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General information on accounting policies

The Münchener Hypothekbank eG annual financial statement as of 31 December 2019 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 Section 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 Section 340f of the German Commercial Code.

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

Securities held as fixed assets, which were mainly acquired as cover for Public Pfandbriefe and for other coverage purposes, are valued at their cost of purchase. Discounts and premiums are recognised as interest income or expense over the residual life of the securities. Securities associated with swap agreements are valued together with these agreements as a single item. To the extent that derivatives are used to hedge risks they are not valued individually. As in the previous year, securities held as fixed assets in the business year, and which were not subject to a sustained decrease in value, are valued in

accordance with the modified lower of cost or market principle. In cases involving securities treated as fixed assets where a permanent decrease in value is anticipated, the write-down to the fair value takes place on the balance sheet date.

Borrowed securities do not appear on the balance sheet.

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

Intangible assets and tangible assets are valued at cost or production costs less accumulated depreciation. Planned depreciation was taken in accordance with normal useful lifetimes. Minor value assets were treated in accordance with tax rules. Unscheduled depreciation is taken in the event the original useful lifetime is shortened.

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 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 busi-

ness 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 2.71 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 2018 G" prepared by Prof. Dr. Klaus Heubeck. In accordance with the terms of Section 253 (2) of the German Commercial Code the average market rate of interest of the last 10 business years is used for discount purposes with an assumed remaining term to maturity of 15 years.

Per the terms of Section 256a of the German Commercial Code, monetary assets and liabilities denominated in foreign currencies are calculated using the European Central Bank's exchange rate valid on the balance sheet date. Results realised from the conversion of particularly covered foreign currency positions are carried under net interest income. Results realised from the conversion of specific value adjustments denominated in foreign currencies are shown under the item "Income from reversals of write-downs to claims and certain securities as well as reversals of provisions for possible loan losses". Costs and income are valued at the individual daily exchange rate.

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

Notes to the balance sheet income statement

Maturity analysis by residual term

ASSETS IN € 000	31 Dec. 19	31 Dec. 18
Claims on banks	2,054,280	1,740,919
– Three months	1,932,540	1,609,780
– Three months – one year	17,238	8,933
– One year – five years	1,285	18,317
– Five years	103,217	103,889
Claims on customers	37,627,107	34,284,890
– Three months	637,667	690,397
– Three months – one year	1,542,065	1,414,788
– One year – five years	9,765,520	8,476,544
– Five years	25,681,855	23,703,161
Bonds and other fixed-income securities ≤ one year	184,352	468,284

LIABILITIES, CAPITAL AND RESERVES IN € 000	31 Dec. 19	31 Dec. 18
Liabilities to banks	4,797,563	5,089,832
– Three months	1,933,848	1,520,338
– Three months – one year	509,425	648,066
– One year – five years	1,109,328	1,677,388
– Five years	1,244,963	1,244,040
Liabilities to customers	15,724,726	15,238,002
– Three months	1,359,192	562,748
– Three months – one year	1,005,534	735,916
– One year – five years	1,253,045	1,709,532
– Five years	12,106,955	12,229,806
Certificated liabilities	20,320,012	18,235,100
Bonds issued		
– Three months	102,584	631,799
– Three months – one year	2,329,064	2,034,593
– One year – five years	8,688,188	7,729,904
– Five years	8,900,451	7,788,754
Other certificated liabilities		
– Three months	245,209	0
– Three months – one year	54,516	50,050

Claims on | Liabilities

CLAIMS ON AND LIABILITIES TO AFFILIATED COMPANIES AND COMPANIES, IN WHICH PARTICIPATING INTERESTS ARE HELD IN € 000

	31 Dec. 19				31 Dec. 18			
	Affiliated companies		Companies in which participating interests are held		Affiliated companies		Companies in which participating interests are held	
	certificated	non-certificated	certificated	non-certificated	certificated	non-certificated	certificated	non-certificated
Claims on banks	0	0	0	877,423	0	0	0	633,470
Claims on customers	0	0	0	0	0	0	0	0
Bonds and other fixed-income securities	0	0	66,900	0	0	0	22,400	0
Liabilities to banks	0	0	0	812,900	0	0	0	765,892
Liabilities to customers	0	3,194	0	0	0	1,340	0	0
Certificated liabilities	0	0	0	0	0	0	0	0
Subordinated liabilities	0	0	0	0	0	0	0	15,000

Securities

SECURITIES MARKETABLE ON THE STOCK EXCHANGE IN € 000

Asset category	31 Dec. 19		31 Dec. 18	
	Listed	Unlisted	Listed	Unlisted
Bonds and other fixed-income securities	1,691,600	210,062	2,064,172	165,862
Shares and other non-fixed-income securities	0	0	0	8,010
Participations	0	0	0	0

Separate funds

SHARES IN SEPARATE FUNDS IN € 000

Description of the fund	Investment goal	Valuation pursuant to Section 168 and 278 Capital Investment Code (KAGB), or Section 36 Investment Act (old version) or comparable foreign regulations	Difference to book value	Distribution paid out for fiscal year
UIN-Fonds No. 903	Long term return and diversification benefits compared to a direct investment in shares, taking the structure of the Bank's portfolio into consideration	147,000	9,700	0

Subordinated assets

SUBORDINATED ASSETS IN € 000

	31 Dec. 19	31 Dec. 18
Bonds and other fixed-income securities	66,900	22,400
Shares and other non-fixed-income securities	0	8,010

Trading book

As of 31 December 2019 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.

Fixed assets

DEVELOPMENT OF FIXED ASSETS IN € 000

	Acquisition and production costs	Changes total +/- ¹									Net book value on			
											31 Dec. 19	31 Dec. 18		
Bonds and other fixed-income securities	2,258,919										1,995,516	2,258,919		
Shares and other non fixed-income securities	8,010										0	8,010		
Participations and shares in cooperatives	104,554										104,554	104,554		
Shares in affiliated companies	11,152										13,151	11,152		
	Acquisition and production costs at start of business year	Additions during business year	Disposals during business year	Transfers during business year	Acquisition and production costs at end of business year	Accumulated depreciation at start of business year	Depreciation during business year	Additions during business year	Changes in legal depreciation taken related to			Accumulated depreciation at end of business year	Net book value on	
									Additions	Disposals	Transfers		31 Dec. 19	31 Dec. 18
Intangible assets	37,969	7,584	8,393		37,160	34,223	3,404			8,393		29,234	7,926	3,746
a) Internally generated commercial property rights and similar rights and assets		2,622			2,622		131					131	2,491	
b) Concessions acquired for consideration, commercial rights and similar rights and values, as well as licenses to these rights and values	37,969	4,962	8,393		34,538	34,223	3,273			8,393		29,103	5,435	3,746
Tangible assets	101,042	1,402	1,319		101,125	31,589	2,768			1,272		33,084	68,041	69,453

¹ The Bank has exercised the option, available under Section 34 (3) of the accounting regulation for banks and financial services institutions, to combine certain items.

On the reporting date 31 December 2019, the book value of internally generated intangible assets amounted to € 2,491 thousand (previous year € 0.00). This is subject to the distribution restriction and is included in the item "Other revenue reserves".

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 € 526,927 thousand (previous year € 758,716 thousand) exceeding the present value of € 525,271 thousand (previous year € 754,584 thousand). To the extent that these securities are associated with a swap transaction, they are valued together with the transaction as a single item.

Securities held as fixed assets, which are separately identified in the portfolio management system and are not expected to be subject to a permanent impairment in value, are valued in accordance with the moderated lower of cost or market principle. In light of our intention to hold these securities until they mature, we generally assume that market price-related decreases in value will not become effective and that these securities will be repaid in full at their nominal value at maturity. Of the securities that are not valued in accordance with the moderated lower of cost or market principle € 1,901,663 thousand (previous year € 2,230,033 thousand) are marketable securities.

Shareholdings

SHAREHOLDINGS IN € 000

	Percentage of capital held	Equity	Profit/loss
M-Wert GmbH, Munich ¹	100.00	622	400
Immobilien-service GmbH der Münchener Hypothekbank eG (M-Service), Munich (profit transfer agreement) ²	100.00	509	51
Nußbaumstrasse GmbH & Co. KG, Munich ²	100.00	11,372	300
M-4tec GmbH, Munich ²	100.00	2,000	-81

¹ Annual financial statements 2018.

² Annual financial statements 2019.

Trust transactions

TRUST TRANSACTIONS IN € 000

	31 Dec. 19	31 Dec. 18
Assets held in trusts		
Claims on customers	0	2
Liabilities incurred as trustee		
Liabilities to banks	0	2

Tangible assets

The portion of the total value attributable to the land and buildings used by the Bank is € 55,898 thousand (previous year € 56,856 thousand), and of plant and office equipment € 2,735 thousand (previous year € 2,999 thousand).

Other assets

The item "Other assets" includes deferred items of € 44,604 thousand related to the derivative business, and € 67,448 thousand in commissions for mortgage loans that will be paid after the balance sheet date. In addition, this item also includes a participation held for sale recorded at € 3,832 thousand and tax claims of € 1,960 thousand. Furthermore, this item also includes € 12,218 thousand in cash collateral pledged within the framework of the banking levy.

Deferred items

DEFERRED ITEMS FROM THE ISSUING AND LOAN BUSINESS IN € 000

	31 Dec. 19	31 Dec. 18
Assets side 12.		
Discount from liabilities	52,310	49,835
Premium from claims	5,909	2,828
Other deferred charges	557	0
Liabilities side 6.		
Premium from liabilities	45,168	19,866
Discount from claims	997	1,469
Other deferred income	175	32

Deferred taxes

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

Assets pledged to secure liabilities

Within the framework of open market deals with the European Central Bank, securities valued at € 500,000 thousand (previous year € 1,000,000 thousand) were pledged as collateral to secure the same amount of liabilities. The book value of the pledged assets (genuine repurchase agreements) was € 0 (previous year € 0). Within the framework of security arrangements for derivative transactions, cash collateral of € 1,789,500 thousand (previous year € 1,454,140 thousand) was provided. Securities valued at € 13,862 thousand (previous year € 14,067 thousand) were pledged to secure pension obligations and requirements of the partial retirement model for older employees. Securities valued at € 18,000 thousand (previous year € 18,000 thousand) were pledged to secure financial aid obligations within the framework of a Contractual Trust Arrangement (CTA). Claims in respect of loans valued at € 437,441 thousand (previous year € 391,703 thousand) were assigned to secure loans obtained from credit institutions.

Pursuant to Section 12 Para. 5 of the Restructuring Fund Act (Restrukturierungsfondsgesetz – RStruktFG) € 12,218 thousand in cash collateral has been pledged.

Other liabilities

The item "Other liabilities" consists of € 207,543 thousand for deferred items and adjustment items for valuation of foreign currency items, and € 46,016 thousand related to derivative transactions.

Subordinated liabilities

Subordinated liabilities incurred interest expenses of € 4,958 thousand (previous year € 6,312 thousand). Subordinated liabilities which individually exceed 10 percent of the overall statement amount to:

Nominal amount	Currency	Interest rate	Maturity date
10,000,000.00	Euro	4.47%	16.11.2020
9,000,000.00	Euro	6.71%	05.07.2021
10,000,000.00	Euro	5.67%	19.01.2021
10,000,000.00	Euro	5.67%	19.01.2021
10,000,000.00	Euro	6.01%	01.12.2022

The instruments comply with the provisions of Section 63 of the Capital Requirements Regulation (CRR).

Early 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.

Additional Tier 1 Capital Instruments

Additional Tier 1 (AT1) capital with a total nominal value of CHF 125 million, or a book value of € 115 million valued at the exchange rate on the balance sheet date, is reported under the item Additional Tier 1 (AT1) Instruments. Interest expenses amounted to € 190 thousand on the balance sheet date and correspond to accrued interest to the full extent. The bond was issued on 12 December 2019 in denominations of CHF 50,000, carries a coupon of 3.125% and is a perpetual bond. The bond is callable by MünchenerHyp for the first time after 5.5 years.

The interest rate will be adjusted to the current 5-year CHF mid-swap rate for the first time on 2 June 2025 and every 5 years after that date, as well as an additional margin of 3.656% per year.

Payment of interest will not take place if the issuer has insufficient distributable items available for distribution, if the issuer is ordered to do so by a competent regulatory authority, or due to non-compliance with equity capital and capital buffer requirements.

Interest payments are not cumulative.

The bond will be written down in the event MünchenerHyp's Common Equity Tier 1 capital ratio (CET1 ratio) falls below a minimum level of 7 percent. A write-up of the bond is at the full discretion of the issuer and requires sufficient net income for the year and may not contravene any statutory or official prohibition on distribution.

Pursuant to the terms of commercial law, this is a liability and not equity.

Members' capital contributions

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

MEMBERS' CAPITAL CONTRIBUTIONS IN €		
	31 Dec. 19	31 Dec. 18
Capital contributions	1,072,452,850.00	1,032,630,340.00
a) of remaining members	1,069,775,210.00	1,030,593,620.00
b) of former members	2,461,620.00	1,867,320.00
c) in respect of shares under notice	216,020.00	169,400.00
Outstanding obligatory payments in respect of shares	0.00	0.00

Silent participations

As of the date of record there were no silent participations (previous year € 2,000 thousand). For silent participations bearing fixed rates of interest expenses were incurred in the amount of € 84 thousand (previous year € 170 thousand).

Details of revenue reserves

DEVELOPMENT OF REVENUE RESERVES IN € 000

	Legal reserve	Other revenue reserves
01 Jan. 2019	320,000	6,000
Transfer from 2018 retained earnings		
Transfer from 2019 net income	12,000	
31 Dec. 2019	332,000	6,000

The increase in the assessment period used for defining the average discount rate from 7 to 10 years resulted in a positive contribution to income of € 3,116 thousand, which is barred from being distributed and is included under the item "Other revenue reserves".

Foreign currency items

FOREIGN CURRENCY ITEMS IN € 000

	31 Dec. 19	31 Dec. 18
Assets side	5,967,570	5,523,167
Liabilities side	4,572,391	2,483,466
Contingent liabilities and other obligations	410,057	289,340

Other commitments

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.

Interest expenses

This item includes the premium for targeted longer-term refinancing operations (TLTRO II Programme) shown as a negative interest expense of € 3,511 thousand (previous year: € 8,661 thousand).

Other operating expenses

This item contains expenses arising from adding interest effects of € 3,545 thousand (previous year € 3,724 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 € MILLION

	Residual term ≤ one year	Residual term > one year ≤ five years	Residual term > five years	Total	Fair value at balance sheet date ¹ neg. (-)
Interest-rate-related transaction					
Interest rate swaps	7,471	21,989	45,091	74,551	-241
Interest rate options					
– Calls	3	41	878	921	60
– Puts	138	230	29	397	-6
Other interest rate contracts	0	108	2,560	2,668	-4
Currency-related transactions					
Cross-currency swaps	1,829	2,363	1,230	5,422	-179
Currency swaps	729	0	0	729	4

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 € 39.2 million (previous year € 39.8 million) which are carried under the balance sheet item "Other assets".

Interest attributable to derivative deals is carried under the balance sheet items "Claims on banks" with € 311.1 million (previous year € 298.5 million) and "Liabilities to banks" with € 323.7 million (previous year € 316.4 million) or "Claims on customers", which amounted to € 11.9 million (previous year € 13.4 million) while "Liabilities to customers" were € 17.4 million (previous year € 21.2 million). The accrual of compensatory payments made is entered under "Other assets" with € 5.4 million (previous year € 6.3 million); the accrual of compensatory payments received is entered under "Other liabilities" with € 46.0 million (previous year € 53.8 million).

Compensatory items in the amount of € 207.5 million (previous year € 149.6 million) related to the valuation of foreign currency swaps are carried under the balance sheet item "Other liabilities".

The counterparties are banks and providers of financial services, located in OECD countries, and separate funds under public law in Germany.

Hedging arrangements were made to reduce credit risks associated with these contracts. Within the framework of these arrangements collateral was provided for the net claims/liabilities arising after the positions were netted.

In the context of the Bank's hedging positions, € 1,732 million (previous year € 1,988 million) in balance sheet hedging positions were designated in accounting to hedge interest rate risks associated with securities carried on the balance sheet under "Bonds and other fixed-income securities". It may be assumed that the effectiveness of the hedging positions will remain unchanged over the entire term of the transaction as the conditions of the securities correspond to those of the hedging derivatives (critical term match method). Offsetting changes in value are not shown in the balance sheet; uncovered risks are treated in accordance with standard valuation principles. The total amount of offsetting value changes for all valuation units amounted to € 152 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 December 2019.

As on the date of record the portfolio contained no derivatives used in the trading book.

Cover statement for Pfandbriefe

A. MORTGAGE PFANDBRIEFE IN € 000

	31 Dec. 19	31 Dec. 18
Ordinary cover assets	27,332,972	25,433,899
1. Claims on banks (mortgage loans)	4,253	4,907
2. Claims on customers (mortgage loans)	27,276,255	25,376,528
3. Tangible assets (charges on land owned by the Bank)	52,464	52,464
Substitute cover assets	671,414	511,414
1. Other claims on banks	0	0
2. Bonds and other fixed-income securities	671,414	511,414
Total cover	28,004,386	25,945,313
Total Mortgage Pfandbriefe requiring cover	26,603,828	24,937,537
Surplus cover	1,400,558	1,007,776

B. PUBLIC PFANDBRIEFE IN € 000

	31 Dec. 19	31 Dec. 18
Ordinary cover assets	2,251,579	2,431,519
1. Claims on banks (public-sector loans)	115,565	115,565
2. Claims on customers (public-sector loans)	1,976,213	2,174,666
3. Bonds and other fixed-income securities	159,801	141,288
Substitute cover assets	70,000	70,000
1. Other claims on banks	0	0
2. Bonds and other fixed-income securities	70,000	70,000
Total cover	2,321,579	2,501,519
Total public-sector Pfandbriefe requiring cover	2,227,229	2,404,688
Surplus cover	94,350	96,831

Publication in Accordance with Section 28 Pfandbrief Act

MORTGAGE PFANDBRIEFE

Mortgage Pfandbriefe outstanding and their cover

ORDINARY COVER ASSETS IN € 000

	Nominal value		Net present value		Risk-adjusted net present value ¹	
	31 Dec. 19	31 Dec. 18	31 Dec. 19	31 Dec. 18	31 Dec. 19	31 Dec. 18
Mortgage Pfandbriefe	26,603,828	24,937,537	29,735,522	26,933,894	39,786,603	29,026,921
Cover pool	28,004,386	25,945,313	32,652,074	29,573,638	43,071,497	31,170,314
of which further cover assets	671,414	511,414	767,601	590,183	881,710	625,693
Over-collateralisation	1,400,558	1,007,776	2,916,552	2,639,744	3,284,894	2,143,393

¹ 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 IN € 000

Residual term	31 Dec. 19		31 Dec. 18	
	Mortgage Pfandbriefe	Cover pool	Mortgage Pfandbriefe	Cover pool
≤ 0.5 year	545,127	832,624	923,844	619,940
> 0.5 year and ≤ 1 year	1,449,260	919,806	1,520,886	956,150
> 1 year and ≤ 1.5 years	1,273,192	865,776	539,329	911,024
> 1.5 years and ≤ 2 years	1,070,221	1,064,240	1,435,563	1,021,137
> 2 years and ≤ 3 years	1,842,412	2,440,420	1,339,689	1,977,262
> 3 years and ≤ 4 years	1,997,039	2,589,509	1,467,155	2,341,015
> 4 years and ≤ 5 years	964,051	2,730,431	1,748,020	2,277,426
> 5 years and ≤ 10 years	6,751,199	8,857,450	6,359,549	8,922,847
> 10 years	10,711,327	7,704,130	9,603,502	6,918,512

FURTHER COVER ASSETS IN ACCORDANCE WITH SECTION 19 (1) NO 2 AND 3 PFANDBRIEF ACT
IN € 000

	31 Dec. 19				31 Dec. 18			
	thereof				thereof			
	money claims in accordance with Section 19 (1) No 2				money claims in accordance with Section 19 (1) No 2			
	Total	Overall	thereof covered bonds from banks in accordance with Article 129 Regulation (EU) No 575/2013		Total	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			Bonds in accordance with Section 19 (1) No 3					
Germany	513,000	0	0	513,000	378,000	0	0	378,000
Belgium	38,000	0	0	38,000	38,000	0	0	38,000
Finland	50,000	0	0	50,000	25,000	0	0	25,000
France	60,000	0	0	60,000	60,000	0	0	60,000
Austria	10,414	0	0	10,414	10,414	0	0	10,414
Total – all states	671,414	0	0	671,414	511,414	0	0	511,414

Key figures for Pfandbriefe outstanding and their cover

OUTSTANDING MORTGAGE PFANDBRIEFE

	Figures in	31 Dec. 19	31 Dec. 18
Outstanding Mortgage Pfandbriefe	€ 000	26,603,828	24,937,537
thereof share of fixed-rate Pfandbriefe, Section 28 (1) No 9	%	95	91

ORDINARY COVER ASSETS

	Figures in	31 Dec. 19	31 Dec. 18
Cover pool	€ 000	28,004,386	25,945,313
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	%	96	97
	USD (€ 000)	-177,631	-331,931
	GBP (€ 000)	41,374	379,855
	CHF (€ 000)	1,063,334	2,092,086
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)			
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	%	52	52

Mortgage loans used as cover for Mortgage Pfandbriefe

A. ACCORDING TO THEIR AMOUNTS IN TRANCHES IN € 000

	31 Dec. 19	31 Dec. 18
Up to € 300,000	16,974,300	16,229,219
More than € 300,000 up to € 1,000,000	3,088,982	2,712,317
More than € 1,000,000 up to € 10,000,000	2,219,896	2,170,267
More than € 10,000,000	5,049,794	4,322,096
Total	27,332,972	25,433,899

B. ACCORDING TO STATES IN WHICH THE REAL PROPERTY IS LOCATED AND TO PROPERTY TYPE
IN € 000

		Total		Residential					Commercial						
		Total	Overall	Condo- miniums	Single and two-family houses	Multi- family houses	Buildings under con- struction	Building land	Overall	Office buildings	Retail buildings	Industrial buildings	Other commer- cially used buildings	Buildings under con- struction	Building land
Germany	31 Dec. 19	21,858,095	18,971,944	2,623,388	11,731,220	4,603,311	13,443	582	2,886,151	1,851,650	809,715	9,422	215,364	0	0
	31 Dec. 18	20,548,926	17,910,487	2,461,284	11,054,402	4,378,149	15,954	698	2,638,439	1,701,250	723,286	10,709	203,194	0	0
Belgium	31 Dec. 19	29,640	0	0	0	0	0	0	29,640	29,640	0	0	0	0	0
	31 Dec. 18	33,708	0	0	0	0	0	0	33,708	33,708	0	0	0	0	0
France	31 Dec. 19	326,724	7,440	0	0	7,440	0	0	319,284	277,220	42,064	0	0	0	0
	31 Dec. 18	214,387	7,440	0	0	7,440	0	0	206,947	194,890	12,057	0	0	0	0
United Kingdom	31 Dec. 19	382,475	0	0	0	0	0	0	382,475	288,686	86,264	0	7,525	0	0
	31 Dec. 18	360,702	0	0	0	0	0	0	360,702	271,498	82,047	0	7,157	0	0
Luxembourg	31 Dec. 19	64,900	0	0	0	0	0	0	64,900	64,900	0	0	0	0	0
	31 Dec. 18	33,500	0	0	0	0	0	0	33,500	33,500	0	0	0	0	0
The Netherlands	31 Dec. 19	320,062	182,065	0	0	182,065	0	0	137,997	62,748	71,100	0	4,149	0	0
	31 Dec. 18	296,626	165,637	10,375	0	155,262	0	0	130,989	69,100	57,740	0	4,149	0	0
Austria	31 Dec. 19	122,920	4	0	4	0	0	0	122,916	17,280	105,636	0	0	0	0
	31 Dec. 18	123,990	5	0	5	0	0	0	123,985	17,280	106,705	0	0	0	0
Spain	31 Dec. 19	214,731	0	0	0	0	0	0	214,731	89,455	125,276	0	0	0	0
	31 Dec. 18	214,972	0	0	0	0	0	0	214,972	44,885	170,087	0	0	0	0
Switzerland	31 Dec. 19	3,685,833	3,685,833	1,307,837	2,377,996	0	0	0	0	0	0	0	0	0	0
	31 Dec. 18	3,436,605	3,436,605	1,190,598	2,246,007	0	0	0	0	0	0	0	0	0	0
USA	31 Dec. 19	327,592	53,932	0	0	53,932	0	0	273,660	179,716	21,681	0	72,263	0	0
	31 Dec. 18	170,483	0	0	0	0	0	0	170,483	75,165	24,418	0	70,900	0	0
Total - all states	31 Dec. 19	27,332,972	22,901,218	3,931,225	14,109,220	4,846,748	13,443	582	4,431,754	2,861,295	1,261,736	9,422	299,301	0	0
	31 Dec. 18	25,433,899	21,520,174	3,662,257	13,300,414	4,540,851	15,954	698	3,913,725	2,441,276	1,176,340	10,709	285,400	0	0

Payments in arrears on covering mortgages

PAYMENTS IN ARREARS ON COVERING MORTGAGES IN € 000

	31 Dec. 19		31 Dec. 18	
	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% 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% of the claim
Germany	11,148	12,254	9,238	10,514
Switzerland	1,233	1,246	191	208
Total - all states	12,381	13,500	9,429	10,722

PUBLIC PFANDBRIEFE

Public Pfandbriefe outstanding and their cover

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

OUTSTANDING PAYMENTS ON MORTGAGE LOANS SERVING AS COVER IN € 000

	Nominal value		Net present value		Risk-adjusted net present value ¹	
	31 Dec. 19	31 Dec. 18	31 Dec. 19	31 Dec. 18	31 Dec. 19	31 Dec. 18
Public Pfandbriefe	2,227,229	2,404,688	2,957,230	3,086,143	2,413,871	2,874,225
Cover pool	2,321,579	2,501,519	3,277,171	3,290,526	2,515,342	2,981,400
of which further cover assets	0	0	0	0	0	0
of which derivatives	0	0	43,122	37,864	7,662	27,069
Over-collateralisation	94,350	96,831	319,941	204,383	101,471	107,175

¹ 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
IN € 000

	31 Dec. 19		31 Dec. 18	
	Public Pfandbriefe	Cover pool	Public Pfandbriefe	Cover pool
Residual term				
≤ 0.5 year	70,744	118,140	48,838	171,053
> 0.5 year and ≤ 1 year	85,135	23,244	1,864	31,982
> 1 year and ≤ 1.5 years	31,471	41,038	77,168	147,374
> 1.5 years and ≤ 2 years	77,826	63,236	81,949	23,644
> 2 years and ≤ 3 years	57,775	48,784	163,992	41,869
> 3 years and ≤ 4 years	117,729	20,989	57,457	48,894
> 4 years and ≤ 5 years	146,660	9,879	117,398	20,989
> 5 years and ≤ 10 years	517,805	558,788	566,187	454,113
> 10 years	1,122,084	1,437,481	1,289,835	1,561,601

FURTHER COVER ASSETS FOR PUBLIC PFANDBRIEFE IN ACCORDANCE WITH SECTION 20 (2) NO 2 PFANDBRIEF ACT
IN € 000

	31 Dec. 19		31 Dec. 18	
	Overall	thereof covered bonds from banks in accordance with Article 129 Regulation (EU) No 575/2013	Overall	thereof covered bonds from banks in accordance with Article 129 Regulation (EU) No 575/2013
	money claims in accordance with Section 20 (2) No 2		money claims in accordance with Section 20 (2) No 2	
Germany	0	0	0	0
Total	0	0	0	0

Key figures on Pfandbriefe outstanding and their cover

OUTSTANDING PUBLIC PFANDBRIEFE

	Figures in	31 Dec. 19	31 Dec. 18
Outstanding Mortgage Pfandbriefe	€ 000	2,227,229	2,404,688
thereof share of fixed-rate Pfandbriefe, Section 28 (1) No 9	%	92	92

COVER ASSETS

	Figures in	31 Dec. 19	31 Dec. 18
Cover pool	€ 000	2,321,579	2,501,519
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	%	91	91
	CHF (€ 000)	28,487	74,550
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)	JPY (€ 000)	-69,637	-68,424

Mortgage loans used as cover for Public Pfandbriefe

A. ACCORDING TO THEIR AMOUNTS IN TRANCHES IN € 000

	31 Dec. 19	31 Dec. 18
Up to € 10,000,000	179,331	226,700
More than € 10,000,000 up to € 100,000,000	515,781	763,351
More than € 100,000,000	1,626,467	1,511,468
Total	2,321,579	2,501,519

B. ACCORDING TO GROUP OF BORROWERS AND REGIONS
IN € 000

		Total		Of which owed by				Of which guaranteed by				
		All states	Total	State	Regional authorities	Local authorities	Other debtors	Total	State	Regional authorities	Local authorities	Other debtors
	31 Dec. 19	2,061,439	2,045,862	0	1,707,032	175,964	162,866	15,577	0	0	15,577	0
Germany	31 Dec. 18	2,110,476	2,094,572	0	1,697,032	235,108	162,432	15,904	0	0	15,904	0
	31 Dec. 19	50,000	50,000	0	50,000	0	0	0	0	0	0	0
Belgium	31 Dec. 18	150,000	50,000	0	50,000	0	0	100,000	100,000	0	0	0
	31 Dec. 19	170,000	155,000	120,000	35,000	0	0	15,000	0	15,000	0	0
Austria	31 Dec. 18	170,000	155,000	120,000	35,000	0	0	15,000	0	15,000	0	0
	31 Dec. 19	0	0	0	0	0	0	0	0	0	0	0
Poland	31 Dec. 18	44,535	44,535	44,535	0	0	0	0	0	0	0	0
	31 Dec. 19	27,640	27,640	0	27,640	0	0	0	0	0	0	0
Switzerland	31 Dec. 18	26,508	26,508	0	26,508	0	0	0	0	0	0	0
Other institutions	31 Dec. 19	12,500	12,500	0	0	0	12,500	0	0	0	0	0
	31 Dec. 18	0	0	0	0	0	0	0	0	0	0	0
Total - all states	31 Dec. 19	2,321,579	2,291,002	120,000	1,819,672	175,964	175,366	30,577	0	15,000	15,577	0
	31 Dec. 18	2,501,519	2,370,615	164,535	1,808,540	235,108	162,432	130,904	100,000	15,000	15,904	0

Overdue interest

COVERING MORTGAGES WITH OVERDUE INTEREST IN € 000

	Total		Thereof residential		Thereof commercial	
	2019	2018	2019	2018	2019	2018
Overdue interest for period 01.10.2018 (17) to 30.09.2019 (18)	267	229	267	227	0	2
Overall overdue not adjusted to value	242	220	242	217	0	3

Foreclosures and receiverships of mortgages used as cover

FORECLOSURES AND RECEIVERSHIPS

	Total		Thereof residential		Thereof commercial	
	2019	2018	2019	2018	2019	2018
Pending on balance sheet date						
– Foreclosure proceedings	96	96	95	90	1	6
– Receivership proceedings	22	27	22	27	0	0
	20 ¹	25 ¹	20 ¹	25 ¹	0 ¹	0 ¹
Foreclosures completed during business year	48	32	46	30	2	2

¹ Thereof included in pending Foreclosure proceedings.

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

Other Disclosures

Membership data

MEMBERSHIP CHANGES	
	Number of members
Beginning of 2019	66,540
Additions in 2019	740
Reductions in 2019	2,232
End of 2019	65,048

CAPITAL CONTRIBUTIONS IN €

	31 Dec. 19
Increase in remaining members' capital contributions	39,181,590.00
Amount of each share	70.00
Members' liability	0.00

Personnel statistics

THE AVERAGE NUMBER OF EMPLOYEES EMPLOYED BY THE BANK IN 2019

	Male	Female	Total
Full-time employees	276	164	440
Part-time employees	22	111	133
Total number of employees	298	275	573
These figures do not include:			
Apprenticed trainees	5	10	15
Employees participating in parental leave, early retirement, partial retirement (non-working phase), or employees suspended with pay	12	24	36

Special disclosure requirements

Pursuant to Section 8 CRR (Articles 435 to 455), Münchener Hypothekbank 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 0.0833 percent.

Proposed appropriation of distributable income

Net income for the year amounted to € 35,697,113.57. An advance allocation of € 12,000,000 to legal reserves is presented in the current annual financial statements.

A dividend distribution of 2.25 percent will be proposed at the Delegates Meeting. The remaining unappropriated profit for the year – including profit carried forward from the previous year – amounting to € 24,003,770.85 should therefore be allocated as follows:

ALLOCATION OF RETAINED EARNINGS IN €

	31 Dec. 19
2.25 percent dividend	23,710,000.00
Carried forward to new year	293,770.85

Report on events after the balance sheet date

In the first quarter of 2020, there was an epidemic outbreak of a new strain of coronavirus that increasingly affected public and commercial life around the world. At the start of March 2020, therefore, policymakers and economic researchers expected the effects on the economy to be considerable for a period of time. When this annual report was written, it was impossible to predict how significantly the epidemic might affect economic growth and thus the development of the property and property financing markets.

Company

Münchener Hypothekbank eG
Karl-Scharnagl-Ring 10
80539 Munich

Register of cooperatives of the District Court of Munich
Gen.-Reg 396

Bodies

Supervisory Board

Wolfhard Binder » Holzkirchen
Bankdirector (ret.)

Chairman of the Supervisory Board (until 06.04.2019)

Dr. Hermann Starnecker » Kaufbeuren
Spokesman of the Board of Management of
VR Bank Augsburg-Ostallgäu eG

Chairman of the Supervisory Board (as of 06.04.2019)

Deputy Chairman of the Supervisory Board (until 06.04.2019)

Gregor Scheller » Bamberg
Chairman of the Board of Management
VR Bank Bamberg-Forchheim

Deputy Chairman of the Supervisory Board (as of 06.04.2019)

HRH Anna Duchess in Bavaria » Tegernsee
Entrepreneur (as of 06.04.2019)

Barbara von Grafenstein » Munich
Employee representative

Thomas Höbel » Dachau
Spokesman of the Board of Management
Volksbank Raiffeisenbank Dachau eG (as of 06.04.2019)

Josef Hodrus » Leutkirch im Allgäu
Spokesman of the Board of Management of
Volksbank Allgäu-Oberschwaben eG

Jürgen Hölscher » Lingen
Member of the Board of Management of
Volksbank Lingen eG

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

Reimund Käsbauer » Munich
Employee representative

Dr. Peter Ramsauer » Traunwalchen
Master Craftsman (Miller) (until 06.04.2019)

Michael Schäffler » Munich
Employee representative

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

Frank Wolf-Kunz » Munich
Employee representative

Board of Management

Dr. Louis Hagen
Chairman of the Board of Management
Dr. Holger Horn (as of 01.01.2019)
Member of the Board of Management
Michael Jung (until 31.12.2019)
Member of the Board of Management

Mandates

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

Dr. Holger Horn
FMS Wertmanagement AöR
Member of the Board of Supervisory Directors (from 01.02.2020)

As of the balance sheet date loans to members of the Supervisory Board amounted to € 856 thousand (previous year € 933 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 € 17,565 thousand (previous year € 14,994 thousand) were made for former members of the Board of Management. Total remuneration received by the members of the Board of Management during the year under review amounted to € 2,039 thousand (previous year € 2,195 thousand), for members of the Supervisory Board € 568 thousand (previous year € 542 thousand). Total compensation received by the members of Advisory Committee amounted to € 63 thousand (previous year € 61 thousand). Total compensation received by former members of the Board of Management and their surviving dependants amounted to € 1,200 thousand (previous year € 1,106 thousand).

Auditing Association

DGRV – Deutscher Genossenschafts- und
Raiffeisenverband e.V.,
Linkstraße 12, 10785 Berlin

During the year under review total costs of € 746 thousand (previous year € 723 thousand), including value-added tax, were incurred for auditing the annual financial statements, and € 42 thousand (previous year € 27 thousand) in charges were incurred for other assurance services. As in the previous year, no costs were incurred for either tax advisory services or other services during the year under review.

Other Financial Obligations

Pursuant to Section 12 Para. 5 of the Restructuring Fund Act (Restrukturierungsfondsgesetz – RStruktFG) irrevocable payment obligations of € 12,218 thousand were 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 € 19,264 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, 11 March 2020

Münchener Hypothekbank eG

The Board of Management



Dr. Louis Hagen
Chairman
of the Board of Management



Dr. Holger Horn
Member
of the Board of Management

Independent Auditor's Report

TO MÜNCHENER HYPOTHEKENBANK EG, MUNICH

REPORT ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND OF THE MANAGEMENT REPORT

Audit Opinions

We have audited the annual financial statements of Münchener Hypothekbank eG, Munich (hereinafter the "Cooperative"), which comprise the balance sheet as of 31 December 2019, the income statement, the cash flow statement and the statement of changes in equity for the financial year from 1 January 2019 to 31 December 2019, and the notes to the financial statements, including the description of accounting policies presented therein. In addition, we have audited the management report of the Cooperative for the financial year from 1 January 2019 to 31 December 2019. In accordance with the German legal requirements, we have not audited the content of the parts of the management report specified in the section entitled "Other information".

In our opinion, on the basis of the knowledge obtained during our audit:

- the accompanying annual financial statements comply, in all material respects, with the provisions of German commercial law applicable for capital-market-oriented credit cooperatives and give a true and fair view of the Cooperative's net assets and financial position as of 31 December 2019 and of its financial performance

for the financial year from 1 January 2019 to 31 December 2019 in accordance with German generally accepted accounting principles, and

- the accompanying management report as a whole provides an appropriate view of the Cooperative's position. In all material respects, this management report is consistent with the annual financial statements, has been prepared in accordance with the requirements of German law and appropriately presents the opportunities and risks of future development. Our audit opinion on the management report does not cover the content of the parts of the management report specified in the section entitled "Other information".

Pursuant to Section 322 (3) sentence 1 HGB (Handelgesetzbuch – German Commercial Code), we declare that our audit has not led to any reservations in terms of the propriety of the annual financial statements and the management report.

Basis for the Audit Opinions

We conducted our audit of the annual financial statements and of the management report in accordance with Section 53 (2) GenG (Genossenschaftsgesetz – Cooperatives Act), Section 340k and Section 317 HGB and EU Audit Regulation No 537/2014 (hereinafter: "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the "Institut der Wirtschaftsprüfer in Deutschland – IDW" (Institute of Public Auditors in Germany). Our responsibilities under these provi-

sions and standards are described in greater detail in the section of our auditor's report entitled "Auditor's responsibilities for the audit of the annual financial statements and of the management report". We are independent of the Cooperative, as required under EU law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) f) of the EU Audit Regulation in conjunction with Section 55 (2) and Section 38 (1a) GenG, we declare that no persons employed by us who could influence the outcome of the audit have provided any non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and management report.

Key Audit Matters in the Audit of the Annual Financial Statements

Key audit matters are those issues that, in our professional judgement, were of most significance in our audit of the annual financial statements for the financial year from 1 January 2019 to 31 December 2019. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

Matters we consider to be key audit matters are set out below.

Recoverability of receivables from customers

Our presentation of this key audit matter is structured as follows:

- a) Circumstances and description of the matter
- b) Audit approach and findings
- c) Reference to further information

a) The annual financial statements of Münchener Hypothekbank eG as of 31 December 2019 report claims on customers of €37.6 billion. At 31 December 2019, loan loss provisions totalling €33.5 million (specific loan loss provisions and general loan loss provisions) were recognised on the balance sheet for claims on customers.

Münchener Hypothekbank eG analyses borrowers' financial circumstances using, among other things, the annual financial statements and business plans they have submitted, along with business analyses, and regularly reviews the mortgage lending values and market values of the associated collateral. These results are integrated into the borrower's credit rating.

The risk in terms of the annual financial statements is that the need for a provision due to impairment will not be identified in time or to a sufficient extent.

b) As part of our audit procedures, among other things we examined, for a random sample of credit exposures, the available documentation relating to the monitoring of financial circumstances and the recoverability of collateral, and satisfied ourselves that the ratings had been carried out in a proper and timely manner.

Taking into consideration the information available, our audit found that management had made appropriate assumptions in reviewing the recoverability of receivables.

c) Regarding the process of counterparty risk management, we accordingly refer to the section entitled "Counterparty risk" in the risk report contained in the management report.

Other Information

Management is responsible for the other information. Other information obtained by us prior to the date of this auditor's report includes:

- the corporate governance statement under Section 289f (4) HGB included in the management report (disclosures on the proportion of women). We have not audited the content of this part of the management report.
- the separate non-financial report pursuant to Section 289b (3) HGB.

Other information also includes:

- the remaining sections of the annual report – without any further cross-references to external information – with the exception of the audited annual financial statements and management report and our auditor's report.

We expect the remaining sections of the annual report to be provided to us after the date of this auditor's report.

Our audit opinion on the annual financial statements and on the management report does not cover the other information and, as a result, we do not express an audit opinion or any other form of audit conclusion in this regard. In connection

with our audit, our responsibility is to read the other information and, in doing so, to consider whether the other information

- is materially inconsistent with the annual financial statements, the management report or the knowledge we obtained as part of our audit, or
- otherwise appears to be materially misstated.

Responsibility of Management and the Supervisory Board for the Annual Financial Statements and the Management Report

The management of the Cooperative is responsible for preparing annual financial statements that comply, in all material respects, with the provisions of German commercial law applicable for capital market-oriented credit cooperatives, and for ensuring that the annual financial statements give a true and fair view of the Cooperative's net assets, financial position and financial performance, in accordance with German generally accepted accounting principles. In addition, the management is responsible for the internal controls that they have identified as necessary in accordance with German generally accepted accounting principles to ensure that the annual financial statements are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the management is responsible for assessing the Cooperative's ability to continue as a going concern. It is also responsible for disclosing, where applicable, matters concerning the ability of the Cooperative to continue as a going concern. Furthermore, the management is responsible for financial reporting using the going concern basis of accounting, unless actual or legal circumstances preclude this.

In addition, the management is responsible for preparing a management report that as a whole provides an accurate view of the Cooperative's position, is consistent in all material respects with the annual financial statements, complies with the requirements of German law and appropriately presents the opportunities and risks of future development. Furthermore, the management is responsible for the arrangements and measures (systems) it deems necessary to enable the preparation of a management report that complies with the requirements of German law and to enable sufficient appropriate evidence be provided to support assertions in the management report.

The Supervisory Board is responsible for overseeing the Cooperative's financial reporting process for the preparation of the annual financial statements and of the management report.

Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report

Our objective is to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole gives an accurate view of the Cooperative's position, and, in all material respects, is consistent with the annual financial statements and the knowledge obtained during the audit, complies with the requirements of German law and appropriately presents the opportunities and risks of future development, and to issue an auditor's report that includes our audit opinions on the annual financial statements and management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 53 (2) GenG, Sections 340k and 317 HGB and the

EU Audit Regulation, and in compliance with the German Generally Accepted Standards for Financial Statement Audits of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW), will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgement and maintain professional scepticism throughout our audit. In addition, we:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures in response to such risks, and obtain audit evidence that is sufficient and appropriate to provide as a basis for our audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of the internal control system relevant to the audit of the annual financial statements and of the arrangements and measures relevant to the audit of the management report, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies applied by the management and the reasonableness of accounting estimates made by the management and related disclosures.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on

the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Cooperative's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required, in our auditor's report, to draw attention to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or circumstances may result in the Cooperative being unable to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events such that the annual financial statements, in compliance with German generally accepted accounting principles, give a true and fair view of the Cooperative's net assets, financial position and financial performance.
- Evaluate whether the management report is consistent with the annual financial statements, complies with legal requirements and provides an accurate view of the Cooperative's position.
- Perform audit procedures on the prospective information presented by the management in the management report. Based on sufficient and appropriate audit evidence, we evaluate in particular the significant assumptions used by management as a basis for the prospective information and assess whether the prospective information based on these assumptions has been derived in an appropriate manner. We do not express a separate audit opinion on the prospective information or on the underlying assumptions. There is a significant, unavoidable risk that future events may differ materially from the prospective information.

We communicate with those charged with governance, among other matters, the planned scope and timing of the audit and any significant audit findings, including any deficiencies in the internal control system that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements and discuss with them all relationships and other matters that may reasonably be thought to bear on our independence and the related safeguards.

From the matters communicated to those in charge of governance, we determine those matters that were of most significance in the audit of the annual financial statements for the current reporting period and are therefore key audit matters. We describe these matters in our auditor's report, unless laws or other regulations preclude public disclosure of such matters.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further Disclosures pursuant to Article 10 of the EU Audit Regulation

We are an auditing association and the statutory auditors of the Cooperative.

We hereby declare that the audit opinion contained in this auditor's report is consistent with our additional report to the Supervisory Board and/or Audit Committee under Article 11 of the EU Audit Regulation, in conjunction with Section 58 (3) GenG (Audit report).

Persons employed by us who could influence the outcome of the audit have provided the audited Cooperative and/or companies controlled by it with the following services not mentioned in the audited Cooperative's annual financial statements or management report, in addition to the audit:

- Other assurance services for banking supervision
- Other assurance services in relation to deposit protection
- Audit review of the condensed interim financial statements and the interim management report
- Audit of the separate non-financial report
- Preparation of a comfort letter.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the audit engagement is Dorothee Mende.

Bonn, 16 March 2020

DGRV – Deutscher Genossenschafts- und Raiffeisenverband e.V. (German Cooperative and Raiffeisen Confederation – reg. assoc.)

Peter Krüper
(German Public Auditor)

Dorothee Mende
(German Public 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, 11 March 2020

Münchener Hypothekbank eG

The Board of Management



Dr. Louis Hagen
Chairman of the
Board of Management



Dr. Holger Horn
Member of the
Board of Management

Annex to Annual Financial Statements

PURSUANT TO SECTION 26A PARA. 1 SENTENCE 2 OF THE GERMAN BANKING ACT (KWG) FOR THE PERIOD ENDING 31 DECEMBER 2019 ("COUNTRY BY COUNTRY REPORTING")

Münchener Hypothekbank 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. 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 Hypothekbank 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 2019 were € 206,213 thousand.

The number of full-time equivalent salaried employees is 529.04.

Profit before tax amounts to € 73,640 thousand.

Taxes on income amount to € 37,943 thousand and refer to current taxes.

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

Report of the Supervisory Board

During the financial year under review, the Supervisory Board carried out its supervisory function as required by law, the Bank's Articles of Association and rules of procedure. The Board of Management reported in a timely manner to the Supervisory Board regarding the Bank's corporate planning, its business and financial situation, and further strategic development. The Supervisory Board thereby supported the work of the Board of Management in an advisory capacity and monitored its management of business. The Supervisory Board's decisions on actions requiring its approval were taken on the basis of reports and materials submitted by the Board of Management.

Topics reviewed during Supervisory Board meetings

During the past financial year, the Supervisory Board held one constituent meeting, four regular meetings and one extraordinary meeting, in order to continuously advise and monitor the management of MünchenerHyp in accordance with the requirements incumbent upon it by law and under the Bank's Articles of Association. The main topics and the focus of its deliberations included business development and planning, business and risk strategy, the risk situation, regulatory issues, the operationalisation of the IT strategy, and governance. In addition, in a further meeting the Supervisory Board dealt exclusively with matters in relation to the Board of Management.

The Board of Management also kept the Supervisory Board up to date with regular, detailed verbal and written reports about key matters at the Bank. The Board of Management reported on the position of the Bank, the development of business, key financial indicators and the further development of business and risk strategy. In addition, the current liquidity situation and measures to control liquidity were explained to the Supervisory Board, and it was provided with detailed reports on the risk situation, measures to control risks and the Bank's risk management system. The Supervisory Board also obtained comprehensive reports on the status of operational and strategic planning. It was involved in all important decisions. A focal point of the work of the Supervisory Board and the reporting was current developments on the property market and in private and commercial property financing. The Supervisory Board also extensively discussed the increasing regulatory requirements and their implementation.

Annual meetings were once again held between the Joint Supervisory Team and the Chairman of the Supervisory Board and the Chairmen of the various Supervisory Board committees.

Evaluation of the Supervisory Board

During the financial year under review, the Supervisory Board developed and approved guidance for carrying out the suitability assessment and on conflicts of interest. On the basis of these, the Nomination Committee evaluated the Board of Management and the Supervisory Board in compliance with the

regulations of Section 25d KWG (Kreditwesengesetz – German Banking Act). The results were discussed within the Supervisory Board at the beginning of 2020 and documented in a report on the suitability assessment and the efficiency review. It was found that the structure, size, composition and performance of the Supervisory Board, as well as the knowledge, skills and experience of both the individual members of the Supervisory Board and the Supervisory Board as a whole, comply with legal requirements and those defined in the Bank's Articles of Association.

The suitability assessment and efficiency review were used as a basis for succession planning for the Board of Management and the Supervisory Board as well as for devising improvements to increase work efficiency. The Supervisory Board has received training on current regulatory issues and legal developments.

Collaboration with the Board of Management

The Chairman of the Supervisory Board was in regular close contact with the Chairman of the Board of Management, discussing important matters and decisions in face-to-face meetings.

In addition, the Chairman of the Board of Management continuously and regularly reported to the Chairman of the Supervisory Board between the individual meetings, verbally and in writing, about all major developments within the Bank.

Activities of the Supervisory Board committees

The Supervisory Board has established four committees to enable it to carry out its duties efficiently. These are the Nomination Committee, the Audit Committee, the Risk Committee and the Remuneration Control Committee. The committees regularly reported on their activities during the Supervisory Board meetings.

The Nomination Committee convened at four meetings during the financial year under review. In addition to the regular Board of Management and Supervisory Board matters, it also addressed, in particular, the first-time implementation of the suitability assessment of the management bodies and the preparation of succession planning.

The Audit Committee held three meetings, during which it discussed the results of the audit of the annual financial statements and of the management report. Other topics included the Bank's risk management system and data management system, reports prepared by the Internal Audit department and by the Compliance Officer, results of the "deep dive" audit conducted by Internal Audit and results of the on-site inspection (OSI) of the commercial lending business, as well as issues and requirements discussed during meetings with banking supervisory authorities.

The Risk Committee convened at 14 meetings. The Board of Management provided the committee with detailed reports on the development of markets in which the Bank provides property financing, as well as on the market entry into Austria and the preparation of a new product process for entry into the Scandinavian market. The Committee also addressed the

regulatory environment, risk strategy, risk governance, legal risks, IT risks and the potential implications of Brexit for the Bank. Furthermore, it considered and authorised loans requiring approval and took note of any reportable transactions. The Board of Management presented individual exposures of significance for the Bank to the Committee and discussed them with the Committee. Detailed reports were also provided on the provision and management of liquidity and on refinancing. As part of this process, the risk types associated with the Bank's business were discussed and examined in detail. In addition to credit risks, these include in particular market, liquidity, sales and operational risks, taking into account risk-bearing capacity in accordance with the Minimum Requirements for Risk Management (MaRisk). Reports on the Bank's risk situation were regularly submitted to the Committee and explained in detail by the Board of Management and Chief Risk Officer. Members of the Committee took note of the contents of the reports and discussed them with the Board of Management. The Committee also reviewed the sales report and the report prepared by the Operational Risk Officer.

The two meetings of the Remuneration Control Committee primarily addressed the Bank's remuneration systems and all related issues. The Committee determined the appropriateness of MünchenerHyp's remuneration systems and recommended that the Supervisory Board take note of the results of the appropriateness test.

Annual financial statements

Deutscher Genossenschafts- und Raiffeisenverband e. V., Berlin, audited the accounting records, annual financial

statements and management report for financial year 2019 in accordance with their mandate and issued an unqualified audit opinion. No reservations were raised. The auditors reported extensively on the key findings of the audit during a meeting of the Audit Committee. They were also available to provide additional information. Each member of the Supervisory Board was provided in good time with the auditing association's audit report on the statutory audit pursuant to Section 53 GenG (Genossenschaftsgesetz – Cooperatives Act), including the audit of Münchener Hypothekenbank eG's financial statements for 2019, for their information. The results of the audit were discussed during a joint meeting of the Board of Management and the Supervisory Board, which was attended by the auditor. The results of the audit are also reported at the Delegates Meeting.

The annual financial statements, the management report, and the Board of Management's proposal for the allocation of distributable income and the non-financial report were examined by the Supervisory Board and approved. The Supervisory Board recommends that the Delegates Meeting approve the annual financial statements for 2019 – as explained – and endorse the Board of Management's proposal for the allocation of net income. The proposal complies with the provisions of the Bank's Articles of Association.

Changes to the Supervisory Board and Board of Management

In the financial year under review, the Chairman of the Supervisory Board, Wolfhard Binder, stepped down from the Supervisory Board at the end of the Delegates Meeting, after resigning from his position as Chairman of the Board of

Management of Raiffeisen Volksbank Ebersberg eG at the end of 2018 for age reasons. Mr Binder had been a member of the Supervisory Board since 2010 and had been its Chairman since 2016. Over the years, he also worked on all committees of the Supervisory Board as well as chairing the majority of these, and always successfully acted with great expertise and passion on behalf of the Bank and its interests.

On a regular basis, Dr Peter Ramsauer also stepped down from the Supervisory Board for age reasons. Dr Ramsauer had been a member of the Supervisory Board since 2014 and using his exceptional economic and entrepreneurial expertise has provided invaluable and lasting impetus to the Bank.

The Supervisory Board would like to thank both gentlemen for their dedication and wise counsel.

The Delegates Meeting elected HRH Anna, Duchess in Bavaria, entrepreneur, and Wolfgang Höbel, Spokesman of the Management Board of Volksbank Raiffeisenbank Dachau eG, as new members of MünchenerHyp's Supervisory Board.

At the end of the year under review, Michael Jung stepped down from the Board of Management of MünchenerHyp at his own request, for health reasons. He had been a member of the Bank's Board of Management since 2011. The Supervisory Board accepts his decision with regret and would like to thank Michael Jung for his outstanding work for MünchenerHyp and wish him all the very best for his future.

Development of MünchenerHyp during the year under review

The Bank performed well during the year under review. In particular, it convincingly improved its competitive position, recording another record result in new mortgage business. This applies to the financing partnership with the banks in the Cooperative Financial Network and with independent financial intermediaries, as well as to its growing significance as a provider of commercial property finance in Germany and abroad. In the area of refinancing, the Bank was once again successful with high-profile issues, both in euros and, increasingly, in Swiss francs.

The Bank is also taking important initiatives to enable it to continue growing as a comprehensive property bank in the future and to set itself apart from the competition, through investments in new markets, such as residential property financing in Austria, as well as the digitalisation of processes and services.

Innovation and teamwork are two crucial factors that determine the success of medium-sized enterprises like MünchenerHyp. The Supervisory Board would like to thank all of the Bank's employees for their strong collective performance in 2019.

Munich, April 2020

Münchener Hypothekenbank eG

Dr Hermann Starnecker
Chairman of the Supervisory Board