

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 eight further meetings 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 focus of its deliberations included business development and planning, business and risk strategy, the risk situation, regulatory issues, operationalisation of the IT strategy, governance issues and the search for another member of the Board of Management. In addition, the Supervisory Board's work was marked primarily by MünchenerHyp's handling of the impact of the COVID-19 pandemic on banking operations, core business

and the risk situation. These topics were also the focus of the other Supervisory Board meetings held during the first lockdown.

The Board of Management 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 adjustments to the Bank's 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 strategic and operational 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 Chairs of the various Supervisory Board committees.

Evaluation of the Supervisory Board

The Supervisory Board conducted the evaluation of the Board of Management and the Supervisory Board based on the guidance for carrying out the suitability assessment and on conflicts of interest that was adopted in 2019. This evaluation process was conducted by the Nomination Committee in accordance with the regulations of Section 25d of the German Banking Act (Kreditwesengesetz – KWG). 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.

Succession plans for the Board of Management and the Supervisory Board were drawn up based on the suitability assessment and efficiency review, and improvements were devised to make the Supervisory Board more efficient in its activities. An onboarding and training concept for the Supervisory Board was adopted during the reporting year. The Supervisory Board attended training sessions on current regulatory topics and legal developments. Training sessions were also planned and conducted for the Supervisory Board committees.

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. 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.

Six meetings of the Nomination Committee were held in the reporting year. In addition to the regular Board of Management and Supervisory Board matters, it also addressed, in particular, the suitability assessment of the management bodies and the preparation of succession planning for the Board of Management and the Supervisory Board.

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 internal control system, reports prepared by the Internal Audit department and by the Compliance Officer, 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 15 meetings. The Board of Management provided the committee with detailed reports on the development of markets in which the Bank provides property financing. The Committee also addressed the regulatory environment, risk strategy, risk governance, legal risks, IT risks and information security, including data protection. 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 (CRO). In particular, the revised limit system was discussed. 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 Chief Information Security Officer (CISO).

The five 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

The DGRV – Deutscher Genossenschafts- und Raiffeisenverband e. V., Berlin, audited the accounting records, annual financial statements and management report for financial year 2020 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 of the Cooperatives Act (Genossenschaftsgesetz – GenG) including the audit of Münchener Hypothekbank eG's financial statements for 2020, 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, the ESEF-documents, 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 2020 – 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.

Development of MünchenerHyp during the year under review

For MünchenerHyp, too, the 2020 financial year was a year dominated by the COVID-19 pandemic. The Bank has coped well with the effects of the lockdown and the ensuing recession. It was very successful in writing new business and almost matched the record result achieved in the previous year, expanding mortgage business in the private residential property financing segment in the process. On the funding side, the Bank's large-volume issues, especially Pfandbriefe, once again met with strong demand.

MünchenerHyp dealt in a highly responsible manner with the negative impact that the measures taken to contain the COVID-19 pandemic had on banking operations. It very quickly adopted all of the measures necessary to protect its employees to the best of its ability while maintaining normal operations.

The Bank's employees showed great commitment during this process, testimony to the team spirit within the Bank in this extraordinary year. The Supervisory Board would like to express its sincere thanks to all employees for this commitment and dedication.

Munich, April 2021

Münchener Hypothekenbank eG

Dr. Hermann Starnecker
Chairman of the Supervisory Board