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General information on accounting policies

The Münchener Hypothekbank eG annual financial statement as of 31 December 2020 was prepared in accordance with the provisions of the German Commercial Code (HGB), in conjunction with the accounting regulation for banks and financial service institutions (RechKredV), and in accordance with the rules contained in the Cooperatives Act (GenG) and the Pfandbrief Act (PfandBG).

All claims are stated at nominal amounts in accordance with Section 340e (2) of the German Commercial Code. The difference between the amounts disbursed and the nominal amount is shown under deferred items. All identifiable individual credit risks are covered by specific value adjustments and provisions set up against claims for repayment of principal and payment of interest. Contingent risks are covered by general value adjustments. The basis for calculating general adjustments to value are the terms contained in the Federal Ministry of Finance notice dated 10 January 1994. Instead of applying an overall reduction of 40 percent on the average volume of defaults over the past five years, a greater weighting of these average defaults is applied on account of the favourable past period in order to be better prepared for possible future negative developments. Furthermore, off-balance-sheet "Irrevocable loan commitments" are included in the calculation of the volume of loans at risk. In addition, contingency reserves were formed pursuant to Section 340f of the German Commercial Code.

Securities held in the liquidity portfolio are strictly valued at the lower of cost or market principle. The present value corresponds to the current exchange or market price.

Securities held as fixed assets, which were mainly acquired as cover for Public Pfandbriefe and for other coverage purposes, are valued at their cost of purchase. Discounts and premiums are recognised as interest income or expense over the residual life of the securities. Securities associated with swap agreements are valued together with these agreements as a single item. To the extent that derivatives are used to hedge risks they are not valued individually. As in the previous year, securities held as fixed assets in the business year, and which were not subject to a sustained decrease in value, are valued in accordance with the modified lower of cost or market principle. In cases involving securities treated as fixed assets where a permanent decrease in value is anticipated, the write-down to the fair value takes place on the balance sheet date.

Borrowed securities do not appear on the balance sheet.

In accordance with the rules pertaining to the valuation of fixed assets, participations and holdings in affiliated companies are valued at their cost of purchase. Depreciation is taken on those assets where the reduction in value is expected to be long-term. Participations of current assets are shown under the item "Other assets".

Intangible assets and tangible assets are valued at cost or production costs less accumulated depreciation. Planned depreciation was taken in accordance with normal useful lifetimes. Minor value assets were treated in accordance with tax rules. Unscheduled depreciation is taken in the event the original useful lifetime is shortened.

Existing deferred taxes arising due to temporary differences between values calculated for trading and tax purposes are cleared. A backlog of deferred tax assets is not recorded in the balance sheet.

Liabilities are shown at settlement value. Zero bonds are carried in the accounts at the issuing price plus earned interest based on the yield at the time of purchase in accordance with the issuing conditions. The difference between the nominal amount of liabilities and the amount disbursed is shown under deferred items. Based on the principles of prudent business practice, provisions have been made for uncertain liabilities in the amount of the settlement value of these liabilities. Provisions with a remaining term of more than one year were discounted using the commensurate average rate of market interest rates.

Provisions made for pension obligations are calculated based on the projected unit credit method a discount rate of 2.30 percent and a 2.5 percent rate of salary growth, as well as a 2.0 percent rate of pension growth. The calculation is made on the basis of "Guideline tables 2019 G" prepared by Prof. Dr. Klaus Heubeck. In accordance with the terms of Section 253 (2) of the German Commercial Code the average market rate of interest of the last 10 business years is used for discount purposes with an assumed remaining term to maturity of 15 years.

Per the terms of Section 256a of the German Commercial Code, monetary assets and liabilities denominated in foreign currencies are calculated using the European Central Bank's exchange rate valid on the balance sheet date. Results realised from the conversion of particularly covered foreign currency positions are carried under net interest income. Results realised from the conversion of specific value adjustments denominated in foreign currencies are shown under the item "Income from reversals of write-downs to claims and certain securities as well as reversals of provisions for possible loan losses". Costs and income are valued at the individual daily exchange rate.

Negative interest on financial assets or financial liabilities has been deducted from the related interest income items or interest expense items shown on the income statement.

Notes to the balance sheet income statement

Maturity analysis by residual term

ASSETS IN € 000	31 Dec. 20	31 Dec. 19
Claims on banks	1,935,696	2,054,280
– Three months	1,833,349	1,932,540
– Three months – one year	67	17,238
– One year – five years	312	1,285
– Five years	101,968	103,217
Claims on customers	40,264,938	37,627,107
– Three months	798,783	637,667
– Three months – one year	1,524,926	1,542,065
– One year – five years	11,272,022	9,765,520
– Five years	26,669,207	25,681,855
Bonds and other fixed-income securities ≤ one year	335,009	184,352

LIABILITIES, CAPITAL AND RESERVES IN € 000	31 Dec. 20	31 Dec. 19
Liabilities to banks	7,618,530	4,797,563
– Three months	1,880,534	1,933,848
– Three months – one year	282,129	509,425
– One year – five years	4,036,414	1,109,328
– Five years	1,419,453	1,244,963
Liabilities to customers	14,847,703	15,724,726
– Three months	963,929	1,359,192
– Three months – one year	1,111,891	1,005,534
– One year – five years	986,402	1,253,045
– Five years	11,785,481	12,106,955
Certificated liabilities	24,051,979	20,320,012
Bonds issued		
– Three months	559,029	102,584
– Three months – one year	2,394,972	2,329,064
– One year – five years	8,440,760	8,688,188
– Five years	12,493,160	8,900,451
Other certificated liabilities		
– Three months	164,058	245,209
– Three months – one year	0	54,516

Claims on | Liabilities

CLAIMS ON AND LIABILITIES TO AFFILIATED COMPANIES AND COMPANIES, IN WHICH PARTICIPATING INTERESTS ARE HELD IN € 000

	31 Dec. 20				31 Dec. 19			
	Affiliated companies		Companies in which participating interests are held		Affiliated companies		Companies in which participating interests are held	
	certificated	non-certificated	certificated	non-certificated	certificated	non-certificated	certificated	non-certificated
Claims on banks	0	0	0	840,621	0	0	0	877,423
Claims on customers	0	0	0	0	0	0	0	0
Bonds and other fixed-income securities	0	0	104,407	0	0	0	66,900	0
Liabilities to banks	0	0	0	686,454	0	0	0	812,900
Liabilities to customers	0	2,943	0	0	0	3,194	0	0
Certificated liabilities	0	0	0	0	0	0	0	0
Subordinated liabilities	0	0	0	0	0	0	0	0

Securities

SECURITIES MARKETABLE ON THE STOCK EXCHANGE IN € 000

Asset category	31 Dec. 20		31 Dec. 19	
	Listed	Unlisted	Listed	Unlisted
Bonds and other fixed-income securities	1,624,446	259,762	1,691,600	210,062
Shares and other non-fixed-income securities	0	0	0	0
Participations	0	0	0	0

Separate funds

SHARES IN SEPARATE FUNDS IN € 000

Description of the fund	Investment goal	Valuation pursuant to Section 168 and 278 Capital Investment Code (KAGB), or Section 36 Investment Act (old version) or comparable foreign regulations	Difference to book value	Distribution paid out for financial year
UIN-Fonds No. 903	Long-term return and diversification benefits compared to a direct investment in shares, taking the structure of the Bank's portfolio into consideration	159,841	12,841	0

Subordinated assets

SUBORDINATED ASSETS IN € 000

	31 Dec. 20	31 Dec. 19
Bonds and other fixed-income securities	92,076	66,900

Trading book

As of 31 December 2020, the portfolio contained no financial instruments used in the trading book. During the year under review no changes were made to the Bank's internal criteria for including financial instruments in the trading portfolio.

Fixed assets

DEVELOPMENT OF FIXED ASSETS IN € 000

	Acquisition and production costs	Changes total +/- ¹									Net book value on			
											31 Dec. 20	31 Dec. 19		
Bonds and other fixed-income securities	1,995,516										1,906,376	1,995,516		
Shares and other non fixed-income securities	0										0	0		
Participations and shares in cooperatives	104,554										104,554	104,554		
Shares in affiliated companies	13,151										12,351	13,151		
	Acquisition and production costs at start of business year	Additions during business year	Disposals during business year	Transfers during business year	Acquisition and production costs at end of business year	Accumulated depreciation at start of business year	Depreciation during business year	Additions during business year	Changes in legal depreciation taken related to			Accumulated depreciation at end of business year	Net book value on	
									Additions	Disposals	Transfers		31 Dec. 20	31 Dec. 19
Intangible assets	37,160	3,432			40,592	29,234	7,155					36,389	4,203	7,926
a) Internally generated commercial property rights and similar rights and assets	2,622	2,619			5,241	131	5,110					5,241		2,491
b) Concessions acquired for consideration, commercial rights and similar rights and values, as well as licenses to these rights and values	34,538	813			35,351	29,103	2,045					31,148	4,203	5,435
Tangible assets	101,124	2,122	3,018		100,228	33,084	3,057		3,018			33,123	67,105	68,041

¹ The Bank has exercised the option, available under Section 34 (3) of the accounting regulation for banks and financial services institutions, to combine certain items.

During the year under review a write-down of € 800 thousand to the lower fair value of € 1,200 thousand was taken in the investment in the wholly owned subsidiary M-4tec GmbH. No information was available on the other participations on the balance sheet date that the present value of the Bank's participations and capital holdings at cooperatives, holdings in affiliated companies, as well as the value of shares and other non-fixed-income securities was less than their book values.

The item "Bonds and other fixed-income securities" includes securities with a book value of € 620,404 thousand (previous year: € 526,927 thousand) exceeding the present value of € 618,483 thousand (previous year: € 525,271 thousand). To the extent that these securities are associated with a swap transaction, they are valued together with the transaction as a single item.

Securities held as fixed assets, which are separately identified in the portfolio management system and are not expected to be subject to a permanent impairment in value, are valued in accordance with the moderated lower of cost or market principle. In light of our intention to hold these securities until they mature, we generally assume that market price-related decreases in value will not become effective and that these securities will be repaid in full at their nominal value at maturity. Of the securities that are not valued in accordance with the moderated lower of cost or market principle € 1,884,209 thousand (previous year: € 1,901,663 thousand) are marketable securities.

Shareholdings

SHAREHOLDINGS IN € 000

	Percentage of capital held	Equity	Profit/loss
M-Wert GmbH, Munich ¹	100.00	674	302
Immobilien-service GmbH der Münchener Hypothekenbank eG (M-Service), Munich (profit transfer agreement) ²	100.00	509	31
Nußbaumstraße GmbH & Co. KG, Munich ²	100.00	11,486	414
M-4tec GmbH, Munich ¹	100.00	2,000	-81

¹ Annual financial statements 2019.

² Annual financial statements 2020.

Tangible assets

The portion of the total value attributable to the land and buildings used by the Bank is € 54,941 thousand (previous year: € 55,898 thousand), and of plant and office equipment € 2,947 thousand (previous year: € 2,735 thousand).

Other assets

The item "Other assets" includes deferred items of € 47,063 thousand related to the derivative business, and € 77,675 thousand in commissions for mortgage loans that will be paid after the balance sheet date. In addition, this item also includes tax claims of € 1,325 thousand. Furthermore, this item also includes € 15,013 thousand in cash collateral pledged within the framework of the banking levy.

Deferred items

DEFERRED ITEMS FROM THE ISSUING AND LOAN BUSINESS IN € 000

	31 Dec. 20	31 Dec. 19
Assets side 12.		
Discount from liabilities	49,781	52,310
Premium from claims	4,810	5,909
Other deferred charges	14,882	557
Liabilities side 6.		
Premium from liabilities	51,776	45,168
Discount from claims	674	997
Other deferred income	7,873	175

The remaining deferred items include compensatory payments by the Bank to derivative counterparties due to a change in the collateralization agreements or agreements arising from the transition from EONIA to €STR. These compensatory payments are shown on a proportionate basis in the income statement.

Deferred taxes

Deferred tax liabilities mainly result from the low valuation of bank buildings taken for tax purposes.

Deferred tax assets arise from provisions made for pensions, and the different methods used to value premiums from swap options that were exercised. The remaining backlog of deferred tax assets arising after clearing is not recorded in the balance sheet.

Assets pledged to secure liabilities

Within the framework of open market deals with the European Central Bank, securities valued at € 3,400,000 thousand (previous year: € 500,000 thousand) were pledged as collateral to secure the same amount of liabilities. The book value of the pledged assets (genuine repurchase agreements) was € 0 (previous year: € 0). Within the framework of security arrangements for derivative transactions, cash collateral of € 1,691,470 thousand (previous year: € 1,789,500 thousand) was provided. Securities valued at € 14,202 thousand (previous year: € 13,862 thousand) were pledged to secure pension obligations and requirements of the partial retirement model for older employees. Securities valued at € 18,000 thousand (previous year: € 18,000 thousand) were pledged to secure financial aid obligations within the framework of a Contractual Trust Arrangement (CTA). Claims in respect of loans valued at € 473,603 thousand (previous year: € 437,441 thousand) were assigned to secure loans obtained from credit institutions.

Pursuant to Section 12 Para. 5 of the Restructuring Fund Act (Restrukturierungsfondsgesetz – RStruktFG) € 15,013 thousand in cash collateral has been pledged.

Other liabilities

The item "Other liabilities" consists of € 99,783 thousand for deferred items and adjustment items for valuation of foreign currency items, and € 36,203 thousand related to derivative transactions, as well as interest deferrals for an Additional Tier 1 (AT1) bond of € 2,099 thousand.

Subordinated liabilities

Subordinated liabilities incurred interest expenses of € 3,663 thousand (previous year: € 4,958 thousand). Subordinated liabilities which individually exceed 10 percent of the overall statement amount to:

Nominal amount	Currency	Interest rate	Maturity date
9,000,000.00	Euro	6.71	05.07.2021
10,000,000.00	Euro	6.01	01.12.2022
10,000,000.00	Euro	5.67	19.01.2021
10,000,000.00	Euro	5.67	19.01.2021

The instruments comply with the provisions of Section 63 of the Capital Requirements Regulation (CRR).

Early repayment obligations are excluded in all cases. The conversion of these funds into capital or other forms of debt has not been agreed upon nor is foreseen. Reporting on the balance sheet is shown at nominal value.

Additional Tier 1 Capital Instruments

Additional Tier 1 (AT1) capital with a total nominal value of CHF 125 million, or a book value of € 116 million valued at the exchange rate on the balance sheet date, is reported under the item Additional Tier 1 (AT1) Instruments. Interest expenses amounted to € 3,626 thousand on the balance sheet date, of which € 2,099 thousand was attributable to accrued interest. The bond was issued on 12 December 2019 in denominations of CHF 50,000, carries a coupon of 3.125% and is a perpetual bond. The bond is callable by MünchenerHyp for the first time after 5.5 years.

The interest rate will be adjusted to the current 5-year CHF mid-swap rate for the first time on 2 June 2025 and every 5 years after that date, as well as an additional margin of 3.656% per year.

Payment of interest will not take place if the issuer has insufficient distributable items available for distribution, if the issuer is ordered to do so by a competent regulatory authority, or due to non-compliance with equity capital and capital buffer requirements.

Interest payments are not cumulative.

The bond will be written down in the event MünchenerHyp's Common Equity Tier 1 capital ratio (CET1 ratio) falls below a minimum level of 7 percent. A write-up of the bond is at the full discretion of the issuer and requires sufficient net income for the year and may not contravene any statutory or official prohibition on distribution.

Pursuant to the terms of commercial law, this is a liability and not equity.

Members' capital contributions

Members' capital contributions disclosed under capital and reserves item 10aa) consisted of:

MEMBERS' CAPITAL CONTRIBUTIONS IN €

	31 Dec. 20	31 Dec. 19
Capital contributions	1,153,051,340.00	1,072,452,850.00
a) of remaining members	1,150,101,680.00	1,069,775,210.00
b) of former members	2,715,160.00	2,461,620.00
c) in respect of shares under notice	234,500.00	216,020.00
Outstanding obligatory payments in respect of shares	0.00	0.00

Details of revenue reserves

DEVELOPMENT OF REVENUE RESERVES IN € 000

	Legal reserve	Other revenue reserves
1 Jan. 2020	326,000	6,000
Transfer from 2019 retained earnings		0
Transfer from 2020 net income	15,000	0
31 Dec. 2020	341,000	6,000

The increase in the assessment period used for defining the average discount rate from 7 to 10 years resulted in a positive contribution to income of € 3,178 thousand, which is barred from being distributed and is included under the item "Other revenue reserves".

Foreign currency items

FOREIGN CURRENCY ITEMS IN € 000

	31 Dec. 20	31 Dec. 19
Assets side	6,139,207	5,967,570
Liabilities side	4,434,524	4,572,391
Contingent liabilities and other obligations	384,874	410,057

Other commitments

The irrevocable loan commitments contained in this item consist almost solely of mortgage loan commitments made to customers. It is anticipated that the irrevocable loan commitments will be drawn down. Against the background of the ongoing monitoring of loans, the probable need to create provisions for risks related to contingent obligations and other obligations is viewed as minor.

Interest income

This item includes € 3,221 thousand (previous year: € 2,644 thousand) in negative interest.

Interest expenses

This item includes the premium for targeted longer-term refinancing operations (TLTRO II Programme) shown as a negative interest expense of € 9,992 thousand (previous year: € 3,511 thousand).

In total, negative interest expenses of € 18,712 thousand (previous year: € 10,184 thousand) are included in interest expenses.

Other operating expenses

This item contains expenses arising from adding interest effects of € 3,553 thousand (previous year: € 3,545 thousand) for established provisions.

Forward trades and derivatives

The following derivative transactions were made to hedge swings in interest rates or hedge against exchange rate risks. These figures do not include derivatives embedded in underlying basic transactions stated on the balance sheet.

NOMINAL AMOUNTS
IN € MILLION

	Residual term ≤ one year	Residual term > one year ≤ five years	Residual term > five years	Total	Fair value at balance sheet date ¹ neg. (-)
Interest-rate-related transaction					
Interest rate swaps	7,462	22,376	46,833	76,671	-152
Interest rate options					
– Calls	12	46	860	918	87
– Puts	138	106	16	260	0
Other interest rate contracts	92	253	2,218	2,563	-30
Currency-related transactions					
Cross-currency swaps	1,396	2,243	710	4,349	-58
Currency swaps	328	0	0	328	-4

¹ Valuation methods:

Interest rate swaps are valued using the present value method based on the current interest rate curve at the balance sheet date. In doing so the cash flows are discounted using market interest rates appropriate for the related risks and remaining terms to maturity. Interest that has been accrued but not yet paid is not taken into consideration. This approach is known as "clean price" valuation.

The value of options is calculated using option price models and generally accepted basic assumptions. In general, the particular value of an option is calculated using the price of the underlying value, its volatility, the agreed strike price, a risk-free interest rate and the remaining term to the expiration date of the option.

The derivative financial instruments noted involve premiums stemming from option trades in the amount of € 39.1 million (previous year: € 39.2 million) which are carried under the balance sheet item "Other assets".

Interest attributable to derivative deals is carried under the balance sheet items "Claims on banks" with € 299.9 million (previous year: € 311.1 million) and "Liabilities to banks" with € 304.9 million (previous year: € 323.7 million) or "Claims on customers", which amounted to € 10.3 million (previous year: € 11.9 million) while "Liabilities to customers" were € 15.5 million (previous year: € 17.4 million). The accrual of compensatory payments made is entered under "Other assets" with € 7.9 million (previous year: € 5.4 million); the accrual of compensatory payments received is entered under "Other liabilities" with € 36.2 million (previous year: € 46.0 million).

Compensatory items in the amount of € 99.8 million (previous year: € 207.5 million) related to the valuation of foreign currency swaps are carried under the balance sheet item "Other liabilities".

The counterparties are banks and providers of financial services, located in OECD countries, and separate funds under public law in Germany.

Hedging arrangements were made to reduce credit risks associated with these contracts. Within the framework of these arrangements collateral was provided for the net claims/liabilities arising after the positions were netted.

In the context of the Bank's hedging positions, € 1,643 million (previous year: € 1,732 million) in balance sheet hedging positions were designated in accounting to hedge interest rate risks associated with securities carried on the balance sheet under "Bonds and other fixed-income securities". It may be assumed that the effectiveness of the hedging positions will remain unchanged over the entire term of the transaction as the conditions of the securities correspond to those of the hedging derivatives (critical term match method). Offsetting changes in value are not shown in the balance sheet; uncovered risks are treated in accordance with standard valuation principles. The total amount of offsetting value changes for all valuation units amounted to € 157 million.

Interest-based finance instruments carried in the banking book are valued without losses within the framework of an overall valuation, whereby the interest rate driven present values are compared to the book values and then deducted from the positive surplus of the risk and portfolio management expenses. In the event of a negative result a provision for contingent risks has to be made. A related provision did not have to be made based on the results of the calculation made on 31 December 2020.

As on the date of record the portfolio contained no derivatives used in the trading book.

Cover statement for Pfandbriefe

A. MORTGAGE PFANDBRIEFE IN € 000

	31 Dec. 20	31 Dec. 19
Ordinary cover assets	29,509,670	27,332,972
1. Claims on banks (mortgage loans)	1,796	4,253
2. Claims on customers (mortgage loans)	29,455,410	27,276,255
3. Tangible assets (charges on land owned by the Bank)	52,464	52,464
Substitute cover assets	600,414	671,414
1. Other claims on banks	0	0
2. Bonds and other fixed-income securities	600,414	671,414
Total cover	30,110,084	28,004,386
Total Mortgage Pfandbriefe requiring cover	28,846,300	26,603,828
Surplus cover	1,263,784	1,400,558

B. PUBLIC PFANDBRIEFE IN € 000

	31 Dec. 20	31 Dec. 19
Ordinary cover assets	1,958,141	2,251,579
1. Claims on banks (public-sector loans)	100,564	115,565
2. Claims on customers (public-sector loans)	1,712,577	1,976,213
3. Bonds and other fixed-income securities	145,000	159,801
Substitute cover assets	0	70,000
1. Other claims on banks	0	0
2. Bonds and other fixed-income securities	0	70,000
Total cover	1,958,141	2,321,579
Total public-sector Pfandbriefe requiring cover	1,945,094	2,227,229
Surplus cover	13,047	94,350

Publication in Accordance with Section 28 Pfandbrief Act

MORTGAGE PFANDBRIEFE

Mortgage Pfandbriefe outstanding and their cover

ORDINARY COVER ASSETS IN € 000

	Nominal value		Net present value		Risk-adjusted net present value ¹	
	31 Dec. 20	31 Dec. 19	31 Dec. 20	31 Dec. 19	31 Dec. 20	31 Dec. 19
Mortgage Pfandbriefe	28,846,300	26,603,828	32,919,871	29,735,522	30,295,939	39,786,603
Cover pool	30,110,084	28,004,386	36,066,459	32,652,074	33,084,816	43,071,497
of which further cover assets	600,414	671,414	699,138	767,601	668,546	881,710
Over-collateralisation	1,263,784	1,400,558	3,146,588	2,916,552	2,788,877	3,284,894

¹ Pursuant to Section. 5 (1) No 1 of the Pfandbrief-Net Present Value Directive (PfandBarwertV), the dynamic approach was used to calculate the present value of risk.

MATURITY STRUCTURE IN € 000

Residual term	31 Dec. 20		31 Dec. 19	
	Mortgage Pfandbriefe	Cover pool	Mortgage Pfandbriefe	Cover pool
≤ 0.5 year	1,258,120	827,004	545,127	832,624
> 0.5 year and ≤ 1 year	1,237,079	1,038,094	1,449,260	919,806
> 1 year and ≤ 1.5 years	1,250,335	1,075,649	1,273,192	865,776
> 1.5 years and ≤ 2 years	550,349	1,348,741	1,070,221	1,064,240
> 2 years and ≤ 3 years	1,900,130	2,642,447	1,842,412	2,440,420
> 3 years and ≤ 4 years	990,322	3,047,510	1,997,039	2,589,509
> 4 years and ≤ 5 years	1,352,787	2,555,621	964,051	2,730,431
> 5 years and ≤ 10 years	8,936,315	8,867,721	6,751,199	8,857,450
> 10 years	11,370,863	8,707,297	10,711,327	7,704,130

FURTHER COVER ASSETS IN ACCORDANCE WITH SECTION 19 (1) NO 2 AND 3 PFANDBRIEF ACT
IN € 000

	31 Dec. 20				31 Dec. 19			
	thereof				thereof			
	in accordance with Section 19 (1) No 2				in accordance with Section 19 (1) No 2			
	Total	Overall	thereof covered bonds from banks in accordance with Article 129 Regulation (EU) No 575/2013	Bonds in accordance with Section 19 (1) No 3	Total	Overall	thereof covered bonds from banks in accordance with Article 129 Regulation (EU) No 575/2013	Bonds in accordance with Section 19 (1) No 3
Germany	442,000	0	0	442,000	513,000	0	0	513,000
Belgium	38,000	0	0	38,000	38,000	0	0	38,000
Finland	50,000	0	0	50,000	50,000	0	0	50,000
France	60,000	0	0	60,000	60,000	0	0	60,000
Austria	10,414	0	0	10,414	10,414	0	0	10,414
Total – all states	600,414	0	0	600,414	671,414	0	0	671,414

Key figures for Pfandbriefe outstanding and their cover

OUTSTANDING MORTGAGE PFANDBRIEFE

	Figures in	31 Dec. 20	31 Dec. 19
Outstanding Mortgage Pfandbriefe	€ 000	28,846,300	26,603,828
thereof share of fixed-rate Pfandbriefe, Section 28 (1) No 9	%	86	95

ORDINARY COVER ASSETS

	Figures in	31 Dec. 20	31 Dec. 19
Cover pool	€ 000	30,110,084	28,004,386
thereof total amount of claims which exceed the limits laid down in Section 13 (1) Section 28 (1) No 7	€ 000	0	0
thereof total amount of claims which exceed the limits laid down in Section 19 (1) No 2 Section 28 (1) No 8	€ 000	0	0
thereof total amount of claims which exceed the limits laid down in Section 19 (1) No 3 Section 28 (1) No 8	€ 000	0	0
thereof share of fixed-rate cover pool, Section 28 (1) No 9	%	96	96
	USD (€ 000)	34,397	-177,631
	GBP (€ 000)	19,213	41,374
Net present value pursuant to Section 6 Pfandbrief-Net Present Value Regulation for each foreign currency in EUR, Section 28 (1) No 10 (net total)	CHF (€ 000)	1,267,450	1,063,334
Volume-weighted average of the maturity that has passed since the loan was granted (seasoning), Section 28 (1) No 11	Years	5	5
Average loan-to-value ratio using the mortgage lending value, Section 28 (2) No 3	%	52	52

Mortgage loans used as cover for Mortgage Pfandbriefe

A. ACCORDING TO THEIR AMOUNTS IN TRANCHES IN € 000

	31 Dec. 20	31 Dec. 19
Up to € 300,000	17,958,015	16,974,300
More than € 300,000 up to € 1,000,000	3,392,161	3,088,982
More than € 1,000,000 up to € 10,000,000	2,284,506	2,219,896
More than € 10,000,000	5,874,988	5,049,794
Total	29,509,670	27,332,972

B. ACCORDING TO STATES IN WHICH THE REAL PROPERTY IS LOCATED AND TO PROPERTY TYPE
IN € 000

		Total		Residential					Commercial						
		Total	Overall	Condo- miniums	Single and two-family houses	Multifamily houses	Buildings under con- struction	Building land	Overall	Office buildings	Retail buildings	Industrial buildings	Other commer- cially used buildings	Buildings under con- struction	Building land
Germany	31 Dec. 20	23,614,141	20,307,232	2,847,751	12,785,205	4,662,111	11,583	582	3,306,909	2,180,280	870,059	8,002	248,568	0	0
	31 Dec. 19	21,858,095	18,971,944	2,623,388	11,731,220	4,603,311	13,443	582	2,886,151	1,851,650	809,715	9,422	215,364	0	0
Belgium	31 Dec. 20	29,640	0	0	0	0	0	0	29,640	29,640	0	0	0	0	0
	31 Dec. 19	29,640	0	0	0	0	0	0	29,640	29,640	0	0	0	0	0
France	31 Dec. 20	286,098	19,260	0	0	19,260	0	0	266,838	204,272	62,566	0	0	0	0
	31 Dec. 19	326,724	7,440	0	0	7,440	0	0	319,284	277,220	42,064	0	0	0	0
United Kingdom	31 Dec. 20	337,991	0	0	0	0	0	0	337,991	270,044	45,209	0	22,738	0	0
	31 Dec. 19	382,475	0	0	0	0	0	0	382,475	288,686	86,264	0	7,525	0	0
Luxembourg	31 Dec. 20	64,900	0	0	0	0	0	0	64,900	64,900	0	0	0	0	0
	31 Dec. 19	64,900	0	0	0	0	0	0	64,900	64,900	0	0	0	0	0
The Netherlands	31 Dec. 20	478,082	224,791	0	0	224,791	0	0	253,291	133,236	115,906	0	4,149	0	0
	31 Dec. 19	320,062	182,065	0	0	182,065	0	0	137,997	62,748	71,100	0	4,149	0	0
Austria	31 Dec. 20	140,778	1	0	1	0	0	0	140,777	36,240	104,537	0	0	0	0
	31 Dec. 19	122,920	4	0	4	0	0	0	122,916	17,280	105,636	0	0	0	0
Spain	31 Dec. 20	396,009	0	0	0	0	0	0	396,009	119,906	276,103	0	0	0	0
	31 Dec. 19	214,731	0	0	0	0	0	0	214,731	89,455	125,276	0	0	0	0
Switzerland	31 Dec. 20	3,672,445	3,672,445	1,317,509	2,354,936	0	0	0	0	0	0	0	0	0	0
	31 Dec. 19	3,685,833	3,685,833	1,307,837	2,377,996	0	0	0	0	0	0	0	0	0	0
USA	31 Dec. 20	489,586	72,179	0	0	72,179	0	0	417,407	332,560	19,848	0	64,999	0	0
	31 Dec. 19	327,592	53,932	0	0	53,932	0	0	273,660	179,716	21,681	0	72,263	0	0
Total – all states	31 Dec. 20	29,509,670	24,295,908	4,165,260	15,140,142	4,978,341	11,583	582	5,213,762	3,371,078	1,494,228	8,002	340,454	0	0
	31 Dec. 19	27,332,972	22,901,218	3,931,225	14,109,220	4,846,748	13,443	582	4,431,754	2,861,295	1,261,736	9,422	299,301	0	0

Payments in arrears on covering mortgages

PAYMENTS IN ARREARS ON COVERING MORTGAGES IN € 000

	31 Dec. 20		31 Dec. 19	
	Total amount of payments in arrears for at least 90 days	Total amount of these claims inasmuch as the respective amount in arrears is at least 5% of the claim	Total amount of payments in arrears for at least 90 days	Total amount of these claims inasmuch as the respective amount in arrears is at least 5% of the claim
Germany	8,603	10,168	11,148	12,254
Switzerland	1,323	1,339	1,233	1,246
Total – all states	9,926	11,507	12,381	13,500

PUBLIC PFANDBRIEFE

Public Pfandbriefe outstanding and their cover

Discounts based on the vdp credit quality differentiation model were taken into consideration in calculating the cover pool.

ORDINARY COVER ASSETS IN € 000

	Nominal value		Net present value		Risk-adjusted net present value ¹	
	31 Dec. 20	31 Dec. 19	31 Dec. 20	31 Dec. 19	31 Dec. 20	31 Dec. 19
Public Pfandbriefe	1,945,094	2,227,229	2,666,974	2,957,230	2,480,155	2,413,871
Cover pool	1,958,141	2,321,579	2,992,645	3,277,171	2,656,239	2,515,342
of which further cover assets	0	0	0	0	0	0
of which derivatives	0	0	45,373	43,122	34,910	7,662
Over-collateralisation	13,047	94,350	325,671	319,941	176,084	101,471

¹ Pursuant to Section 5 (1) No 1 of the Pfandbrief-Net Present Value Directive (PfandBarwertV), the dynamic approach was used to calculate the present value of risk.

MATURITY STRUCTURE
IN € 000

	31 Dec. 20		31 Dec. 19	
	Public Pfandbriefe	Cover pool	Public Pfandbriefe	Cover pool
Residual term				
≤ 0.5 year	32,457	15,755	70,744	118,140
> 0.5 year and ≤ 1 year	79,984	25,719	85,135	23,244
> 1 year and ≤ 1.5 years	50,721	20,592	31,471	41,038
> 1.5 years and ≤ 2 years	9,778	28,176	77,826	63,236
> 2 years and ≤ 3 years	100,590	20,985	57,775	48,784
> 3 years and ≤ 4 years	149,664	9,875	117,729	20,989
> 4 years and ≤ 5 years	84,219	6,813	146,660	9,879
> 5 years and ≤ 10 years	492,707	514,312	517,805	558,788
> 10 years	944,974	1,315,914	1,122,084	1,437,481

FURTHER COVER ASSETS FOR PUBLIC PFANDBRIEFE IN ACCORDANCE WITH SECTION 20 (2) NO 2 PFANDBRIEF ACT
IN € 000

	31 Dec. 20		31 Dec. 19	
	Overall	thereof covered bonds from banks in accordance with Article 129 Regulation (EU) No 575/2013	Overall	thereof covered bonds from banks in accordance with Article 129 Regulation (EU) No 575/2013
	money claims in accordance with Section 20 (2) No 2		money claims in accordance with Section 20 (2) No 2	
Germany	0	0	0	0
Total	0	0	0	0

Key figures on Pfandbriefe outstanding and their cover

OUTSTANDING PUBLIC PFANDBRIEFE

	Figures in	31 Dec. 20	31 Dec. 19
Outstanding Mortgage Pfandbriefe	€ 000	1,945,094	2,227,229
thereof share of fixed-rate Pfandbriefe, Section 28 (1) No 9	%	91	92

COVER ASSETS

	Figures in	31 Dec. 20	31 Dec. 19
Cover pool	€ 000	1,958,141	2,321,579
thereof total amount of claims which exceed the limits of Section 20 (2) Section 28 (1) No 8	€ 000	0	0
thereof percentage share of fixed-rate cover pool, Section 28 (1) No 9	%	92	91
	CHF (€ 000)	0	28,487
Net present value pursuant to Section 6 Pfandbrief-Net Present Value Regulation for each foreign currency in EUR, Section 28 (1) No 10 (net total)	JPY (€ 000)	0	-69,637

Mortgage loans used as cover for Public Pfandbriefe

A. ACCORDING TO THEIR AMOUNTS IN TRANCHES IN € 000

	31 Dec. 20	31 Dec. 19
Up to € 10,000,000	131,241	179,331
More than € 10,000,000 up to € 100,000,000	446,787	515,781
More than € 100,000,000	1,380,113	1,626,467
Total	1,958,141	2,321,579

B. ACCORDING TO GROUP OF BORROWERS AND REGIONS
IN € 000

		Total		Of which owed by				Of which guaranteed by				
		All states	Total	State	Regional authorities	Local authorities	Other debtors	Total	State	Regional authorities	Local authorities	Other debtors
	31 Dec. 20	1,803,141	1,795,973	0	1,510,112	135,296	150,565	7,168	0	0	7,168	0
Germany	31 Dec. 19	2,061,439	2,045,862	0	1,707,032	175,964	162,866	15,577	0	0	15,577	0
	31 Dec. 20	0	0	0	0	0	0	0	0	0	0	0
Belgium	31 Dec. 19	50,000	50,000	0	50,000	0	0	0	0	0	0	0
	31 Dec. 20	155,000	155,000	120,000	35,000	0	0	0	0	0	0	0
Austria	31 Dec. 19	170,000	155,000	120,000	35,000	0	0	15,000	0	15,000	0	0
	31 Dec. 20	0	0	0	0	0	0	0	0	0	0	0
Switzerland	31 Dec. 19	27,640	27,640	0	27,640	0	0	0	0	0	0	0
	31 Dec. 20	0	0	0	0	0	0	0	0	0	0	0
Other institutions	31 Dec. 19	12,500	12,500	0	0	0	12,500	0	0	0	0	0
	31 Dec. 20	1,958,141	1,950,973	120,000	1,545,112	135,296	150,565	7,168	0	0	7,168	0
Total – all states	31 Dec. 19	2,321,579	2,291,002	120,000	1,819,672	175,964	175,366	30,577	0	15,000	15,577	0

Overdue interest

COVERING MORTGAGES WITH OVERDUE INTEREST IN € 000

	Total		Thereof residential		Thereof commercial	
	2020	2019	2020	2019	2020	2019
Overdue interest	210	242	205	242	5	0

Foreclosures and receiverships of mortgages used as cover

FORECLOSURES AND RECEIVERSHIPS

	Total		Thereof residential		Thereof commercial	
	2020	2019	2020	2019	2020	2019
Pending on balance sheet date						
– Foreclosure proceedings	95	96	93	95	2	1
– Receivership proceedings	28	22	27	22	1	0
	26 ¹	20 ¹	25 ¹	20 ¹	1 ¹	0 ¹
Foreclosures completed during business year	27	48	26	46	1	2

¹ Thereof included in pending Foreclosure proceedings.

During the year under review no property had to be taken over to salvage our claims.

Other Disclosures

Membership data

MEMBERSHIP CHANGES	
	Number of members
Beginning of 2020	65,048
Additions in 2020	758
Reductions in 2020	1,552
End of 2020	64,254

CAPITAL CONTRIBUTIONS IN €

	31 Dec. 20
Increase in remaining members' capital contributions	80,326,470.00
Amount of each share	70.00
Members' liability	0.00

Personnel statistics

In the reporting year, the average number of employees was:

	Male	Female	Total
Full-time employees	292	181	473
Part-time employees	23	115	138
Total number of employees	315	296	611
These figures do not include:			
Apprenticed trainees	4	11	15
Employees participating in parental leave, early retirement, partial retirement (non-working phase), or employees suspended with pay	10	25	35

Special disclosure requirements

Pursuant to Section 8 CRR (Articles 435 to 455), Münchener Hypothekbank publishes information it is required to disclose in a separate disclosure report in the Federal Gazette (Bundesanzeiger), as well as on the Bank's homepage.

Pursuant to Section 26a (1) (4) of the German Banking Act (KWG), the quotient of net income and total assets is equal to 0.0776 percent.

Proposed appropriation of distributable income

Net income for the year amounted to € 37,701,357.83. An advance allocation of € 15,000,000 to legal reserves is presented in the current annual financial statements.

A dividend distribution of 1.25 percent will be proposed at the Delegates Meeting. The remaining unappropriated profit for the year – including profit carried forward from the previous year – amounting to € 46,705,128.68 should therefore be allocated as follows:

ALLOCATION OF RETAINED EARNINGS IN €

	31 Dec. 20
1.25 percent dividend	13,668,000.00
Carried forward to new year	33,037,128.68

Report on events after the balance sheet date

In the first quarter of 2020, there was an epidemic outbreak of a new strain of coronavirus that increasingly affected public and commercial life around the world. At the start of March 2020, therefore, policymakers and economic researchers expected the effects on the economy to be considerable for a period of time. When this annual report was written, it was impossible to predict how significantly the epidemic might affect economic growth and thus the development of the property and property financing markets.

Company

Münchener Hypothekbank eG
Karl-Scharnagl-Ring 10
80539 Munich

Register of cooperatives of the District Court of Munich
Gen.-Reg 396

Bodies

Supervisory Board

Dr. Hermann Starnecker » Kaufbeuren
Spokesman of the Board of Management of
VR Bank Augsburg-Ostallgäu eG

Chairman of the Supervisory Board

Gregor Scheller » Hallerndorf
Chairman of the Board of Management
VR Bank Bamberg-Forchheim eG

Deputy Chairman of the Supervisory Board

HRH Anna Duchess in Bavaria » Tegernsee
Entrepreneur

Barbara von Grafenstein » Munich
Employee representative

Thomas Höbel » Dachau
Spokesman of the Board of Management
Volksbank Raiffeisenbank Dachau eG

Josef Hodrus » Leutkirch im Allgäu
Spokesman of the Board of Management of
Volksbank Allgäu-Oberschwaben eG

Jürgen Hölscher » Lingen
Member of the Board of Management of
Volksbank Lingen eG

Rainer Jenniches » Bonn
Spokesman of the Board of Management of
VR-Bank Bonn eG

Reimund Käsbauer » Munich
Employee representative

Michael Schäffler » Munich
Employee representative

Kai Schubert » Trittau
Member of the Board of Management of
Raiffeisenbank Südstormarn Mölln eG

Frank Wolf-Kunz » Munich
Employee representative

Board of Management

Dr. Louis Hagen
Chairman of the Board of Management

Dr. Holger Horn
Member of the Board of Management

Mandates

Dr. Louis Hagen
KfW
Member of the Board of Supervisory Directors

Dr. Holger Horn
FMS Wertmanagement AöR
Member of the Board of Supervisory Directors (from
01.02.2020)

As of the balance sheet date loans to members of the Supervisory Board amounted to € 750 thousand (previous year: € 856 thousand). As in the previous year: the lending portfolio did not include any loans made to members of the Board of Management. Pension provisions of € 18,460 thousand (previous year: € 17,565 thousand) were made for former members of the Board of Management. Total remuneration received by the members of the Board of Management during the year under review amounted to € 1,438 thousand (previous year: € 2,039 thousand), for members of the Supervisory Board € 589 thousand (previous year: € 568 thousand). Total compensation received by the members of Advisory Committee amounted to € 14 thousand (previous year: € 63 thousand). Total compensation received by former members of the Board of Management and their surviving dependants amounted to € 1,369 thousand (previous year: € 1,200 thousand).

Auditing Association

DGRV – Deutscher Genossenschafts- und
Raiffeisenverband e.V.,
Linkstraße 12, 10785 Berlin

During the year under review total costs of € 757 thousand (previous year: € 746 thousand), including value-added tax, were incurred for auditing the annual financial statements, and € 26 thousand (previous year: € 42 thousand) in charges were incurred for other assurance services. As in the previous year, no costs were incurred for either tax advisory services or other services during the year under review.

Other Financial Obligations

Pursuant to Section 12 Para. 5 of the Restructuring Fund Act (Restrukturierungsfondsgesetz – RStruktFG) irrevocable payment obligations of € 15,013 thousand were recorded at the balance sheet date.

Contingent Liability

Our Bank is a member of the protection scheme of the National Association of German Cooperative Banks (Sicherungseinrichtung des Bundesverbandes der Deutschen Volksbanken und Raiffeisenbanken e. V.). Per the statutes of the protection scheme we have issued a guarantee to the National Association of German Cooperative Banks. As a result, we have a contingent liability of € 22,263 thousand. In addition, pursuant to Article 7 of the Accession and Declaration of Commitment to the bank-related protection scheme of the BVR Instituts-sicherung GmbH (BVR-ISG), a premium guarantee is in force. This pertains to special contributions and special payments in the event of insufficient financial resources in order to pay for damages of depositors of one of the CRR credit institutions belonging to the protection scheme in the event of a compensation case, as well as to meet refunding obligations pursuant to cover measures.

Munich, 2 February 2021

Münchener Hypothekbank eG

The Board of Management



Dr. Louis Hagen
Chairman
of the Board of Management



Dr. Holger Horn
Member
of the Board of Management

The copy of the auditor's report reproduced in the following also includes an 'Assurance report in accordance with section 53(4) of the German Cooperatives Act (Genossenschaftsgesetz – GenG) and section 317(3b) of the German Commercial Code (Handelsgesetzbuch – HGB) on the electronic reproduction of the annual financial statements and the management report prepared for publication purposes' ('separate report on ESEF compliance'). The subject matter (ESEF documents covered by the assurance engagement) to which the separate report on ESEF compliance relates is not attached. The ESEF documents covered by the assurance engagement can be inspected in, or retrieved, from the Federal Gazette.

Independent Auditor's Report

TO MÜNCHENER HYPOTHEKENBANK EG, MUNICH

REPORT ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND OF THE MANAGEMENT REPORT

Audit opinions

We have audited the annual financial statements of Münchener Hypothekenbank eG, Munich (the 'Cooperative'), comprising the balance sheet as at 31 December 2020, the income statement, cash flow statement and statement of changes in equity for the financial year from 1 January 2020 to 31 December 2020, as well as the notes to the annual financial statements, including the presentation of the accounting policies. In addition, we audited the management report of the Cooperative for the financial year from 1 January 2020 to 31 December 2020. In accordance with the German legal requirements, we did not audit the content of the components of the management report referred to in the section entitled "Other information".

In our opinion, on the basis of the knowledge obtained in the audit:

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to credit cooperatives with publicly traded debt instruments and give a true and fair view of the assets, liabilities and financial position of the Cooperative as at 31 December 2020 and of its financial performance for the financial year from 1 January 2020 to 31 December 2020 in compliance with German proper accounting principles, and
- the accompanying management report as a whole provides an appropriate view of the Cooperative's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the management report does not cover the content of the components of the management report referred to in the section entitled "Other information".

In accordance with section 322(3) sentence 1 of the HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and the management report.

Basis for the audit opinions

We conducted our audit of the annual financial statements and the management report in accordance with section 53(2) of the GenG, sections 340k and 317 of the HGB, and the EU Statutory Audit Regulation (No. 537/2014), and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany – IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the annual financial statements and the management report" section of our auditor's report. We are independent of the Cooperative in compliance with the requirements of European law and German commercial law and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with point (f) of Article 10(2) of the EU Statutory Audit Regulation in conjunction with sections 55(2) and

38(1a) of the GenG, we declare that none of the persons employed by us who could influence the results of our audit provided any non-audit services prohibited under Article 5(1) of the EU Statutory Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and the management report.

Key audit matters in the audit of the annual financial statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual financial statements for the financial year from 1 January 2020 to 31 December 2020. These matters were addressed in the context of our audit of the annual financial statements as a whole and, in forming audit opinion thereon, we do not provide a separate audit opinion on these matters.

In the following, we describe what we consider to be the key audit matters:

Recoverability of loans and advances to customers

We have structured our presentation of these key audit matters as follows:

- a) Matter and issue
- b) Audit approach and findings
- c) Reference to further information

a) Claims on customers of EUR 40.3 billion are reported in the annual financial statements of Münchener Hypothekbank eG as at 31 December 2020. Most of these claims on customers are secured by mortgages. Total loan loss allowances (specific valuation allowances and global valuation allowances) of EUR 42.5 million were recognised as at 31 December 2020.

Münchener Hypothekbank eG regularly reviews the market and lending values of the properties on the basis of appraisals and analyses the economic circumstances of the borrowers, including on the basis of submitted annual financial statements, business plans and management accounting reports, among other documents. These results flow into the borrowers' ratings.

As a rule, the market and lending values of the properties are determined by appraisers using the income approach or the 'Sachwertverfahren', which is a specifically German form of the modified cost approach. The valuation parameters selected for this purpose significantly influence the value of the collateral and the recognition of any necessary loan loss allowance. Recognition of the loan loss allowance is subject to estimation uncertainty in this respect.

The risk exposure in the annual financial statements is that the need to recognise loan loss allowances is not identified in a timely manner or in an adequate amount.

b) Among other things, in the course of our audit we examined the available documentation relating to the valuation of the properties serving as collateral and the monitoring of the economic circumstances in a sample of loan exposures, and satisfied ourselves that the ratings were performed appropriately and in a timely manner.

In particular, we assessed whether the valuation parameters applied and the assumptions made in the appraisals are appropriate and reasonable. Among other things, we relied on publicly available market data to do this.

Based on our audit, the assumptions made by Münchener Hypothekbank eG in reviewing the recoverability of the

loans and advances are appropriate, taking into account the available information.

c) For information on the measurement of loans and advances to customers and the recognition of loan loss allowances, please refer to the section entitled 'General information on accounting policies' in the notes to the annual financial statements. For information on the process of counterparty credit risk management, please refer to the section entitled 'Counterparty credit risk' in the risk report, which is part of the management report.

Other information

The Board of Management is responsible for the other information. The other information comprises the following documents obtained by us prior to the date of this auditor's report:

- the corporate governance statement in accordance with section 289f(4) of the HGB contained in the management report (disclosures on the percentage of women in governing bodies). We did not examine the content of this component of the management report.
- the separate non-financial report in accordance with section 289b(3) of the HGB.

The other information also comprises

- all the other parts of the annual report – excluding other cross-references to external information – with the exception of the audited annual financial statements and management report, as well as our auditor's report.

Those other parts of the annual report are expected to be made available to us after the date of this auditor's report.

Our audit opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon. In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Board of Management and the Supervisory Board for the annual financial statements and the management report

The Board of Management of the Cooperative is responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to credit cooperatives with publicly traded debt instruments, and for ensuring that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Cooperative in compliance with German proper accounting principles. In addition, the Board of Management is responsible for such internal control as it, in accordance with German proper accounting principles, has determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the Board of Management is responsible for assessing the Cooperative's ability to continue as a going concern. It also has the responsibility for disclosing, as applicable, matters relating to going concern. In addition, it is responsible for financial reporting

based on the going concern basis of accounting, provided no actual or legal circumstances conflict with this.

The Board of Management is additionally responsible for preparing the management report that as a whole provides an appropriate view of the Cooperative's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. In addition, the Board of Management is responsible for such arrangements and measures (systems) as it has considered necessary to enable the preparation of a management report that complies with the German legal requirements, and to be able to provide sufficient, appropriate evidence for the assertions in the management report.

The Supervisory Board is responsible for overseeing the Cooperative's financial reporting process for the preparation of the annual financial statements and of the management report.

Auditor's responsibilities for the audit of the annual financial statements and the management report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Cooperative's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the annual financial statements and the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with section 53(2) of the GenG, sections 340k and 317 of the HGB, and the EU Statutory Audit Regulation in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the IDW will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the annual financial statements and the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.
- obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- evaluate the appropriateness of accounting policies used by the Board of Management and the reasonableness of estimates made by the Board of Management and related disclosures.

- conclude on the appropriateness of the Board of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and the management report or, if such disclosures are inadequate, to modify our opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Cooperative to cease to be able to continue as a going concern.
- evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Cooperative in compliance with German proper accounting principles.
- evaluate the consistency of the management report with the annual financial statements, its conformity with German law and the view of the Cooperative's position it provides.
- perform audit procedures on the prospective information presented by the Board of Management in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the Board of Management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these

assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Assurance report in accordance with section 53(4) of the German Cooperatives Act (Genossenschaftsgesetz – GenG) and section 317(3b) of the German Commercial Code (Handelsgesetzbuch – HGB) on the electronic reproduction of the annual financial statements and the management report prepared for publication purposes

Reasonable assurance conclusion

We have performed an assurance engagement in accordance with section 53(4) of the GenG and section 317(3b) of the HGB to obtain reasonable assurance about whether the reproduction of the annual financial statements and of the management report contained in the attached electronic file `muenchenerhyp_annual_report_2020_esef.xhtml` and prepared for publication purposes (the 'ESEF documents') complies, in all material respects, with the requirements of section 328(1) of the HGB for the electronic reporting format ('ESEF format'). In accordance with German legal requirements, this assurance engagement only extends to the conversion of the information contained in the annual financial statements and the management report into the ESEF format and therefore relates neither to the information contained within this reproduction nor to any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the annual financial statements and the management report contained in the above-mentioned attached electronic file and prepared for publication purposes complies, in all material respects, with the requirements of section 328(1) of the HGB for the electronic reporting format. We do not express any opinion on

the information contained in this reproduction nor on any other information contained in the above-mentioned electronic file, beyond this reasonable assurance conclusion and our audit opinion on the accompanying annual financial statements and the accompanying management report for the financial year from 1 January 2020 to 31 December 2020 contained in the 'Report on the audit of the annual financial statements and of the management report' above.

Basis for the reasonable assurance conclusion

We conducted our assurance engagement on the reproduction of the annual financial statements and the management report contained in the above-mentioned attached electronic file in accordance with section 317(3b) of the HGB and the Exposure Draft of IDW Assurance Standard: Assurance in accordance with section 317(3b) of the HGB on the electronic reproduction of financial statements and management reports prepared for publication purposes (ED IDW AsS 410). Accordingly, our responsibilities are further described below in the section entitled 'Auditor's responsibilities for the assurance engagement on the ESEF documents'. Our auditing association has applied the IDW Standard on Quality Management: Requirements for quality management in the audit firm (IDW QS 1).

Responsibilities of the Board of Management and the Supervisory Board for the ESEF documents

The Board of Management of the Cooperative is responsible for the preparation of the ESEF documents, including the electronic reproduction of the annual financial statements and the management report in accordance with section 328(1) sentence 4 no. 1 of the HGB.

In addition, the Board of Management of the Cooperative is responsible for such internal control as it has considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of section 328(1) of the HGB for the electronic reporting format, whether due to fraud or errors.

The Board of Management of the Cooperative is also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited annual financial statements and audited management report, as well as other documents to be published, to the operator of the German Federal Gazette (Bundesanzeiger).

The Supervisory Board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Auditor's responsibilities for the assurance engagement on the ESEF documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of section 328(1) of the HGB, whether due to fraud or error. We exercise professional judgement and maintain professional scepticism throughout the assurance engagement. We also:

- identify and assess the risks of material non-compliance with the requirements of section 328(1) of the HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance conclusion.

- obtain an understanding of internal control relevant to the assurance engagement on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance conclusion on the effectiveness of these controls.
- evaluate the technical validity of the ESEF documents, i.e. whether the electronic file containing the ESEF documents meets the requirements of Delegated Regulation (EU) 2019/815, in the version applicable as at the reporting date, governing the technical specification for this electronic file.
- evaluate whether the ESEF documents enable a XHTML reproduction whose content is identical to the audited annual financial statements and the management report.

Further information in accordance with Article 10 of the EU Statutory Audit Regulation

As the responsible auditing association, we are the statutory auditor of the Cooperative.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the Supervisory Board or the Audit Committee in accordance with Article 11 of the EU Statutory Audit Regulation in conjunction with section 58(3) of the GenG (long-term audit report).

Persons employed by us who could influence the results of the audit have provided the following services, which were not disclosed in the annual financial statements or in the management report of the audited Cooperative, in addition to the statutory financial statement audit for the audited Cooperative or for companies controlled by it:

- other assurance services for banking supervision
- other assurance services in connection with the deposit guarantee scheme

- review of the condensed half-yearly financial statements and of the interim management report
- review of the separate non-financial report
- issuance of comfort letters.

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Dorothee Mende.

Bonn, 15 March 2021

DGRV – Deutscher Genossenschafts-
und Raiffeisenverband e.V.

Peter Krüper
(German Public Auditor)

Dorothee Mende
(German Public Auditor)

Affirmation by the Legal Representatives

To the best of our knowledge, and in accordance with applicable reporting principles for annual financial reporting, the annual financial statements give a true and fair view of the assets, liabilities, financial position and earnings situation of the company, and the management report of the company includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal opportunities and risks associated with the anticipated development of the company.

Munich, 2 February 2021

Münchener Hypothekbank eG

The Board of Management



Dr. Louis Hagen
Chairman of the
Board of Management



Dr. Holger Horn
Member of the
Board of Management

Annex to Annual Financial Statements

PURSUANT TO SECTION 26A PARA. 1 SENTENCE 2 OF THE GERMAN BANKING ACT (KWG) FOR THE PERIOD ENDING 31 DECEMBER 2020 ("COUNTRY BY COUNTRY REPORTING")

Münchener Hypothekbank eG is a Pfandbrief Bank operating in the legal format of a registered cooperative. The Bank's core areas of business are granting mortgage loans for residential and commercial property, as well as issuing Mortgage Pfandbriefe. The Bank's most important market is Germany. Furthermore, business relationships are also maintained with clients in other European countries, in particular. All of the Bank's business is processed at its head office in Munich. The Bank does not maintain any branch offices outside of Germany.

Münchener Hypothekbank eG defines its revenues as the sum of the following components of the income statement pursuant to the rules of the German Commercial Code (HGB): interest income, interest expenses, current income from participating interests and shares in cooperatives and investments in affiliated companies, income from profit-pooling, profit transfer or partial profit transfer agreements, commission received, commission paid and other operating income. Revenues for the period 1 January to 31 December 2020 were € 240,897 thousand.

The number of full-time equivalent salaried employees is 567.09.

Profit before tax amounts to € 95,341 thousand.

Taxes on income amount to € 37,639 thousand and refer to current taxes.

Münchener Hypothekbank eG did not receive any public assistance during the current business year.

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