

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 by-laws. 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 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. In an additional meeting the Supervisory Board also covered the issue of a successor to fill a position on MünchenerHyp's Board of Management at the end of 2018.

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 business and risk 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 was involved in all important decisions. A focal point of the work and reporting was on the current developments in the property market, as well as the latest developments in private and commercial property financing. Furthermore, the Supervisory Board extensively discussed the growing regulatory requirements and their implementation.

The annual meetings of the joint supervisory teams with the Chairman of the Supervisory Board as well as with the heads of the committees established by the Supervisory Board took place again.

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 2018. 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. The Supervisory Board took a course of instruction regarding current regulatory topics and legal developments.

Collaboration with the Board of Management

The Chairman of the Supervisory Board 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 six times. During the year under review it particularly dealt with the succession of two members of the Supervisory Board who will step down due to age reasons at the end of 2019 Delegates Meeting, as well as finding a successor to replace a member of the Board of Management. The self-assessment of the Supervisory Board and the Board of Management was another topic covered by the committee.

The Audit Committee dealt with the results of the audit of the annual financial statements and the management report. Additional topics addressed were the Bank's risk management system and its data management system, the internal audit report, and the report prepared by the compliance officer, as well as the realignment of the compliance function, in addition to topics and requirements covered during meetings with banking supervision officials. The Audit Committee met three times during the year under review.

The Risk Committee convened twelve times. The Board of Management provided the committee with comprehensive reports concerning the development of markets where the Bank provides property financing, as well as the status of the Bank's planned market entry into Austria. The committee also dealt with the regulatory environment, including the results of the current ECB stress test. 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, as well as refinancing. These

reports discussed and examined the risk types 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 and the CRO. The members of the committee discussed the contents of these reports with the Board of Management and noted them favourably. In addition, the committee also dealt with the sales report, the report prepared by the OpRisk officer, and the data protection report.

The seven meetings of the Remuneration Control Committee primarily focused on the Bank's remuneration system and all related issues. The committee determined that MünchenerHyp's remuneration systems had passed the test for appropriateness. The committee recommended to the Supervisory Board that it take note of the results of the appropriateness test.

Annual accounts

The accounting documents, the annual financial statements and the management report for the 2018 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 key 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 2018 annual financial statements for the Münchener Hypothekbank eG, for their information on a timely basis. The results of the audit were examined during a joint meeting of the Board of Management and the Supervisory Board attended by the auditor. The results of the audit will be reported during 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 endorsed. The Supervisory Board recommends that the Delegates Meeting approve the annual financial statements for 2018 – 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 Board of Management

At the end of the year under review Mr Bernhard Heinlein stepped down from MünchenerHyp's Board of Management and entered retirement. Mr. Heinlein devoted almost 35 years of great dedication towards the success of MünchenerHyp, of which ten were served as a member of the Board of Management. We owe Mr. Heinlein our gratitude and recognition for his extraordinary achievements on behalf of the Bank.

The Supervisory Board appointed Dr. Holger Horn as member of the MünchenerHyp Board of Management effective 1 January 2019. Prior to this appointment Dr. Horn was a member of the Board of Management of the Depfa Bank in Dublin. We look forward to working together with Dr. Horn and wish him success in his new duties.

Development of MünchenerHyp during the year under review

MünchenerHyp set the course for the future in important respects during its 2018 business year. The further development of the Bank's business and risk strategy decisively positions it to meet the challenges related to the digital evolution of markets, and customer demands.

Despite the demanding market environment, MünchenerHyp was nevertheless able to set a new record for its new mortgage business. Furthermore, the Bank's issues set accents once again in the capital market. This applies in particular to the issue of the Bank's ecological ESG Pfandbrief.

The Bank's success in the property finance and capital markets is based on the impressive team performance turned in by all employees in 2018. In return, they deserve the sincere thanks of the Supervisory Board.

Munich, April 2019

Münchener Hypothekenbank eG

Wolfhard Binder

Chairman of the Supervisory Board