

# 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 its 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 two 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, the development and operationalisation of the IT strategy, governance issues and long-term succession planning for the Board of Management and Supervisory Board. The effects of the COVID-19 pandemic on banking operations, the core business and the risk situation, as well as possible risks resulting from the flood disaster that occurred in parts of Germany in mid-July, were continuously monitored.

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 the review of 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. Current developments on the property market and in private and commercial property financing were monitored and discussed. During the Supervisory Board meetings, considerable attention was also devoted to 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. In addition, representatives of the ECB and the Joint Supervisory Team presented the results of the Supervisory Review and Evaluation Process 2020 and the supervisory recommendations to the Supervisory Board and discussed them with it.

## Evaluation of the Supervisory Board

The Supervisory Board conducted the annual 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. The preparatory work 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 in December 2021 and documented in the reports 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 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 to increase the efficiency of the Supervisory Board's activities were defined. In line with the existing onboarding and training concept, 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.

Five meetings of the **Nomination Committee** were held in the reporting year. In addition to regular Board of Management and Supervisory Board matters, it also addressed, in particular, the suitability assessment and efficiency review of the management bodies and preparation for succession planning for the Board of Management and the Supervisory Board. The Supervisory Board furthermore supported the onboarding of a member of the Board of Management and successfully completed the structured selection process for a new member of the Board of Management.

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, the results of external audits, and issues and requirements discussed during meetings with banking supervisory authorities.

The **Risk Committee** convened twelve 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 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 Head of Risk Controlling. Furthermore, the effects of the COVID-19 pandemic and the flood disaster on the risk situation and the lending business were continuously monitored. The Committee also reviewed the sales report, the outsourcing report and the report prepared by the Chief Information Security Officer (CISO).

The two meetings of the **Remuneration Control Committee** addressed the Bank's remuneration systems, the goals and remuneration of members of the Board of Management 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, as the statutory auditing association, audited the accounting records, annual financial statements and the management report for financial year 2021 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 2021, for their information. The Supervisory Board discussed the results of the audit during a meeting held jointly with the Board of Management and attended by the auditor. The results of the audit are also reported at the Delegates Meeting.

The annual financial statements, the management report, 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 2021 – 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

In June 2021, the four employee representatives on the Supervisory Board were regularly elected for a new period of office. Reimund Käsbauer, Michael Schäffler and Frank Wolf-Kunz were reelected. Claudia Schirsch was newly elected. Barbara von Grafenstein stood down from the Supervisory Board. She had been a member of the Supervisory Board since 2016 and contributed to the Bank's success with great professionalism. We sincerely thank her for her valuable commitment.

## Development of MünchenerHyp during the year under review

MünchenerHyp performed very well in its anniversary year of 2021. It achieved a new record result in new mortgage business and again significantly increased its earning power. At the same time, it proved that its growth strategy can succeed in a competitive environment, even under the difficult conditions of the continuing COVID-19 pandemic. The Bank also took further important steps towards the digitalisation of its processes and services. On the capital markets, it was able to refinance at attractive conditions thanks to its placement power and reputation.

Over its 125-year history, MünchenerHyp has repeatedly shown that it can overcome difficult times and emerge from them stronger, because it has a solid and sustainable business model that enables it to meet the challenges ahead.

The Supervisory Board would like to thank the Board of Management and the Delegates of MünchenerHyp for their constructive and supportive cooperation in the year under review. We also thank our employees, who have worked with great dedication and professionalism for the success of their Bank in another year full of uncertainty and health concerns for themselves and their families. We thank the Delegates Meeting, which was newly elected in 2021, for its constructive cooperation over the past five years and look forward to working with the new Delegates Meeting in the years ahead.

Munich, April 2022

Münchener Hypothekenbank eG

**Dr Hermann Starnecker**  
Chairman of the Supervisory Board