisions for risk⁵ of € 61.4 million, or a gain of 127 percent over the previous year's figure.

The item "Write-downs on and adjustments to claims and certain securities and additions to provisions for possible loan losses",

totalled minus € 11.3 million. The lending risk situation remained satisfactory. Additions to provisions for risk in the lending business (including direct write-downs) amounted to a minus € 18.4 million (previous year minus € 7.8 million). Net income derived from the redemption and the sale of securities held as current assets, as well as promissory note loans, amounted to € 14.8 million.

The item "Income from write-downs on participating interests, shares in affiliated companies and securities treated as fixed assets" amounted to plus € 6.2 million. This figure is primarily the result of proceeds from the sale of securities held as fixed assets. We took a write-down on one security held as a fixed asset that we anticipated would incur a permanent impairment in value. The write-down is 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 € 56.3 million. After transferring € 8.4 million to the Fund for General Banking Risks, and a tax expense item of € 25.7 million, annual net income amounted to € 22.2 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 € 22,238,844.55.

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 (€ 202,798.23) – amounting to € 22,441,642.78 should therefore be allocated as follows:

3.25 percent dividend	€ 22,270,200.00
Carried forward to new year	€ 171,442.78

4) Net sum of Income Statement items 8 and 9

5) Net sum of Income Statement items 1 to 10

RATING, SUSTAINABILITY AND REGULATORY CONDITIONS

RATING

The rating agency Moody's revised its rating methodology for banks and Pfandbriefe in 2015. As a result, Moody's confirmed all of its ratings for MünchenerHyp, even after employing the new methodology.

The rating agency saw no need to make changes as the favourable effects it noted in 2014 were still valid. According to Moody's, the risk content of MünchenerHyp's loan portfolio improved as the Bank further reduced its portfolio of loans originated in countries within the eurozone that had been harder hit by the debt crisis, as well as its 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. Furthermore, Moody's pointed out that MünchenerHyp had earned a solid reputation in the capital markets 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 raised its rating for our senior unsecured liabilities to A1 and its rating for long-term deposits to Aa3."

Moody's continued to have a favourable opinion of the substantial increase in MünchenerHyp's equity capital ahead of the ECB assuming direct supervision of the Bank.

In January 2016 Moody's raised its rating for MünchenerHyp's senior unsecured liabilities from A2 to A1 and its rating for long-term deposits from A2 to Aa3.

The quality of the cover pool plays a greater role in Moody's ratings for Pfandbrief since Moody's revised its rating methodology.

Even to achieve its highest rating of Aaa, Moody's only requires issuers to observe the legal requirements and does not require them to voluntarily provide surplus cover.

Current ratings at a glance:

	Rating
Public Pfandbriefe	Aaa
Mortgage Pfandbriefe	Aaa
Senior unsecured liabilities	A1
Short-term liabilities	Prime-1
Long-term deposits	Aa3

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

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

SUSTAINABILITY

Last year's successful launch of MünchenerHyp's Sustainability Loan anchored sustainability even more strongly in our lending business. At the same time it marked an important step forward towards achieving our strategic objective of integrating sustainability in the Bank's core business.

In addition, the Sustainability Committee further developed the Bank's sustainability strategy and initiated the creation of a mission statement for the Bank and accompanied its further realisation.

"Our sustainability ratings received from imug and Sustainalytics improved anew. oekom research confirmed the Bank's Prime Status."

At the beginning of 2015 the sustainability rating agency Sustainalytics significantly raised the Bank's sustainability ratings in all three of the categories it rates: Ecology, Social and Governance.

The development of our sustainability ratings since 2012 at a glance:

	2012	2013	2014	2015/2016
oekom research	D	C-	C	C
	Public Pfandbriefe: favourable	Public Pfandbriefe: very favourable	Public Pfandbriefe: favourable	Public Pfandbriefe: very favourable
	Mortgage Pfandbriefe: neutral	Mortgage Pfandbriefe: neutral	Mortgage Pfandbriefe: neutral	Mortgage Pfandbriefe: favourable
	Uncovered bonds: neutral	Uncovered bonds: neutral	Uncovered bonds: neutral	Uncovered bonds: favourable
imug				
Sustainalytics	44 of 100 points	47 of 100 points	47 of 100 points	57 of 100 points



oekom research confirmed our rating. This enabled us to retain our "Prime Status", which means that MünchenerHyp is still one of the banks within the category "Financials/Mortgage & Public Sector Finance" with the best rating for sustainability.

At the beginning of February 2016 the rating agency imug upgraded all of its sustainability ratings for MünchenerHyp. The rating for our Public Pfandbriefe improved from "positive" to "very positive", our Mortgage Pfandbriefe moved up from "neutral" to "positive" while our uncovered bonds also improved from "neutral" to "positive". The rating for our Mortgage Pfandbriefe was particularly notable because MünchenerHyp now has the best rating of all the 73 issuers of Mortgage Pfandbriefe rated by imug.

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

REGULATORY CONDITIONS

BASEL III

The implementation of the Internal Ratings Based Approach (IRBA) has been completed for now. At the end of 2015 the last rating system to be examined – retail business Switzerland – was approved by the Federal Financial Supervisory Authority (BaFin). This means that MünchenerHyp is now considerably over the so-called exit threshold and no longer has to compulsorily submit any

additional rating system for approval to use as part of the IRBA. An expansion is, however, possible if the Bank changes its business strategy and enters new areas of business.

We have been participating in the Basel Committee on Banking Supervision (BCBS) monitoring of Basel III for a number of years. 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 voluntary participation has enabled us to continually monitor all important key figures for a long time and use them to manage the Bank. For example, the Bank has been able to effortlessly meet the requirements of the steadily rising Liquidity Coverage Ratio (LCR), which has had to be observed since 2015. Furthermore, we have on average fulfilled the Net Stable Funding Ratio (NSFR) requirement, which takes effect 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 (EBA) was commissioned with presenting a study of the Leverage Ratio in 2015. However, this did not take place by the end of 2015. We currently anticipate that the study will be published in mid-2016. According to the requirements of Basel III, the maximum leverage ratio is set at

3 percent for the total exposure of 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 make it necessary to accept 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 that favour its introduction it does, however, appear necessary for us to make preparations to begin observing the Leverage Ratio in 2018. We have included consideration of equity capital measures needed to obtain a 3 percent ratio in our plans.

Furthermore, we are also attentively following the current discussions and publications of various authorities regarding regulatory requirements. It is difficult to comprehensively prepare to meet future requirements at this time as varying positions are still regularly held by the different institutions involved in the current discussions at national, European and international levels. For this reason we will continue to prepare to the greatest extent possible, although we will wait until the final version of the individual rules have been approved before we begin to implement them. As the example of LCR showed, significant changes can still occur during the proceedings. We believe it is necessary for the regulators to provide an appropriate amount of time for implementation purposes.

New subject areas related to the implementation of Basel III were, and are being, monitored by a central department within MünchenerHyp 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 major challenges to a bank of our size and leads to significant costs.

SINGLE SUPERVISORY SYSTEM FOR EU BANKS

At the end of 2014 the ECB took over the direct supervision of about 120 banks it categorised as significant in the eurozone, including MünchenerHyp. The ECB installed ongoing supervisory measures in all of the banks it supervised and in 2015 also conducted its Supervisory Review and Evaluation Process (SREP) for the first time. The SREP carefully examines a bank's business model, its internal governance, as well as its available capital and liquidity. The results are presented as a score, which can result in additional requirements for the bank's equity capital and liquidity if needed. The results of the SREP for MünchenerHyp revealed a minimum required ratio of 9.25 percent for the Bank's common equity Tier 1 capital. As our common equity Tier 1 capital ratio is 17.3 percent we exceeded this requirement by a very significant margin.

In the future this evaluation will take place annually as MünchenerHyp belongs to the so-called first category of banks under direct supervision of the ECB.

MINIMUM REQUIREMENTS FOR RISK MANAGEMENT (MaRisk)

No changes have been made to the MaRisk since 15 December 2012. The long-discussed amendment was not passed in 2015. As a result, no changes had to be made to the Bank's proven processes.

RECOVERY PLAN

In September 2015 MünchenerHyp was requested by the ECB to prepare and submit a recovery plan within three months. We submitted the requested recovery plan in December and the necessary internal processes were installed to ensure the continuous updating of the plan.

BODIES, COMMITTEES AND PERSONNEL

BODIES AND COMMITTEES

The Delegates Meeting elected Gregor Scheller, Chairman of the Board of Management of the Volksbank Forchheim, as a new member of the Supervisory Board.

He replaced Erich Rödel, the former Chairman of MünchenerHyp's Board of Management, who stepped down from the Supervisory Board due to reasons of age. Erich Rödel had been a member of the Supervisory Board for five years. The Chairman of the Supervisory Board, Konrad Irtel, thanked Mr Rödel, for his successful and dedicated service to the Bank in key positions over many years.

EMPLOYEES

Following numerous years of intensive staff expansion, the hiring of additional employees declined in 2015. Nevertheless, recruiting and, above all, the integration of new employees remained the focal points of our personnel work. Between 1 January and 31 December 2015 a total of 50 personnel requirements were placed consisting of nine additional and 41 replacement requirements. MünchenerHyp's employee fluctuation figure rose slightly in 2015 to 4.7 percent from the 4.2 percent noted in 2014. However, when compared to the average figure (2014: 6.2 percent) for the sector, our figure remained at a low level.

In view of the more than 200 new colleagues we hired over the previous years, integration and development of personnel have continued to gain importance at the Bank. The key elements are the internal and external opportunities to advance employee skills and knowledge, as well as other personnel development measures such as attending seminars.

The average number of persons employed⁶ at the Bank during the year was 493, plus 20 apprenticed trainees. The average number of years of employment per employee remained stable at 10.4 years.

The law "For the equal participation of women and men in executive positions in the private economy and the public sector" took effect on 1 May 2015. As the Bank is neither listed on a stock exchange nor subject to employee's co-determination, it therefore has not yet approved a quantitative women's quota. However, as the Bank's Supervisory Board will be revised pursuant to the terms of the One-Third Participation Act (Drittelbeteiligungsgesetz) in 2016, a women's quota for the Supervisory Board, Board of Management and for both of the levels below the Board of Management will need to be determined. Independent of these considerations, MünchenerHyp views itself as a modern enterprise in terms of social, cultural and commercial regards and therefore the promotion of the under-represented gender is a natural component of our management culture that we live every day.

REPORT ON EVENTS AFTER THE BALANCE SHEET DATE

At the end of October 2015 the Münchener Hypothekenbank and the Hausbank München signed a Letter of Intent wherein they agreed to review a closer cooperation through to a possible merger. Following subsequent intensive talks the two parties agreed not to pursue a merger at this time. The two banks are currently working together to expand and realise the areas of cooperation identified in the talks.

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



1st place

IN THE
"BEST BORROWERS SURVEY 2015"
CONDUCTED BY EUROMONEY, A BRITISH TRADE MAGAZINE,
IN THE CATEGORY "COVERED BONDS & PFANDBRIEFE"

Quality and innovation. Our award-winning Pfandbriefe.

The history of the Pfandbrief extends back Frederick the Great, and it's certain that it would no longer exist today if it had not been continually further developed to meet the needs and requirements of investors. As a Pfandbrief issuer we are committed to combining high quality with innovative issues. Thus, in 2014 we issued the world's first sustainable Pfandbrief, which was soon copied by others. In addition, we recognise the importance of providing our investors with reliable and responsible support. Our dedication to providing a high level of quality for our issues and personal service to our investors was recognised in 2015 when we successfully defended our title as the best issuer of covered bonds and Pfandbriefe. And it's even more satisfying to know that this award from Euromoney resulted from votes submitted by numerous international investors and not a jury.

MünchenerHyp's award-winning Treasury team (from left to right):
Front row: Daniel Tolle, Rafael Scholz (Head of Treasury), Martin Schmid;
rear row: Patryk Ferner, Josef Riedelsheimer, Claudia Bärldges-Koch
(Deputy Head of Treasury)



MANAGEMENT REPORT 2015

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). Furthermore, a series of additional relevant analyses are in place and only when they are viewed as a whole do they permit the Bank to be managed appropriately. To achieve this appropriate monitoring processes involving internal process-dependent supervision measures are employed. Our internal audit department, as a process-independent unit, plays an additional monitoring role 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 the units 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 limit group 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 take care to ensure that the vast majority of our mortgage business activities consists 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. 2015		31 Dec. 2014	
	€	relative	€	relative
Up to 60%	13,271,710,357.89	47.9%	12,674,146,888.34	49.8%
60.01% to 70%	5,042,708,598.93	18.2%	4,472,072,954.74	17.6%
70.01% to 80%	6,073,353,119.95	21.9%	5,439,839,479.71	21.4%
80.01% to 90%	1,908,858,072.86	6.9%	1,749,051,440.68	6.9%
90.01% to 100%	780,335,345.71	2.8%	584,691,783.55	2.3%
over 100%	636,039,606.63	2.3%	507,999,283.91	2.0%
without	5,311,692.91	0.0%	14,257,665.17	0.1%
Total	27,718,316,794.88	100.0%	25,442,059,496.10	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. 2015		31 Dec. 2014	
	€	relative	€	relative
Baden-Wuerttemberg	2,458,167,385.30	8.9%	2,253,357,082.38	8.9%
Bavaria	5,110,606,411.84	18.4%	4,673,151,931.72	18.4%
Berlin	1,608,952,190.17	5.8%	1,521,365,666.65	6.0%
Brandenburg	429,326,781.99	1.5%	374,279,662.11	1.5%
Bremen	64,728,357.23	0.2%	56,166,627.09	0.2%
Hamburg	734,733,778.71	2.7%	652,298,830.13	2.6%
Hesse	1,546,523,049.03	5.6%	1,454,615,794.24	5.7%
Mecklenburg-Lower Pomerania	274,672,252.37	1.0%	205,718,322.30	0.8%
Lower Saxony	1,810,173,371.57	6.5%	1,628,187,779.29	6.4%
North Rhine-Westphalia	3,880,816,308.44	14.0%	3,740,166,754.93	14.7%
Rhineland-Palatinate	895,637,075.59	3.2%	785,658,563.80	3.1%
Saarland	165,114,350.93	0.6%	121,939,504.32	0.5%
Saxony	775,623,988.84	2.8%	717,505,709.83	2.8%
Saxony-Anhalt	334,218,552.71	1.2%	282,918,237.33	1.1%
Schleswig-Holstein	1,641,592,673.04	5.9%	1,512,291,349.09	5.9%
Thuringia	220,928,993.69	0.8%	173,276,936.46	0.7%
Total domestic	21,951,815,521.45	79.2%	20,152,898,751.67	79.2%

TOTAL PORTFOLIO OF MORTGAGE AND OTHER LOANS (INCLUDING OPEN COMMITMENTS)				
SOVEREIGN STATE	31 Dec. 2015		31 Dec. 2014	
	€	relative	€	relative
Austria	83,712,117.34	0.3%	86,468,268.87	0.3%
France	253,680,546.05	0.9%	328,108,652.83	1.3%
Great Britain	427,226,244.83	1.5%	543,292,444.74	2.1%
Spain	173,868,358.99	0.6%	180,231,516.48	0.7%
Luxembourg	48,626,000.00	0.2%	33,500,000.00	0.1%
Sweden	0.00	0.0%	4,863,941.23	0.0%
Switzerland	4,040,513,104.46	14.6%	3,379,571,177.72	13.3%
The Netherlands	281,486,842.93	1.0%	159,888,888.82	0.6%
Belgium	22,079,844.29	0.1%	6,439,938.24	0.0%
USA	435,308,214.54	1.6%	566,795,915.50	2.2%
Total foreign	5,766,501,273.43	20.8%	5,289,160,744.43	20.8%
Total domestic and foreign	27,718,316,794.88	100.0%	25,442,059,496.10	100.0%

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

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

A widely diversified property finance portfolio with an emphasis on residential property financing, combined with our credit approval procedures, which have proven their value over many years, ensures a portfolio with a low level of credit risk. Our lending business with public sector borrowers and banks is primarily focused on central and regional governments, regional and local authorities, and west European banks. Regional emphasis is on Germany or Western Europe respectively. Our objective is to achieve further substantial reductions in this portfolio for reasons including the introduction of the Leverage Ratio. 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 stability of the residential property market. This also generally applies for

The individual and general adjustments to value developed as follows in 2015:

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	55.8	19.0	-5.3	-3.5	3.8	69.8
General adjustments to value	13.0	0.0	0.0	0.0	0.0	13.0

our commercial property financing business, whereby continuing difficult market conditions in the Netherlands in 2015 resulted in individual provisions for risk, although they were low. One adjustment to value took place for the USA.

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.

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.

We do not believe that our investments are 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 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 riskless 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 thereby 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 borrower's option rights (for example, the statutory right 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 changes in the market value of investments or liabilities dependent on currency exchange rates and which will react negatively due to changes in currency exchange rates. MünchenerHyp's transactions outside Germany are hedged against currency risks to the greatest extent possible and only margins involved in payment of interest are not hedged.

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

Market price risks are managed by determining the present value of all of MünchenerHyp's transactions on a daily basis. Transactions whose values are reduced 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 (VaR) 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 VaR. In addition, different stress scenarios are used here to measure the effect of extreme shifts in risk factors and the effects of other risk categories.

The current (daily) stress scenarios are:

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

The maximum Value at Risk (VaR) of the banking book (interest and currencies) at a confidence level of 99.5 percent at a ten-day holding period in 2015 was just under € 19 million. The average figure was about € 10 million.

Due to the fact that MünchenerHyp is a trading book institution (only for futures) we use a special application to control potential risks in this area, also on an intraday basis. Furthermore, these trades are also integrated into our normal reporting. No futures deals were conducted in 2015.

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

MünchenerHyp uses the 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.
- 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.

The credit spread VaR for the entire portfolio using a 99.5 percent level of confidence and holding period of one year was stood at a maximum of € 381 million in 2015, while the average figure was about € 353 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 stood at a maximum of € 13 million in 2015, the average figure was about € 8 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 (pay-

ment 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 these scenarios 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), utilisation of previously made lending commitments, or the development of collateral. Beyond this, all securities were divided into different liquidity categories. Based on this, we determined the volume that would be sold, over which time period, or could be used for a repo transaction to generate additional liquidity to meet the requirements for each individual scenario. Legal restrictions, like the Pfandbrief Act's 180 day rule, were always observed in all cases. The result is a day-certain presentation of the available liquidity for a 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, the Liquidity Coverage Ratio (LCR) pursuant to CRD IV is calculated at least once a week for all currencies, and presented separately for all relevant currencies. Currently, these currencies are the euro and the Swiss franc. The required ratio of 60 percent, which became mandatory October 2015, was complied with at all times.

MID-TERM STRUCTURAL LIQUIDITY PLANNING

The purpose of structural liquidity planning is to ensure mid-term liquidity. The legal basis consists 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 pursuant 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 which are not essential for managing short-term liquidity – for example, new business plans or current expenses such as salaries and taxes.

Mid-term liquidity planning involves the following key liquidity figures as components for determining results across all due dates:

- accumulated total cash flow requirements,
- available uncovered and covered potential funding 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 over 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.

MünchenerHyp does not have any investments in less liquid bonds, like Mortgage Backed Securities (MBS), in its portfolio.

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 of damages from operational risks sustained by MünchenerHyp last year stemmed, as usual, from losses related to the disposal of properties which were too highly mortgaged. This is part of the Bank's normal risk of doing business.

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 Bank's ability 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. However, the Going-Concern scenario is the relevant method used for control purposes, which determines if the bank would still have an adequate equity capital ratio exceeding the legally required minimums after the occurrence of risks contained in all of the risk categories.

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 2015 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 employed. 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 and new structure 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 based 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, or additionally planned on a rolling basis, 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 meets all of the requirements for equity capital. Equity capital planning also contains measures to achieve a Leverage Ratio of 3 percent.

77%
OF OUR EMPLOYEES
COMMUTE TO WORK
VIA PUBLIC TRANSPORTATION OR BICYCLE

Those who embrace sustainability also recognise new opportunities.

As a Pfandbrief bank and cooperative bank, MünchenerHyp operates in the tradition of doing business in a sustainably way. However, we have also recognised that sustainability consists of many different dimensions. This is the reason why we set ourselves the goal of firmly anchoring sustainability in our core area of business. This also includes strongly establishing sustainable property financing in the market and employing methods including sustainable Pfandbriefe to refinance these loans. This approach led us to float the world's first sustainable Pfandbrief in 2014 and become the pioneer in this field. In addition, we are very pleased by the very favourable response of our employees to our sustainability strategy. And they were the initiators behind the founding of the Sustainability Committee at the Bank that has already introduced numerous sustainability-related measures that have been successfully implemented.



Acting sustainably is a natural part of Gisela Kanhäuser's life. This is why Ms Kanhäuser, who is an assistant to a Board of Management member, not only rides on her bicycle to work, she is also an active member of MünchenerHyp's Sustainability Committee.



Münchener Hyp

OUTLOOK – OPPORTUNITIES AND RISKS

ECONOMIC DEVELOPMENT AND FINANCIAL MARKETS

At the beginning of 2016 optimism was in scarce supply among economic experts. IMF and World Bank lowered their growth forecasts for the global economy. They do, however, expect the pace of growth to pick up slightly over the rate seen in 2015. The IMF anticipates that the global economy will expand by 3.4 percent in 2016 and 3.6 percent in 2017. In contrast, the World Bank foresees growth of 2.9 percent for 2016 and 3.1 percent for 2017, or half a percentage point less for each year.

Economic researchers are concerned about a series of risks that could strongly hinder economic development in 2016. At the top of the list is a substantial decline in growth in China followed by burdens arising from geopolitical crises, especially those in the Middle East. Other concerns were low prices for oil and energy, as well as a tightening of the monetary policy in the USA.

It is expected that the pace of economic recovery in the eurozone will increase slightly. In their Autumn Forecast for 2016, the EU Commission predicted that the GDP across the European Union will grow by 2.0 percent and 2.1 percent in 2017. Thereby, the aim of the ECB's loose monetary policy, that continuously provides low interest rate and currency conditions, is to support the economic recovery. This will only be achieved, however, if the weaker EU member states carry out structural reforms. Remaining risks facing the European economy are its dependence on the global economy, especially the Fed's interest rate policies in the USA, the further development of China's economy and the economies of other emerging markets as well as ongoing geopolitical tensions.

The outlook for the German economy remains favourable. The German Federal Government's Annual Economic Report anticipates that the German GDP will rise by 1.7 percent in 2016 and will be primarily driven by private consumption and investments in residential housing construction, which are expected to rise by 2.3 percent. Against the background of the fragile international environment, the German government plans to increase its investment

spending, in particular, to further stabilise Germany's economic growth. The German labour market is expected to see the number of employed persons increase anew to 43.4 million and the unemployment rate decline to 6.4 percent. The robust upswing will also lead to an unchanging increase in wages and salaries. Consumer prices are expected to rise by 0.9 percent.

The aforementioned uncertainties are likely to keep the level of volatility in financial markets high. Furthermore, the Fed's monetary policy, which has embarked on a tightening cycle, made the markets nervous. However, the ECB is expected to continue its very loose monetary policy. The consequences of restrictive banking regulations are becoming increasingly visible in the financial markets. High capital backing requirements for trading books will burden banks' willingness to provide market liquidity. This also means that greater market swings and bid/ask spreads can be expected. This development will be further fuelled by the low interest rate environment coupled with low potential returns for investors.

"Robust growth is expected for the eurozone, and also for Germany, in 2016."

There are no signs visible that the pronounced willingness of policy-makers and supervisory authorities to impose regulations will lessen in 2016. This will lead to more costs for the banking sector, especially those generated by further preparations needed to observe upcoming regulatory requirements, such as the planned introduction of the Leverage Ratio. The private residential property finance sector will be additionally impacted by the implementation of the Directive for residential property loans.

We anticipate that the volume of new issues in the covered bond and Pfandbrief market will be at the level seen in 2015. Although the funding levels for Pfandbriefe will no longer be at the low level noted during the year under review, they will, however, not increase significantly. Investor demand for liquid benchmark issues of € 500 million and higher is likely to remain relatively high.

PROPERTY AND PROPERTY FINANCING MARKETS

Robust growth in Europe creates good general conditions to allow the overall favourable development of property markets to continue. And as there are currently no signs that mortgage rates will rise noticeably, property will also remain the focal point of investor interest in 2016.

In view of Germany's solid economic situation, the stable rental market and the unchanging favourable financing environment, it will retain its standing as one of the most attractive markets. Based on this, we anticipate that we will again see pronounced demand for residential and commercial properties.

Available supply in the residential property market will again be insufficient in view of high demand, especially in the major metropolitan areas and university cities. This situation applies in the markets for buying and renting residential property, with low-cost housing being particularly tight. The situation is not expected to ease as it is anticipated that the number of building permits issued in 2016 is more likely to grow at a modest pace. As a result, it is anticipated that the overall market for houses and apartments will see prices rise further, with prices in the major metropolitan areas rising at a faster pace.

This means that professional investors will remain highly interested in residential property. However, in view of the limited offer, experts anticipate that the very high volume of housing portfolio transactions recorded in 2015 is not likely to be reached again.

Furthermore, we also do not expect to see a nation-wide, bubble-like development in the residential property market in 2016. Despite this, the danger of exaggerated values still exists at a regional and local level – especially in major metropolitan areas – due to rising prices.

The favourable development of the residential property market – coupled with low mortgage rates – will also lead to a further increase in the demand for property loans. Based on estimates prepared by the National Association of German Cooperative Banks (BVR), the total volume of housing loans will expand by 2.7 percent in 2016. This should also see a continuation of the above average

growth trend among the banks within the Cooperative Financial Network, as their customers still value them for their close relationships and high levels of expertise.

We also expect to see very strong demand again among domestic and foreign investors in the commercial property market. This will again be primarily focused on core properties located in the seven most important metropolitan areas. The very tight availability of properties and the heavy competition among potential buyers will also lift demand for properties in B locations. Accordingly, the gap between returns available at A and B locations will narrow substantially.

Strong interest in commercial property investments will also be supported by the good rental situation. The big broker firms tend to expect that turnover of floor space will weaken slightly. The reason for this are anticipatory effects from the year 2015 and low vacancy rates. Although the volume of new properties completed in 2016 will exceed the previous year's figure, the amount of space available for rent will be relatively tight due to high rate of pre-letting deals. These market conditions mean that office rents will again rise slightly in 2016. Both peak and average rents will be affected by this development. In conjunction with a further moderate decline in return, the capital values of office properties should rise further during the current year.

The favourable economic outlook has also added life to other European property markets. Great Britain will continue to attract the greatest amount of investor interest, and especially the London office market, which is the most expensive location in Europe. The residential property market is expected to see a further reduction in supply – and especially in London – as it is not foreseeable when new building activities will pick up noticeably.

Overall favourable developments are expected for France, albeit without a sweeping recovery as the office property market still has extensive vacancy rates. As a result, rents have only very limited potential to increase. However, the favourable mid-term outlook does raise the attractiveness of property for institutional investors so that a further increase in the volume of transactions may be expected.

A further improvement in the situation in the residential and commercial property markets is forecast for the Netherlands due to expected higher economic growth coupled with lower unemployment. However, regional differences could become increasingly visible with substantially higher prices appearing in business centres in contrast to weakening demand in rural regions.

The pace of the strong rise of prices in the Swiss residential property market will slow even further. Many experts expect a soft landing for this phase, which has lasted ten years. Although purchase prices will remain at a high level they will only continue to rise in individual regions. Forecasts are even calling for slightly declining prices for condominiums and rental apartments in some Swiss regions. Demand will remain supported by high purchasing power, a low level of interest rates, and a growing population. At the same time demand for housing will be concentrated in major cities like Zurich, Geneva and Basel. Concurrently, stricter lending rules mean that the number of households that can afford to buy housing will decline. According to figures prepared by Euroconstruct, the supply of residential housing is expected to increase in 2016 as the volume of newly built housing will be at about the previous year's level.

"In view of the solid economic situation, the stable rental markets and the unchanging favourable environment for financing, the German property market will remain one of the most attractive."

Forecasts for the USA call for the favourable development in the property markets to continue. As people increasingly wish to own their own four walls this desire will further animate the residential property market, as the higher level of economic growth goes hand-in-hand with rising household incomes. A certain amount of catch-up effect is visible, especially among younger households, which has been built up over the years following the crisis in the financial markets. The trend towards higher prices and rents, which has been observed since mid-2012, will continue as supply will not

noticeably expand. This has already led to the first warnings being sounded about the renewed creation of a bubble in the housing market.

A further increase in the volume of investments in the American commercial property market is expected, and especially for office properties. Market observers are already viewing certain markets more critically; for example, growth in San Francisco and Silicon Valley is forecast to peak in the coming 24 months.

DEVELOPMENT OF BUSINESS AT MÜNCHENER HYPOTHEKENBANK

Our new business plans for 2016 foresee – as described – that overall conditions will remain favourable thereby enabling us to continue our sustainable growth strategy. We will also continue to assert ourselves in the face of fierce competition. Due to the fact that we were able to decisively build up our competitive strengths and expand our market position in recent years we anticipate that our new business will again reach the level posted for the year under review.

The focus will remain on financing residential property in Germany via banks within the Cooperative Financial Network. Working together with them puts strong sales partners at our side. We anticipate the cooperative banks will also be able to expand their share of the residential property financing sector in 2016. Due to the ongoing phase of low interest rates, our Bank will see demand for its long-term loans remain at a high level. Our business with banks within the Cooperative Financial Network will continue to be primarily focused on financing single-family houses and condominiums. In addition, we want to further expand the cooperation with our cooperative partner banks in financing residential and commercial properties bought by housing companies and professional investors.

We anticipate that our collaboration with independent providers of financial services will lead to higher sales in 2016 than we recorded in 2015. Based on the healthy demand situation we expect that our cooperation with Swiss PostFinance will lead to a further favourable development of our new business with them.

We are planning to achieve new commercial property business volume that will be at least at the previous year's level. We also anticipate a further escalation in the competitive situation. Furthermore, based on the assumption of unchanging low interest rates and a lack of alternative investment opportunities for investors, we foresee high, or rising, prices for commercial property. This can affect our new business as we also measure the risk-content of a proposed financing by using the mortgage lending value for calculating the loan-to-value ratio. This makes us more risk-conscious than providers that base their calculations on a property's market value. In order to counter rising competition we have implemented measures to further optimise our processes and capacities so that we will be better able to smoothly handle a larger volume of new business inquiries. In addition, we will increase our abilities to acquire new business outside of Germany. The foreign-oriented activities that we will intensify include working with foreign investors who want to invest in Germany, and our cross-border financing business. We already expanded our syndicated loan business in 2015 and will continue to grow in this area in 2016.

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

Our liquidity requirements for 2016 are anticipated to be € 6.5 billion, or slightly below the previous year's figure. We plan – dependent on the volume of private placements – to issue three to four benchmark Mortgage Pfandbriefe. Furthermore, we plan to use new products in our money market business to increasingly attract new corporate clients for our uncovered refinancing paper in addition to banks within the Cooperative Financial Network, who remain our core customer group within this segment. In general we anticipate that overall conditions for issuers – and thus for us as well – will be even more challenging than they were in 2015. It seems unlikely that the ECB's third Covered Bond Purchase Programme (CBPP3), which has been extended in the interim, will be able to reverse the trend pointing towards higher premiums and a high new issue premium for benchmark issues in an unchanging low yield environment. Due to quality and continuity of our Bank's issues – which has become very valued by investors – we continue to anticipate that MünchenerHyp's overall refinancing situation will remain favourable.

We will continue to decisively pursue our sustainability strategy. We plan to use ecological and social financing criteria, as well as sustainable product ideas, to anchor the concept of sustainability more intensively within our lending business. We also plan to float a further ESG Pfandbrief as part of our efforts to further expand our sustainability-oriented refinancing activities. In addition, we want to continue our ongoing sustainability dialogue with our stakeholders, and integrate our employees in the sustainability processes of the Bank as best as possible.

We are aiming to achieve a moderate increase in net interest income generated from business operations in 2016. The stable development in our core markets offers us unchanging opportunities to further expand our new business and thus our portfolio of mortgage loans.

This will continue to have an increasingly favourable effect on the Bank's performance. As a result, we anticipate that our earnings will improve again in 2016.

We believe that our administrative expenses will rise slightly in 2016. Nevertheless, we are currently expecting that our cost-income ratio will remain unchanged.

Based on the currently available information, we expect that provisions for lending risks will develop stably.

In view of the good market conditions that have been forecast, we are confident, that we will achieve our objectives for the 2016 business year and that we will be able to further expand our market position. We anticipate that our net income will exceed the previous year's level.

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BALANCE SHEET, 31 DECEMBER 2015

ASSETS	31 Dec. 15	31 Dec. 14
	€	€ 000
1. Cash reserve		
a) Cash on hand	18,418.74	23
b) Balances with Central Banks	192,830,143.17	10,463
of which		
with Deutsche Bundesbank € 192,830,143.17		
	192,848,561.91	10,486
2. Claims on banks		
a) Mortgage loans	12,473,917.88	15,918
b) Public-sector loans	487,234,152.83	641,080
c) Other claims	2,996,192,277.70	2,906,814
of which		
payable on demand € 1,644,170,826.45		
	3,495,900,348.41	3,563,812
3. Claims on customers		
a) Mortgage loans	25,520,040,451.06	23,396,916
b) Public-sector loans	3,920,171,383.58	4,682,695
c) Other claims	81,800,023.71	98,023
	29,522,011,858.35	28,177,634
4. Bonds and other fixed-income securities		
a) Bonds and notes	3,965,197,086.03	4,268,555
aa) Public-sector issuers € 1,520,810,255.60		(1,379,727)
of which		
eligible as collateral for Deutsche Bundesbank advances € 1,413,947,525.49		
ab) Other issuers € 2,444,386,830.43		(2,888,828)
of which		
eligible as collateral for Deutsche Bundesbank advance € 2,124,232,044.39		
b) Own bonds and notes	600,052,066.67	0
Nominal value € 600,000,000.00		
	4,565,249,152.70	4,268,555
Carried forward	37,776,009,921.37	36,020,487

LIABILITIES, CAPITAL AND RESERVES

	31 Dec. 15	31 Dec. 14
€	€	€ 000
1. Liabilities to banks		
a) Registered Mortgage Pfandbriefe issued	701,480,071.38	667,505
b) Registered Public Pfandbriefe issued	53,059,929.31	139,481
c) Other liabilities	4,140,741,920.71	4,794,669
of which		
payable on demand € 829,958,375.64		
	4,895,281,921.40	5,601,655
2. Liabilities to customers		
a) Registered Mortgage Pfandbriefe issued	8,201,248,154.26	7,219,208
b) Registered Public Pfandbriefe issued	2,961,673,801.26	3,473,274
c) Other liabilities	3,167,050,876.34	2,436,078
of which		
payable on demand € 2,370,769.60		
	14,329,972,831.86	13,128,560
3. Certificated liabilities		
a) Bonds issued	16,398,322,501.68	15,921,619
aa) Mortgage Pfandbriefe € 11,319,401,387.36		(9,888,223)
ab) Public Pfandbriefe € 2,096,045,375.49		(2,114,178)
ac) Other bonds and fixed-income securities € 2,982,875,738.83		(3,919,218)
b) Other certificated liabilities	566,853,823.17	4,992
of which		
Money market paper € 566,853,823.17		
	16,965,176,324.85	15,926,611
4. Liabilities incurred as trustee	30,975.91	45
of which		
loans € 30,975.91		
5. Other liabilities	467,669,977.51	195,236
Carried forward	36,658,132,031.53	34,852,106

ASSETS	31 Dec. 15	31 Dec. 14
	€	€ 000
Brought forward	37,776,009,921.37	36,020,487
5. Equities and other variable-yield securities	13,064,893.18	13,104
6. Participations and shares in cooperatives		
a) Participations	99,368,645.38	98,324
of which		
credit institutions € 17,789,382.18		
b) Shares in cooperatives	18,500.00	19
of which		
in credit cooperatives € 15,500.00		
	99,387,145.38	98,343
7. Shares in affiliated companies	11,151,601.64	11,152
8. Assets held in trust	30,975.91	45
of which		
loans € 30,975.91		
9. Intangible assets		
Concessions acquired for consideration, commercial rights and similar rights and values, as well as licenses to these rights and values	7,665,017.67	10,582
	7,665,017.67	10,582
10. Tangible assets	71,727,959.08	72,613
11. Other assets	65,592,651.98	67,186
12. Deferred items		
a) From issuing and lending business	53,621,587.35	46,341
b) Other	528,496.97	243
	54,150,084.32	46,584
Total assets	38,098,780,250.53	36,340,096

LIABILITIES, CAPITAL AND RESERVES	31 Dec. 15	31 Dec. 14
	€	€ 000
Brought forward	36,658,132,031.53	34,852,106
6. Deferred items		
From issuing and lending business	12,453,310.61	15,456
	12,453,310.61	15,456
7. Provisions		
a) Provisions for pensions and similar obligations	29,617,299.00	26,841
b) Provisions for taxes	5,755,838.42	368
c) Other provisions	25,123,080.00	24,913
	60,496,217.42	52,122
8. Subordinated liabilities	156,200,000.00	156,200
9. Profit-participation certificates	6,135,502.57	6,136
of which		
due in less than two years € 3,579,043.17		
10. Fund for general banking risks	23,000,000.00	14,650
11. Capital and reserves		
a) Subscribed capital	876,083,204.87	943,241
aa) Members' capital contributions € 705,334,408.43		(667,342)
ab) Silent participations € 170,748,796.44		(275,899)
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	22,441,642.78	16,347
	1,182,363,188.40	1,243,426
Total liabilities, capital and reserves	38,098,780,250.53	36,340,096
1. Contingent liabilities		
Contingent liability on guarantees and indemnities	4,312,235.28	7,071
2. Other commitments		
Irrevocable loan commitments	3,199,516,109.62	2,750,100

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2015

	€	€	1 Jan. to 31 Dec. 15 €	1 Jan. to 31 Dec. 14 € 000
1. Interest income from			1,133,487,766.79	1,163,180
a) Lending and money market operations		1,017,157,210.03		1,022,637
b) Fixed-income securities and government debt register claims		116,330,556.76		140,543
2. Interest expenses			915,597,215.05	994,427
3. Current income from			3,511,827.04	1,735
a) Participating interests and shares in cooperatives		2,971,827.04		1,235
b) Investments in affiliated companies		540,000.00		500
4. Income from profit-pooling , profit transfer or partial profit transfer agreements			144,058.09	134
5. Commission received			8,886,265.80	11,215
6. Commission paid			75,724,295.76	71,350
7. Other operating income			1,626,040.25	3,103
8. General administrative expenses			82,397,029.45	74,646
a) Personnel expenses		42,572,970.94		39,283
aa) Wages and salaries	35,421,808.51			(33,422)
ab) Social security contributions and cost of pensions and other benefits	7,151,162.43			(5,861)
of which for pensions 1,968,776.74 €				(1,021)
b) Other administrative expenses		39,824,058.51		35,363
9. Depreciation and write-downs of intangible and tangible assets			6,547,906.66	6,822
10. Other operating expenses			5,989,376.92	5,091
11. Write-downs on and adjustments to claims and certain securities and additions to provisions for possible loan losses			11,334,803.35	2,243
12. Income from reversals of write-downs on participating interests, shares in affiliated companies and securities treated as fixed assets			6,219,284.01	1,980
13. Results from ordinary business activities			56,284,614.79	26,768
14. Taxes on revenue and income			25,695,770.24	5,228
15. Allocation to fund for general banking risks			8,350,000.00	5,400
16. Net income			22,238,844.55	16,140
17. Retained earnings brought forward from previous year			202,798.23	207
18. Unappropriated profit			22,441,642.78	16,347

STATEMENT OF DEVELOPMENT IN EQUITY CAPITAL AND CASH FLOW STATEMENT

STATEMENT OF DEVELOPMENT IN EQUITY CAPITAL FOR 2015

	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 01.01.2014	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
Net change in capital	37,992	-105,150	0	0	-67,158
Dividends paid	0	0	0	16,144	16,144
Net income	0	0	0	22,239	22,239
Capital and reserves as at 31.12.2015	705,334	170,749	283,838	22,442	1,182,363

CASH FLOW STATEMENT FOR 2015

		31 Dec. 15 in € millions
1.	Profit for the period	22.2
2.	Depreciation, amortisation and write-downs of and valuation allowances on receivables and items of fixed assets/ reversals of such write-downs and valuation allowances	41.9
3.	Increase/decrease in provisions	8.4
4.	Other non-cash expenses/income	0.8
5.	Gain/loss on disposal of fixed assets	8.7
6.	Other adjustments (net)	0.0
7.	Increase/decrease in receivables from credit institutions	64.2
8.	Increase/decrease in receivables from customers	-1,381.2
9.	Increase/decrease in securities (unless classified as long term financial assets)	-357.0
10.	Increase/decrease in other assets relating to operating activities	28.0
11.	Increase/decrease in liabilities to credit institutions	-701.3
12.	Increase/decrease in liabilities to customers	1,203.9
13.	Increase/decrease in securitised liabilities	1,062.0
14.	Increase/decrease in other liabilities relating operating activities	-0.3
15.	Interest expense/Interest income	-284.3
16.	Income tax expense/income	-7.8
17.	Interest and dividend payments received	631.4
18.	Interest paid	-125.7
19.	Income taxes paid	-17.9
20.	Cash flows from operating activities (total of lines 1 to 19)	196.0
21.	Proceeds from disposal of long-term financial assets	786.4
22.	Payments to acquire long-term financial assets	-714.1
23.	Proceeds from disposal of tangible fixed assets	0.0
24.	Payments to acquire tangible fixed assets	-1.3
25.	Proceeds from disposal of intangible fixed assets	0.0
26.	Payments to acquire intangible fixed assets	-1.4
27.	Cash flows from investing activities (total of lines 21 to 26)	69.6
28.	Proceeds from capital contributions	38.0
29.	Dividends paid to shareholders	-16.1
30.	Changes in cash funds relating to other capital (net)	-105.2
31.	Cash flows from financing activities (total of lines 28 to 30)	-83.3
32.	Net change in cash funds	182.3
33.	Effect on cash funds of exchange rate movements and remeasurements	0.0
34.	Cash funds at beginning of period	10.5
35.	Cash funds at end of period (total of lines 32 to 34)	192.8

NOTES 2015

GENERAL INFORMATION ON ACCOUNTING POLICIES

The Münchener Hypothekenbank eG annual financial statement as of December 31, 2015 was prepared in accordance with the provisions of the German Commercial Code (HGB), in conjunction with the accounting regulation for banks and financial service institutions (RechKredV), and in accordance with the rules contained in the Cooperatives Act (GenG) and the Pfandbrief Act (PfandBG).

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

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

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

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 3.89 percent and a 2.5 percent rate of salary growth, as well as a 2.0 percent rate of pension growth. The calculation is made on the basis of "Guideline tables 2005 G" prepared by Prof. Klaus Heubeck. In accordance with the terms of Art. 253 (2) 2s of the German Commercial Code, the average market rate of interest is used for discount purposes with an assumed remaining term to maturity of 15 years.

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

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

The classification method used for the Income Statement for the year under review has been changed from the account form to vertical form.

NOTES TO THE BALANCE SHEET INCOME STATEMENT

MATURITY ANALYSIS BY RESIDUAL TERM ASSETS

	31 Dec. 15 € 000	31 Dec. 14 € 000
Claims on banks	3,495,900	3,563,812
≤ Three months	2,933,728	2,848,292
> Three months ≤ one year	139,437	152,406
> One year ≤ five years	312,809	433,289
> Five years	109,926	129,825
Claims on customers	29,522,012	28,177,634
≤ Three months	685,843	927,360
> Three months ≤ one year	1,436,722	1,521,133
> One year ≤ five years	7,226,919	6,977,174
> Five years	20,172,528	18,751,967
Bonds and other fixed-income securities ≤ one year	666,572	631,994

LIABILITIES, CAPITAL AND RESERVES

	31 Dec. 15 € 000	31 Dec. 14 € 000
Liabilities to banks	4,895,282	5,601,655
≤ Three months	1,759,064	2,978,377
> Three months ≤ one year	610,009	479,733
> One year ≤ five years	1,355,591	1,047,314
> Five years	1,170,618	1,096,230
Liabilities to customers	14,329,973	13,128,560
≤ Three months	709,817	383,487
> Three months ≤ one year	669,750	425,500
> One year ≤ five years	1,766,045	1,331,435
> Five years	11,184,361	10,988,138
Certificated liabilities	16,965,176	15,926,611
Bonds issued		
≤ Three months	1,416,388	585,205
> Three months ≤ one year	1,366,153	3,609,809
> One year ≤ five years	7,163,781	7,321,648
> Five years	6,452,000	4,404,956
Other certificated liabilities		
≤ Three months	232,982	0
> Three months ≤ one year	333,872	4,992

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

	31 Dec. 15 € 000	31 Dec. 14 € 000
Claims on		
Banks	28,799	23,840
Customers	0	1,305
Liabilities to		
Banks	150,575	211,365
Customers	0	0

CLAIMS ON AND LIABILITIES TO AFFILIATED COMPANIES

	31 Dec. 15 € 000	31 Dec. 14 € 000
Claims on customers	733	1,086
Liabilities to customers	6	3

SECURITIES MARKETABLE ON THE STOCK EXCHANGE

Asset category	31 Dec. 15 € 000		31 Dec. 14 € 000	
	listed	unlisted	listed	unlisted
Bonds and other fixed-income securities	3,715,210	191,723	3,966,847	234,680
Shares and other non-fixed-income securities	8,070	0	8,090	0
Participations	0	2,750	0	2,750

TRADING BOOK

As at 31.12.2015 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	Write-ups	Transfers	Disposals	Deprecia- tion taken in 2015	Accumu- lated de- preciation	Net book value on 31 Dec. 15	Net book value on 31 Dec. 14
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Intangible assets	37,849	1,398	0	0	1,278	4,315	30,304	7,665	10,582
Concessions acquired for consideration, commercial rights and similar rights and values, as well as licenses to these rights and values	37,849	1,398	0	0	1,278	4,315	30,304	7,665	10,582
Tangible assets	103,140	1,350	0	0	432	2,233	32,330	71,728	72,613
	Acquisition and produc- tion costs				Changes total +/- *)			Net book value on 31 Dec. 15	Net book value on 31 Dec. 14
Participations and shares in cooperatives	98,343				1,044			99,387	98,343
Shares in affiliated companies	11,152				0			11,152	11,152
Bonds and other fixed-income securities	4,223,570				-278,347			3,945,223	4,223,570
Shares and other non fixed-in- come securities	8,090				-20			8,070	8,090

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

As of the balance sheet date there was no indication that the present value of the Bank's participations and capital holdings at cooperatives, holdings in affiliated companies, as well as the value of shares and other non-fixed-income securities was less than their book values.

The item "Bonds and other fixed-income securities" includes securities with a book value of € 1,890,324 (thousand) (previous year € 1,562,975 (thousand)) exceeding the present value of € 1,868,108 (thousand) (previous year € 1,536,402 (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 it is expected to be subject to a permanent impairment we wrote down the book value of one security held as fixed asset to the fair value at the balance sheet date.

TRUST TRANSACTIONS

	31 Dec. 15 € 000	31 Dec. 14 € 000
Assets held in trusts		
Claims on customers	31	45
Liabilities incurred as trustee		
Liabilities to banks	31	45

TANGIBLE ASSETS

The portion of the total value attributable to the land and buildings used by the Bank is € 59,730 (thousand) (previous year € 60,688 (thousand)), and of plant and office equipment € 1,831 (thousand) (previous year € 1,568 (thousand)).

SUBORDINATED ASSETS

	31 Dec. 15 € 000	31 Dec. 14 € 000
Bonds and other fixed-income securities	22,400	0
Shares and other non-fixed-income securities	8,070	8,090

OTHER ASSETS

The item "Other assets" includes deferred items of € 12,232 (thousand) related to the derivative business, and € 41,817 (thousand) in commissions for mortgage loans that will be paid after the balance sheet date, and, above all, tax claims of € 5,195 (thousand). In addition, this item also includes € 3,683 (thousand) in cash collateral pledged within the framework of the banking levy for 2015.

OTHER LIABILITIES

The item "Other liabilities" consists of € 372,781 (thousand) for deferred items and adjustment items for valuation of foreign currency items, and € 86,128 (thousand) related to derivative transactions as well as, above all, liabilities valued at € 7,245 (thousand) for accrued interest related to silent participations.

DEFERRED ITEMS FROM THE ISSUING AND LOAN BUSINESS

	31 Dec. 15 € 000	31 Dec. 14 € 000
Assets side 12.		
Discount from liabilities	47,379	36,845
Premium from claims	6,242	9,496
Other deferred charges	528	243
Liabilities side 6.		
Premium from liabilities	6,581	8,278
Discount from claims	5,856	7,141
Other deferred income	16	37

DEFERRED TAXES

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

SUBORDINATED LIABILITIES

Subordinated liabilities incurred interest expenses of € 8,720 (thousand) (previous year € 8,762 (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. 2015	282,304	1,534
Transfer from 2014 retained earnings	0	0
Transfer from 2015 net income	0	0
31 Dec. 2015	282,304	1,534

MEMBERS' CAPITAL CONTRIBUTIONS

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

	31 Dec. 15 €	31 Dec. 14 €
Capital contributions	705,334,408.43	667,342,255.44
a) of remaining members	698,260,278.43	664,114,765.44
b) of former members	6,689,410.00	2,949,870.00
c) in respect of shares under notice	384,720.00	277,620.00
Outstanding obligatory payments in respect of shares	11.57	14.56

SILENT PARTICIPATIONS

Silent participations in the amount of € 170,749 (thousand) (previous year € 275,899 (thousand)) are eligible for grandfathering pursuant to section 484 CRR in the amount of € 140,000 (thousand), and are considered to be additional Tier 1 capital pursuant to section 51 CRR. Expenses attributable to these participations amounted to € 16,418 (thousand) (previous year € 24,081 (thousand)).

ASSETS PLEDGED TO SECURE LIABILITIES

Within the framework of open market deals with the European Central Bank, securities valued at € 691,000 (thousand) (previous year € 641,000 (thousand)) were pledged as collateral to secure the same amount of liabilities. The book value of the pledged assets (genuine repurchase agreements) was € 22,580 (thousand) (previous year € 639,806 (thousand)). Within the framework of security arrangements for derivative transactions, cash collateral of € 2,407,190 (thousand) (previous year € 2,475,980 (thousand)) was provided. Securities valued at € 14,068 (thousand) (previous year € 12,730 (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 € 30,000 (thousand)) were pledged to secure financial aid obligations within the framework of a Contractual Trust Arrangement (CTA). Pursuant to Art. 12 para. 5 of the Restructuring Fund Act (Restrukturierungsfondsgesetz – RStruktFG) € 3,683 (thousand) in cash collateral has been pledged.

FOREIGN CURRENCY ITEMS

	31 Dec. 15 € 000	31 Dec. 14 € 000
Assets side	5,164,059	4,679,575
Liabilities side	1,576,123	1,898,937
Contingent liabilities and other obligations	288,270	233,276

OTHER OBLIGATIONS

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

OTHER OPERATING EXPENSES

This item contains expenses arising from adding interest effects of € 4,239 (thousand) (previous year € 2,835 (thousand)) for established provisions.

FORWARD TRADES AND DERIVATIVES

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

	Nominal amounts (in millions of €)				Fair value at balance sheet date*) neg. (-)
	Residual term ≤ one year	Residual term > one year ≤ five years	Residual term > five years	Total	
Interest-Rate-Related Transaction					
Interest rate swaps	5,971	17,487	41,570	65,028	-1,130
Interest rate options					
- Calls	27	58	58	143	16
- Puts	15	278	75	368	-5
Other interest rate contracts	455	0	1,576	2,031	-142
Currency-Related Transactions					
Cross-currency swaps	199	1,822	1,492	3,513	-369
Currency swaps	391	0	0	391	-1

*) Valuation methods:

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

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

The derivative financial instruments noted involve premiums stemming from option trades in the amount of € 2.9 million (previous year € 3.2 million) which are carried under the balance sheet item "Other assets".

Interest attributable to derivative deals is carried under the balance sheet items "Claims on banks" with € 363.0 million (previous year € 364.8 million) and "Liabilities to banks" with € 409.0 million (previous year € 411.9 million). The accrual of compensatory payments made is entered under "Other assets" with € 9.3 million (previous year € 12.8 million); the accrual of compensatory payments received is entered under "Other liabilities" with € 86.1 million (previous year € 75.5 million).

Compensatory items in the amount of € 372.8 million (previous year € 94.5 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, € 3,258 million (previous year € 3,152 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 € 287 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 31.12.2015.

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. 15 € 000	31 Dec. 14 € 000
Ordinary cover assets	20,646,017	18,638,101
1. Claims on banks (mortgage loans)	12,209	15,273
2. Claims on customers (mortgage loans)	20,581,344	18,570,364
3. Tangible assets (charges on land owned by the Bank)	52,464	52,464
Substitute cover assets	1,226,150	957,150
1. Other claims on banks	150,000	0
2. Bonds and other fixed-income securities	1,076,150	957,150
3. Other assets (offsetting currency derivatives)	0	0
Total cover	21,872,167	19,595,251
Total Mortgage Pfandbriefe requiring cover	19,995,260	17,541,708
Surplus cover	1,876,907	2,053,543

B. PUBLIC PFANDBRIEFE

	31 Dec. 15 € 000	31 Dec. 14 € 000
Ordinary cover assets	4,945,872	5,812,157
1. Claims on banks (public-sector loans)	448,791	637,488
2. Claims on customers (public-sector loans)	3,824,765	4,567,001
3. Bonds and other fixed-income securities	672,316	607,668
Substitute cover assets	142,000	144,000
1. Other claims on banks	0	0
2. Bonds and other fixed-income securities	142,000	144,000
3. Other assets (offsetting currency derivatives)	0	0
Total cover	5,087,872	5,956,157
Total public-sector Pfandbriefe requiring cover	5,023,284	5,625,812
Surplus cover	64,588	330,345

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. 15	31 Dec. 14	31 Dec. 15	31 Dec. 14	31 Dec. 15	31 Dec. 14
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Mortgage Pfandbriefe	19,995,260	17,541,708	21,989,138	20,099,446	24,106,160	21,438,934
Cover pool	21,872,167	19,595,251	25,482,684	23,071,126	26,141,128	23,833,803
of which						
further cover assets	1,226,150	957,150	1,388,321	1,093,341		
Over-collateralisation	1,876,907	2,053,543	3,493,546	2,971,680	2,034,968	2,394,869

* 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. 15		31 Dec. 14	
	Mortgage Pfandbriefe	Cover pool	Mortgage Pfandbriefe	Cover pool
Residual term	€ 000	€ 000	€ 000	€ 000
≤ 0.5 year	1,907,156	788,580	1,674,681	862,468
> 0.5 year and ≤ 1 year	320,301	1,139,729	1,023,027	1,373,596
> 1 year and ≤ 1.5 years	183,675	1,098,286	2,062,110	843,031
> 1.5 years and ≤ 2 years	423,167	1,031,850	405,567	1,195,592
> 2 years and ≤ 3 years	706,858	1,853,617	573,945	2,054,044
> 3 years and ≤ 4 years	1,322,552	1,686,375	619,637	1,750,934
> 4 years and ≤ 5 years	1,230,551	1,803,812	1,005,380	1,547,140
> 5 years and ≤ 10 years	5,016,425	7,915,301	4,276,796	6,628,204
> 10 years	8,884,575	4,554,617	5,900,565	3,340,242

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

	31 Dec. 15				31 Dec. 14			
	Total	thereof			Total	thereof		
		money claims in accordance with section 19 (1) no 2				money claims in accordance with section 19 (1) no 2		
		Overall	thereof			Overall	thereof	
	Covered bonds from banks in accordance with Article 129 Regulation (EU) no 575/2013	Bonds in accordance with section 19 (1) no 3		Covered bonds from banks in accordance with Article 129 Regulation (EU) no 575/2013	Bonds in accordance with section 19 (1) no 3			
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Germany	814,000	150,000	0	664,000	622,000	0	0	622,000
Belgium	38,000	0	0	38,000	13,000	0	0	13,000
France	160,000	0	0	160,000	70,000	0	0	70,000
Austria	101,150	0	0	101,150	202,150	50,000	5,000	152,150
EU institutions	113,000	0	0	113,000	50,000	0	0	50,000
Total – all states	1,226,150	150,000	0	1,076,150	957,150	50,000	5,000	907,150

KEY FIGURES FOR PFANDBRIEFE OUTSTANDING AND THEIR COVER

		31 Dec. 15	31 Dec. 14
Outstanding Mortgage Pfandbriefe	€ 000	19,995,260	17,541,708
thereof share of fixed-rate Pfandbriefe section 28 (1) no 9	%	88	90
		31 Dec. 15	31 Dec. 14
Cover pool	€ 000	21,872,167	19,595,251
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	%	97	93
Net present value pursuant to section 6 Pfandbrief-Net Present Value Regulation for each foreign currency in EUR section 28 (1) no 10 (Net Total)	USD (€ 000)	77,802	21,210
	GBP (€ 000)	-173,334	-3,110
	CHF (€ 000)	2,569,798	1,854,029
	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	%	51	50

MORTGAGE LOANS USED AS COVER FOR MORTGAGE PFANDBRIEFE

A. ACCORDING TO THEIR AMOUNTS IN TRANCHES

	31 Dec. 15 € 000	31 Dec. 14 € 000
up to € 300.000	13,488,641	11,898,976
more than € 300.000 up to 1m euros	2,170,321	1,623,319
more than 1m euros up to 10m euros	1,948,675	1,908,502
more than 10m euros	2,985,916	3,154,840
Total	20,593,553	18,585,637

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. 15	16,643,590	14,831,397	1,977,930	8,734,411	4,086,529	31,763	764	1,812,193	1,033,683	606,048	24,481	147,576	146	259
	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
Belgium	31 Dec. 15	5,508	0	0	0	0	0	0	5,508	5,508	0	0	0	0	0
	31 Dec. 14	5,508	0	0	0	0	0	0	5,508	5,508	0	0	0	0	0
France	31 Dec. 15	164,710	14,160	0	0	14,160	0	0	150,550	132,610	17,940	0	0	0	0
	31 Dec. 14	233,112	14,160	0	0	14,160	0	0	218,952	195,618	23,334	0	0	0	0
Great Britain	31 Dec. 15	222,487	0	0	0	0	0	0	222,487	145,176	44,472	0	32,839	0	0
	31 Dec. 14	339,239	0	0	0	0	0	0	339,239	288,150	51,089	0	0	0	0
Luxembourg	31 Dec. 15	46,586	0	0	0	0	0	0	46,586	46,586	0	0	0	0	0
	31 Dec. 14	33,500	0	0	0	0	0	0	33,500	33,500	0	0	0	0	0
The Netherlands	31 Dec. 15	129,902	19,728	0	0	19,728	0	0	110,174	100,424	6,900	0	2,850	0	0
	31 Dec. 14	90,590	0	0	0	0	0	0	90,590	87,734	0	0	2,856	0	0
Austria	31 Dec. 15	73,702	6	0	6	0	0	0	73,696	20,940	52,756	0	0	0	0
	31 Dec. 14	74,658	6	0	6	0	0	0	74,652	20,940	53,712	0	0	0	0
Spain	31 Dec. 15	126,329	0	0	0	0	0	0	126,329	9,882	82,829	0	33,618	0	0
	31 Dec. 14	112,306	0	0	0	0	0	0	112,306	9,882	68,806	0	33,618	0	0
Switzerland	31 Dec. 15	2,937,105	2,937,105	932,542	2,004,563	0	0	0	0	0	0	0	0	0	0
	31 Dec. 14	2,289,473	2,289,473	716,368	1,573,105	0	0	0	0	0	0	0	0	0	0
USA	31 Dec. 15	243,634	0	0	0	0	0	0	243,634	218,525	25,109	0	0	0	0
	31 Dec. 14	369,242	29,800	0	0	29,800	0	0	339,442	317,423	22,019	0	0	0	0
Total - all states	31 Dec. 15	20,593,553	17,802,396	2,910,472	10,738,980	4,120,417	31,763	764	2,791,157	1,713,334	836,054	24,481	216,883	146	259
	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

PAYMENTS IN ARREARS ON COVERING MORTGAGES

	31 Dec. 15		31 Dec. 14	
	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	30,264	32,409	21,621	22,899
Switzerland	1,268	1,246	677	669
Total - all states	31,532	33,655	22,298	23,568

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. 15	31 Dec. 14	31 Dec. 15	31 Dec. 14	31 Dec. 15	31 Dec. 14
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Public Pfandbriefe	5,023,284	5,625,812	5,978,874	6,847,318	5,615,311	6,419,550
Cover pool	5,087,872	5,956,157	6,452,905	7,709,340	5,977,512	7,105,746
of which						
further cover assets	142,000	144,000	149,073	207,103		
of which						
derivatives	0	0	40,464	44,767		
Over-Collateralisation	64,588	330,345	474,031	862,022	362,201	686,196

* 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. 15		31 Dec. 14	
	Public Pfandbriefe	Cover pool	Public Pfandbriefe	Cover pool
Residual term	€ 000	€ 000	€ 000	€ 000
≤ 0.5 year	36,821	117,960	207,899	251,824
> 0.5 year and ≤ 1 year	123,859	235,429	157,220	220,206
> 1 year and ≤ 1.5 years	314,398	323,377	50,637	212,738
> 1.5 years and ≤ 2 years	730,483	129,918	186,966	289,912
> 2 years and ≤ 3 years	966,574	371,842	1,118,321	487,059
> 3 years and ≤ 4 years	61,922	270,697	979,988	456,857
> 4 years and ≤ 5 years	231,692	262,261	129,832	302,654
> 5 years and ≤ 10 years	726,226	434,856	1,091,530	711,337
> 10 years	1,831,309	2,941,532	1,703,419	3,023,570

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

	31 Dec. 15		31 Dec. 14	
	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	142,000	0	119,000	0
Belgium	0	0	25,000	0
Total – all states	142,000	0	144,000	0

KEY FIGURES ON PFANDBRIEFE OUTSTANDING AND THEIR COVER

		31 Dec. 15	31 Dec. 14
Outstanding Public Pfandbriefe	€ 000	5,023,284	5,625,812
thereof percentage share of fixed-rate Pfandbriefe section 28 (1) no 9	%	90	89
Cover pool	€ 000	5,087,872	5,956,157
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	%	82	84
Net present value pursuant to section 6 Pfandbrief-Net Present Value Regulation for each foreign currency in EUR section 28 (1) no 10 (Net Total)	GBP (€ 000)	0	132,900
	CHF (€ 000)	-152,104	-140,333
	JPY (€ 000)	-3,299	-3,102

MORTGAGE LOANS USED AS COVER FOR PUBLIC PFANDBRIEFE

A. ACCORDING TO THEIR AMOUNTS IN TRANCHES

	31 Dec. 15 € 000	31 Dec. 14 € 000
up to 10m euros	486,879	550,911
more than 10m euros up to 100m euros	1,237,728	1,326,254
more than 100m euros	3,221,265	3,934,992
Total	4,945,872	5,812,157

B. ACCORDING TO GROUP OF BORROWERS AND REGIONS

		of which owed by						of which guaranteed by				
		Total - all states	Total	State	Regional authorities	Local authorities	Other debtors	Total	State	Regional authorities	Local authorities	Other debtors
		€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Germany	31 Dec. 15	3,969,643	3,923,156	0	3,163,050	450,766	309,340	46,487	0	10,226	36,261	0
	31 Dec. 14	4,742,024	4,646,818	0	3,637,308	550,460	459,050	95,206	45,698	10,226	39,282	0
Belgium	31 Dec. 15	195,000	95,000	0	95,000	0	0	100,000	100,000	0	0	0
	31 Dec. 14	195,000	95,000	0	95,000	0	0	100,000	100,000	0	0	0
Finland	31 Dec. 15	25,000	25,000	25,000	0	0	0	0	0	0	0	0
	31 Dec. 14	0	0	0	0	0	0	0	0	0	0	0
Ireland	31 Dec. 15	22,695	0	0	0	0	0	22,695	22,695	0	0	0
	31 Dec. 14	22,695	0	0	0	0	0	22,695	22,695	0	0	0
Iceland	31 Dec. 15	15,000	0	0	0	0	0	15,000	15,000	0	0	0
	31 Dec. 14	15,000	0	0	0	0	0	15,000	15,000	0	0	0
Italy	31 Dec. 15	17,229	17,229	17,229	0	0	0	0	0	0	0	0
	31 Dec. 14	16,317	16,317	16,317	0	0	0	0	0	0	0	0
Austria	31 Dec. 15	232,119	199,119	164,119	35,000	0	0	33,000	0	33,000	0	0
	31 Dec. 14	280,124	197,124	162,124	35,000	0	0	83,000	0	83,000	0	0
Poland	31 Dec. 15	46,147	46,147	46,147	0	0	0	0	0	0	0	0
	31 Dec. 14	41,584	41,584	41,584	0	0	0	0	0	0	0	0
Portugal	31 Dec. 15	44,500	0	0	0	0	0	44,500	44,500	0	0	0
	31 Dec. 14	45,000	0	0	0	0	0	45,000	45,000	0	0	0
Switzerland	31 Dec. 15	202,688	27,688	0	27,688	0	0	175,000	0	175,000	0	0
	31 Dec. 14	199,950	24,950	0	24,950	0	0	175,000	0	175,000	0	0
Slovenia	31 Dec. 15	90,000	0	0	0	0	0	90,000	90,000	0	0	0
	31 Dec. 14	90,000	0	0	0	0	0	90,000	90,000	0	0	0
Spain	31 Dec. 15	21,000	21,000	0	21,000	0	0	0	0	0	0	0
	31 Dec. 14	61,000	61,000	0	61,000	0	0	0	0	0	0	0
EU institutions	31 Dec. 15	64,851	64,851	0	0	0	64,851	0	0	0	0	0
	31 Dec. 14	103,463	103,463	0	0	0	103,463	0	0	0	0	0
Total - all states	31 Dec. 15	4,945,872	4,419,190	252,495	3,341,738	450,766	374,191	526,682	272,195	218,226	36,261	0
	31 Dec. 14	5,812,157	5,186,256	220,025	3,853,258	550,460	562,513	625,901	318,393	268,226	39,282	0

COVERING MORTGAGES WITH OVERDUE INTEREST

	overall		thereof residential		thereof commercial	
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
	2015	2014	2015	2014	2015	2014
Overdue interest for period 01.10.2014 to 30.09.2015	311	363	302	357	9	6
Overall overdue not adjusted to value	253	315	244	304	9	10

FORECLOSURES AND RECEIVERSHIPS OF MORTGAGES USED AS COVER

	overall		thereof residential		thereof commercial	
	2015	2014	2015	2014	2015	2014
	Pending on balance sheet date					
- Foreclosure proceedings	164	216	156	206	8	10
- Receivership proceedings	77	93	74	88	3	5
	65*)	86*)	63*)	81*)	2*)	5*)
Foreclosures completed during business year	68	79	67	70	1	9

*) 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 2015	75,629	9,487,354	2,425,442,050.10
Additions in 2015	381	677,149	25,571,910.00
Reductions in 2015*	4,601	189,356	2,025,005,020.10
End of 2015	71,409	9,975,147	426,008,940.00

* The decline in the amount of members' liability is primarily due to the reduction of the required members' liability amount per the terms of the Articles of Association.

	€
Increase in remaining members' capital contributions in 2015	34,145,512.99
Increase in members' liability for additional contributions in 2015	1,999,433,110.10
Amount of each share	70.00
Members' liability for additional contributions per share	70.00

Members' liability for additional contributions per share was reduced from € 255.65 to € 70.00 due to an amendment made to the Articles of Association dated 20.02.2015.

PERSONNEL STATISTICS

The average number of employees employed by the Bank in 2015 was as follows:

	Male	Female	Total
Full-time employees	245	145	390
Part-time employees	13	90	103
Total number of employees	258	235	493

These figures do not include:

Apprenticed trainees	8	12	20
Employees participating in parental leave, early retirement, partial retirement (non-working phase), or employees suspended with pay	5	12	17

SHAREHOLDINGS

	Percentage of capital held	Capital in € 000	Profit/Loss in € 000
M-Wert GmbH, Munich*	100	312	112
Immobilien-service GmbH der Münchener Hypothekenbank eG (M-Service), Munich (profit transfer agreement)**	100	509	144
Nußbaumstrasse GmbH & Co. KG, Munich*	100	11,328	346

* Annual financial statements 2014, ** Annual financial statements 2015

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 0.0584 percent.

BODIES

SUPERVISORY BOARD

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

S.D. Albrecht Fürst zu Oettingen-Spielberg ... Oettingen
Deputy Chairman of the Supervisory Board

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

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

Jürgen Hölscher ... Lingen
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
Master Craftsman (Miller)

Erich Rödel ... Ingolstadt (until 18.04.2015)
Bank director (ret.)

Gregor Scheller ... Forchheim (as of 18.04.2015)
Chairman of the Board of Management of
Volksbank Forchheim eG

Kai Schubert ... Mölln
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 balance sheet date loans to members of the Supervisory Board amounted to € 875 (thousand) (previous year € 1,019 (thousand)). As in the previous year the lending portfolio did not include any loans made to members of the Board of Management. Pension provisions of € 18,029 (thousand) (previous year € 16,830 (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 € 1,768 (thousand) (previous year € 1,588 (thousand)), for members of the Supervisory Board € 260 (thousand) (previous year € 250 (thousand)). Total compensation received by the members of Advisory Committee amounted to € 49 (thousand) (previous year € 53 (thousand)). Total compensation received by former members of the Board of Management and their surviving dependants amounted to € 1,264 (thousand) (previous year € 1,326 (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 € 750 (thousand), including valued added tax, (previous year € 725 (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 € 61 (thousand) (previous year € 73 (thousand)) were incurred for other confirmation services. No costs were incurred for other services during the year under review.

OTHER FINANCIAL OBLIGATIONS

Pursuant to Art. 12 para. 5 of the Restructuring Fund Act (Restrukturierungsfondsgesetz - RStruktFG) irrevocable payment obligations of € 3,683 (thousand) was recorded at the balance sheet date.

CONTINGENT LIABILITY

Our Bank is a member of the protection scheme of the National Association of German Cooperative Banks (Sicherungseinrichtung des Bundesverbandes der Deutschen Volksbanken und Raiffeisenbanken e.V.). Per the statutes of the protection scheme we have issued a guarantee to the National Association of German Cooperative Banks. As a result, we have a contingent liability of € 16,353 (thousand). In addition, pursuant to Article 7 of the Accession and Declaration of Commitment to the bank-related protection scheme of the BVR Institutssicherung GmbH (BVR-ISG), a premium guarantee is in force. This pertains to special contributions and special payments in the event of insufficient financial resources in order to pay for damages of depositors of one of the CRR credit institutions belonging to the protection scheme in the event of a compensation case, as well as to meet refunding obligations pursuant to cover measures.

Munich, 9 February, 2016

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 2015. 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, 9 March, 2016

DGRV – Deutscher Genossenschafts- und Raiffeisenverband e.V.

Dieter Gahlen
Auditor

Thorsten 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, 9 February, 2016

MÜNCHENER HYPOTHEKENBANK eG
The Board of Management



Dr. Louis Hagen



Bernhard Heinlein



Michael Jung

ANNEX TO ANNUAL FINANCIAL STATEMENTS PURSUANT TO ART. 26a PARA. 1 SENTENCE 2 OF THE GERMAN BANKING ACT (KWG) FOR THE PERIOD ENDING 31.12.2015 (“COUNTRY BY COUNTRY REPORTING”)

Münchener Hypothekenbank eG is a Pfandbrief Bank operating in the legal format of a registered cooperative. The Bank's core areas of business are granting mortgage loans for residential and commercial property, as well as issuing Mortgage Pfandbriefe and Public Pfandbriefe. The Bank's most important market is Germany. Furthermore, business relationships are also maintained with clients in other European countries, in particular. All of the Bank's business is processed at its head office in Munich. The Bank does not maintain any branch offices outside of Germany.

Münchener Hypothekenbank eG defines its revenues as the sum of the following components of the Income Statement pursuant to the rules of the German Commercial Code (HGB): interest income, interest expenses, current income from participating interests and shares in cooperatives and investments in affiliated companies, income from profit-pooling, profit transfer or partial profit transfer agreements, commission received, commission paid and other operating income. Revenues for the period 1 January to 31 December 2015 were € 156,334 (thousand).

The number of full-time equivalent salaried employees is 454.87.

Pre-tax income amounts to € 47,935 (thousand).

After taking taxes of € 25,696 (thousand) into account, net income totals 22,239 (thousand). Taxes refer to current taxes.

Münchener Hypothekenbank eG did not receive any public assistance during the current business year.

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.

During the year under review the Supervisory Board held its constituent meeting and four regularly scheduled meetings with the Board of Management. The key subjects and advisory issues covered were the development and planning of the Bank's business activities, the business and risk strategy, the Bank's risk situation, regulatory issues and talks regarding cooperation, as well as a possible merger, with Hausbank München eG.

The Supervisory Board has established committees to enable it to carry out its duties efficiently. The committees are: the Audit Committee, the Risk Committee, and the 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 2015 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 2015 – 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.

Following five years as a member of the Supervisory Board, Erich Rödel stepped down as scheduled due to age reasons during the year under review. Prior to joining the Supervisory Board Mr Rödel had been the Chairman of Münchener Hypothekbank's Board of Management. Mr Rödel's service to the Bank was marked by his high level of expertise and his great passion for the Bank in all of the positions he held. He was instrumental in advancing the successful development of the Bank during a period of great upheaval for the banking sector, and especially for Pfandbrief banks.

Mr Gregor Scheller, the Chairman of the Board of Management of the Volksbank Forchheim eG, was newly elected as a member of the Supervisory Board during the 2015 Delegates Meeting.

The 2015 business year was one of the most successful in the past five years for MünchenerHyp. The Bank was able to further improve the previous year's record level of new business and also posted a substantial increase in earnings. These results showed that the Bank came through the turmoil associated with the financial markets crisis and enormous regulatory requirements – especially those imposed after the Bank came under the direct supervision of the European Central Bank (ECB) – stronger than before and continues to remain on track for growth. In view of the looming additional regulatory burdens, the Bank's objective is to employ appropriate measures that will further strengthen and enhance its progress on its path of growth.

MünchenerHyp's Board of Management and all of the Bank's employees are striving to achieve this objective with great élan and exceptional commitment. The Supervisory Board recognises and appreciates these efforts and is grateful for them.

Munich, April 2016
MÜNCHENER HYPOTHEKENBANK eG

Konrad Irtel
Chairman of the Supervisory Board

THE MEMBERS OF THE DELEGATES MEETING

AS OF 31 DECEMBER 2015

Hermann Arens ... Bank director (ret.)
 Dr. Wolfgang Baecker ... Bank director
 Manfred Basler ... Bank director (ret.)
 Claus-Rüdiger Bauer ... Bank director (ret.)
 Norbert Beek ... Bank director (ret.) (until May 2015)
 Heinrich Beerenwinkel ... Bank director
 Dr. Christoph Berndorff ... Bank director (ret.)
 Gunnar Bertram ... Bank director
 Dietmar Bock ... Managing director
 Helmut Böing ... Bank director (ret.)
 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.)
 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
 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
 Josef Pölt ... Executive director (as of 05.05.2015)
 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 (ret.)
 Dr. Rainer Sturies ... Attorney
 Ulrich Tolksdorf ... Bank director
 Martin Trahe ... Bank director
 Birgit Türschmann
 Florian Uhl ... Managing director
 Heinz-Walter Wiedbrauck ... Bank director (ret.)
 Michael Zaigler ... Managing director

AGENDA – GENERAL (DELEGATES) MEETING ON 23 APRIL 2016, 10.30 A.M.

1. Report on the 2015 business year by the Board of Management and presentation of the Annual Statement of Accounts and the 2015 Management Report
2. Report of the Supervisory Board
3. Auditors' report
4. Resolutions to ratify:
 - a) the 2015 Annual Statement of Accounts
 - b) proposed appropriation of distributable income
 - c) the acts of the Board of Management and the Supervisory Board for the 2015 business year
5. Amendments to the Articles of Association
6. Elections to the Supervisory Board
7. Other issues

EXECUTIVE MANAGEMENT AND BODIES

BOARD OF MANAGEMENT

Dr. Louis Hagen, [Chairman](#) (as of 14.03.2016)
Bernhard Heinlein
Michael Jung

SUPERVISORY BOARD

Konrad Irtel ... Rosenheim
[Chairman](#)
S.D. Albrecht Fürst zu Oettingen-Spielberg ... Oettingen
[Deputy Chairman](#)
Wolfhard Binder ... Grafing
Heinz Fohrer ... Esslingen
Jürgen Hölscher ... Lingen
Rainer Jenniches ... Bonn
Dr. Peter Ramsauer ... Traunwalchen
Erich Rödel ... Ingolstadt (until 18.04.2015)
Gregor Scheller ... Forchheim (as of 18.04.2015)
Kai Schubert ... Trittau

TRUSTEES

Klaus Jasper ... Ministry director (ret.), Munich (until 30.09.2015)
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), [Trustee](#) (as of 01.10.2015)
Dr. Günter Graf ... Ministry director, Egming
[Deputy](#) (as of 01.10.2015)

ADVISORY COMMITTEE (AS OF 31 DECEMBER 2015)

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
Josef Frauenlob ... Bad Reichenhall
Clemens Fritz ... Achern
Christian Glasauer ... Beuerberg
Walter Hoffmann ... Glan-Münchweiler
Eberhard Kreck ... Bottrop
Dr. Martin Kühling ... Vechta
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

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

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

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

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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 (Chairman) ... 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

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TRANSACTION MANAGEMENT PROPERTY FINANCE

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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

Regional director: Peter Birgmeier
 Münchener Hypothekenbank eG
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REGIONAL OFFICE BERLIN

Regional director: Bernd Pagenhardt
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REGIONAL OFFICE COLOGNE

Regional director: Heinz-Peter Noethgen
 Münchener Hypothekenbank eG
 Hohenzollernring 55
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REGIONAL OFFICE DRESDEN

Regional director: Cornelius Dachsel
 Münchener Hypothekenbank eG
 Cossebauder Strasse 20
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REGIONAL OFFICE FRANKFURT

Regional director: Michael Hohmann
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Regional director: Thomas Himstedt
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REGIONAL OFFICE HANNOVER

Regional director: Karl-Heinz Meyer
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REGIONAL OFFICE MUNICH

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REGIONAL OFFICE NUREMBERG

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REGIONAL OFFICE STUTTGART

Regional director: Gerd Schier
Münchener Hypothekenbank eG
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70173 Stuttgart
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Fax + 49 711 222962-22

COOPERATION PARTNERS

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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.



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