

REPORT OF THE SUPERVISORY BOARD

During the year under review the Supervisory Board carried out its supervisory functions in accordance with the legal requirements, the Bank's Articles of Association and its bylaws. The Board of Management reported in a timely manner to the Supervisory Board regarding the Bank's corporate planning, its business and financial situation, as well as the Bank's further strategic development. The Supervisory Board thereby advised the Board of Management and supervised its management of business. The Supervisory Board's decisions on actions requiring its approval were made on the basis of reports and materials submitted by the Board of Management.

TOPICS REVIEWED DURING SUPERVISORY BOARD MEETINGS

During the last business year the Supervisory Board held its constituent meeting and four regularly scheduled meetings during which MünchenerHyp's company management was continuously advised and supervised in accordance with the legal requirements and those defined in the Bank's Articles of Association. The key subjects and advisory issues covered were the development and planning of the Bank's business activities, the Bank's business and risk strategy, the Bank's risk situation, the further development of the IT strategy, and topics related to governance.

The Supervisory Board regularly received reports from the Board of Management concerning the Bank's important issues in a timely manner and comprehensively, both in writing and verbally. The Board of Management reported about the Bank's situation, the development of the Bank's business, important key financial figures, and the further development of the IT strategy. In addition, the Supervisory Board was kept comprehensively informed of the most current status of the liquidity situation and measures to manage liquidity, as well as the risk situation, measures to control risk, and the Bank's risk management measures. The Supervisory Board also received comprehensive information regarding the status of operational and strategic planning. It played an integral role in all important decisions. A focal point of the work and reporting was the conduct of business in an unchanged challenging market environment within the Cooperative Financial Network and its possible effects on MünchenerHyp. Measures dealing with responses to the continuing low interest rate environment were also thoroughly discussed. Furthermore, the Supervisory Board extensively discussed changes within the regulatory environment.

Moreover, the Board of Management comprehensively reported to the Supervisory Board regarding the Bank's corporate planning, as well as topics related to corporate governance. The necessary resolutions were passed and implemented.

SELF-ASSESSMENT OF THE SUPERVISORY BOARD

As required by, and in accordance with the terms of Art. 25d of the German Banking Act (KWG), the Supervisory Board conducted a self-assessment and extensively reviewed the results during its meeting held in December 2017. The results reflect that the structure, size, composition and performance of the Supervisory Board, as well as the knowledge, abilities and experience of the individual members of the Supervisory Board, as well as the Supervisory Board as a whole, meet both legal requirements and those defined in the Bank's Articles of Association.

It can be confirmed that no conflicts of interest arose within the framework of preparing decisions taken by the Supervisory Board.

COLLABORATION WITH THE BOARD OF MANAGEMENT

The Chairman of the Supervisory Boards was in regular and close contact with the Chairman of the Board of Management for the purpose of examining important issues and decisions in personal discussions.

In addition to the regularly scheduled reports, the Chairman of the Board of Management also reported continuously in writing and verbally to the Chairman of the Supervisory Board between the individual meetings regarding all important developments affecting 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 committees 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's meetings.

The Nomination Committee convened five times in 2017. During the year under review it particularly dealt with finding a replacement for a member of the Supervisory Board who was stepping

down as scheduled, as well as finding a successor to replace a member of the Board of Management retiring in 2018. Additional subjects were the self-assessment of the Supervisory Board and the Board of Management, as well as the fulfilment of the quota of women.

The Audit Committee dealt with the results of the audit of the annual financial statements and the management report. Additional topics addressed were the new requirements of the Audit Directive and the Audit Guidelines, non-audit services, the internal audit report, and the report prepared by the compliance officer, as well as the topics and requirements covered during talks with banking supervision officials. The Audit committee met four times during the year under review.

The Risk Committee convened ten times. The Board of Management provided the committee with comprehensive reports concerning the development of markets where the Bank provides property financing. The committee dealt with the banking and regulatory environment. In addition, it also reviewed and approved loans requiring approval, and took note of reportable transactions. The Board of Management presented the committee individual exposures that were important to the Bank and discussed them. Extensive reports were also presented concerning the provision and management of liquidity, and refinancing. These reports reviewed and examined the risk categories of the Bank's business in detail. In addition to credit risks these include, in particular, market, liquidity, sales, and operational risks while taking into consideration the ability to bear risk per the terms of the Minimum Requirements for Risk Management (MaRisk). The committee regularly received reports of the Bank's risk situation, which were explained by the Board of Management. The members of the committee discussed the contents of these reports with the Board of Management and noted them favourably.

The four meetings of the Remuneration Control Committee primarily focused on the Bank's remuneration system and related issues. The committee determined that MünchenerHyp's remuneration systems met the terms of Art 15 para.2 of the Remuneration Ordinance for Institutions (Institutsvergütungsverordnung) and had passed the test for appropriateness. The committee recommended to the Supervisory Board that it takes note of the results of the appropriateness test.

ANNUAL ACCOUNTS

The accounting documents, the annual financial statements and the Management Report for the 2017 financial year were audited as assigned by the Deutscher Genossenschafts- und Raiffeisenverband e.V., Berlin, and received an unqualified certificate from the auditors. There were no reservations. The auditors provided an extensive report on the primary results of their audit during a meeting of the Audit Committee. Moreover, the auditors were also available to provide additional information. Each member of the Supervisory Board received a copy of the audit report of the legal audit prepared by the auditors in accordance with Article 53 of the Cooperatives Act (Genossenschaftsgesetz), including the audit of the 2017 annual financial statements for the Münchener Hypothekenbank eG, for their information on a timely basis. The results of the audit were examined during a joint meeting of the Board of Management and the Supervisory Board attended by the auditor. The results of the audit will also be reported during the Delegates Meeting.

The annual financial statements, the Management Report, and the Board of Management's proposal for the allocation of distributable income were examined by the Supervisory Board and endorsed. The Supervisory Board recommends that the Delegates Meeting approve the annual financial statements for 2017 – as explained – and endorse the Board of Management's proposal for the allocation of net income. The proposal is in accordance with the terms of the Bank's Articles of Association

CHANGES IN THE SUPERVISORY BOARD

During the year under review Mr Heinz Fohrer, member of the Board of Management of the Volksbank Esslingen eG, stepped down as scheduled from the Supervisory Board of Münchener Hypothekenbank at the end of his term of office. Mr Fohrer had been a member of the Supervisory Board since 2012. During these years his wide experience and professional expertise contributed greatly to MünchenerHyp's success. We wish to thank him for his hard work and dedication.

During the Delegates Meeting Mr Josef Hodrus was elected as a new member of MünchenerHyp's Supervisory Board. He is the Spokesman of the Board of Management of the Volksbank Allgäu-Oberschwaben eG.

DEVELOPMENT OF MÜNCHENERHYP DURING THE YEAR UNDER REVIEW

MünchenerHyp was able to further consolidate its course of growth in 2017. For many years the Bank has grown organically and continually improved its new business results and its earnings strength. On the one hand, MünchenerHyp is meeting the expectations of its partners as a strong property bank within the Cooperative Financial Network. And on the other, it is therefore able to play a more important role outside of the Cooperative Financial Network. This includes, in particular, its successful international business and its high reputation as an issuer of Pfandbriefe.

The fact that MünchenerHyp was able to again achieve record results is due, in particular, to the strong and continuing dedication of its employees. The Supervisory Board would like to sincerely thank all of them for their outstanding performance and successful work.

Munich, April 2018
Münchener Hypothekenbank eG

Wolfhard Binder
Chairman of the Supervisory Board