

# 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 Hypothekbank 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