Annual Report 2023

MÜNCHENER HYPOTHEKENBANK

MÜNCHENER HYPOTHEKENBANK: A STRONG REAL-ESTATE BANK

We provide private and commercial property financing with the help of our 643 employees.

Our mission? To be a reliable partner and maintain long-term business relationships with our customers. In private residential property financing, we work alongside Volksbanken and Raiffeisenbanken as well as with independent financial service providers in Germany and Austria and with PostFinance in Switzerland.

We manage our national and international commercial lending business centrally from Munich. Our funding focuses on mortgage bonds, and we have an outstanding reputation as an issuer of these bonds on capital markets.

Interest income and net commission income
in EUR million
451
2022: 333 (+36%) ↗

Cost-income ratio
in %
36.5
2022: 46.9 (–10.4 PP*) ↘
* percentage points

Income from ordinary business activities
in EUR million
171
2022: 133 (+28%) ↗

Total assets
in EUR billion
54.1
2022: 54.2 (0%) →

Portfolio of mortgage loans
in EUR billion
46.5
2022: 45.9 (+1%) ↗

New mortgage business
in EUR billion
2.9
2022: 5.4 (–46%) ↘

All comparative figures include Warburg Hypothekenbank.

CONTENT

FOREWORD

Dear Shareholders and Business Partners

»We posted a very solid result which allows us to distribute an attractive dividend to our members and strengthen our reserves considerably.«

DR HOLGER HORN
CEO

The past financial year was an extraordinary one for Münchener Hypothekenbank. Despite a challenging market environment, we posted a very solid result, which allows us to distribute an attractive dividend to our members and, at the same time, strengthen our reserves considerably. One factor that contributed to this was the successful takeover last year of Warburg Hypothekenbank – the first in the history of Münchener Hypothekenbank.

The situation on property markets was characterised by great uncertainty in 2023, both nationally and internationally. The weak economy and higher interest rates resulted in adjustments being made to property values. This also affected the property financing markets, since demand for financing fell considerably – both for residential property and for commercial property.

Despite the market-related decline in new business, the Bank was able to expand its loan portfolios somewhat. In addition, the property loans taken over from Warburg Hypothekenbank, as well as the use of opportunities for providing public financing, contributed to further growth.

Overall conditions also changed considerably on the financial markets. High inflation rates and interest rate hikes by central banks resulted in stricter conditions for new issues. Owing to our outstanding market access and our reputation as a reliable issuer, we were able to

obtain funding on good terms. In particular, our five large benchmark issues were in extremely high demand with investors. Sustainable securities have become a fixed, essential part of our issues. Last year we placed green Pfandbriefe and other green securities with a volume of EUR 1.5 billion.

In all, our financial performance improved once again in 2023. Factors that contributed to this included our mortgage portfolio, which has grown to EUR 46.5 billion and is focused on residential property in Germany and Switzerland, as well as positive effects from the interest rate reversal.

Particularly in light of the market situation for office property, we increased our loan loss provisions to about EUR 100 million last year. We allocated roughly another EUR 20 million to the creation of collective as well as voluntary loan loss provisions.

Net income rose by nearly 50 percent to EUR 102.1 million. This will enable us to strengthen our reserves and allow our members to share in the success of Münchener Hypothekenbank by distributing an attractive dividend

»Our financial performance once again improved. Factors that contributed to this included our mortgage portfolio, which has grown, as well as positive effects from the interest rate reversal.«

ULRICH SCHEER
CFO

»We expect a stable result for 2024 in a market environment that remains challenging.«

MARKUS WIRSEN
CRO

in the current interest rate environment. We have therefore proposed to the Delegates Meeting that a dividend be distributed in the amount of 4.0 percent per membership share.

We do not expect a turnaround on the property markets and property financing markets in 2024. Our planning therefore assumes modest new business, since in our estimation, demand for property financing will recover only slowly. The market environment thus remains challenging. We are therefore remaining conservative with our loan loss provisions, but we do not expect them to be as high as in the year under review. In all, we anticipate a stable result for 2024.

We would like to thank our employees for their outstanding efforts in a very demanding financial year. With their achievements, they have contributed to the continued success of Münchener Hypothekenbank. We worked with the Supervisory Board and the delegates of our Bank in an atmosphere of cooperation and trust, for which we owe them our sincere thanks. We would also like to thank our partners, customers and investors for their trust.

Yours sincerely,

Dr Holger Horn	**Ulrich Scheer**	**Markus Wirsen**
CEO	CFO	CRO

THE START OF A NEW PARTNERSHIP **MÜNCHENER HYPOTHEKENBANK AND ART**

Some of you may recall the opening of the exhibition "Down the Corridor with a View of the Garden", which was staged at our premises on Karl-Scharnagl-Ring in June 2023. As well as displaying their work, we hosted Professor Gregor Hildebrandt, the students in his class and his artistic colleague Maria Justus from the Academy of Fine Arts, Munich, and were thrilled to take the first step of a new partnership – Münchener Hypothekenbank and art. One outcome of this partnership is the cover of this annual report, which was designed by the artist Ruscha Voormann (a student of Professor Hildebrandt).

We are delighted that Professor Hildebrandt's class is already working on a follow-up exhibition, set to open in summer 2024. Like the class, we are constantly evolving, with new positions and new work.

Painting: Lorenz Egle; stones: Astrid Bauer

FURTHER INFORMATION ON THE EXHIBITION

MANAGEMENT REPORT

FUNDAMENTAL ASPECTS OF BUSINESS ACTIVITIES AND THE BUSINESS MODEL

Münchener Hypothekenbank is a credit institution specialising in residential and commercial property financing for retail and corporate customers. It has its registered office in Munich. The Bank also has a branch in Berlin and 10 offices across Germany. It is organised as a registered cooperative society (eingetragene Genossenschaft) under German law.

The Bank is an independent credit institution with no majority shareholder and about 57,000 members (as at 31 December 2023). The majority of the Bank's members are credit unions and private individuals. With assets totalling EUR 54.1 billion as at 31 December 2023 and 643 employees, Münchener Hypothekenbank is categorised as a significant financial institution and is therefore subject to direct supervision by the European Central Bank (ECB).

Münchener Hypothekenbank belongs to the Genossenschaftliche FinanzGruppe (Cooperative Financial Network), which comprises 737 Volksbanken, Raiffeisenbanken and other affiliated cooperative enterprises, such as DZ BANK, the insurer R+V Versicherung, Union Investment and the building society Bausparkasse Schwäbisch Hall.

The Bank's core areas of business are residential and commercial property financing in Germany and abroad. Hence, among the institutions specialising in property financing, the Bank is one of only a small number that offer private residential property financing as well as large-scale financing for commercial property. It also invests in highly liquid bank securities and government bonds, which are primarily used to manage liquidity and the cover pool.

In the residential property financing segment, Münchener Hypothekenbank lends to retail customers in Germany via its cooperation partners, including the Volksbanken and Raiffeisenbanken, other cooperative credit institutions and independent financial intermediaries and brokers. Münchener Hypothekenbank also works with PostFinance in Switzerland and with select brokers in Austria. Cooperation with the Volksbanken and Raiffeisenbanken is managed via 11 Münchener Hypothekenbank offices located in Augsburg, Berlin, Cologne, Dresden, Frankfurt am Main, Hamburg, Hanover, Munich, Münster, Nuremberg and Stuttgart.

In the commercial property segment, the Bank chiefly finances residential properties, office buildings, hotels and retail and logistics properties in Germany and abroad. Besides Germany, Münchener Hypothekenbank also operates in Austria, Belgium, France, Luxembourg, the Netherlands, Spain, the United Kingdom and the United States. The business comprises direct acquisition and syndicated business and is partly arranged via the Volksbanken and Raiffeisenbanken in Germany.

Funding is mainly via Mortgage Pfandbriefe, which are rated Aaa, the highest possible rating, by Moody's. The Bank also issues unsecured bearer bonds on the capital market and raises funds on the money market. The Bank's securities are purchased predominantly by institutional investors, such as asset managers and investment funds, pension funds, insurance companies and (central) banks, but also by private investors in some cases.

Münchener Hypothekenbank belongs to the institutional protection scheme set up by the National Association of German Cooperative Banks (Bundesverband der Deutschen Volksbanken und Raiffeisenbanken, BVR). It is run by BVR Institutssicherung GmbH, Berlin (BVR-ISG), and is classified as an officially recognised deposit protection system. The Bank is also affiliated with the protection scheme operated by the association Bundesverband der Deutschen Volksbanken und Raiffeisenbanken e.V. (BVR-SE), which consists of two guarantee funds.

Integration of Warburg Hypothekenbank

M.M.Warburg & CO Hypothekenbank AG (Warburg Hypothekenbank) merged with Münchener Hypothekenbank in the year under review. The resolutions required for the merger were adopted by the General Meeting of Warburg Hypothekenbank on 24 April 2023 and by the Delegates Meeting of Münchener Hypothekenbank on 22 April 2023. The merger was entered in the register of cooperatives on 23 June 2023 as planned.

Münchener Hypothekenbank had signed a contract in early November 2022 to acquire all shares in Warburg Hypothekenbank. Once the necessary official approvals were obtained, the share purchase was completed on 1 June 2023 as planned.

By the time of the merger with Münchener Hypothekenbank, Warburg Hypothekenbank was thus a wholly owned subsidiary of Münchener Hypothekenbank. The merger took place with retroactive effect from 1 January 2023.

Warburg Hypothekenbank focused mainly on long-term property financing and the funding of this business. Its target customers were investors above the level of standardised retail business with properties in metropolitan regions in Germany.

Business strategy and corporate planning

In the financial year just ended, the banking industry was impacted in particular by high interest rates, as well as by issues relating to ESG (environmental, social and governance), banking regulation and digitalisation. As momentum in these fields shows no signs of abating, it appears likely that existing structures in the banking industry will experience further change. Münchener Hypothekenbank is continuously monitoring and assessing these developments in light of its business activities.

The fundamental aspects of Münchener Hypothekenbank's business activities are laid down in the business and risk strategy. The strategic direction is reviewed at regular intervals and revised where necessary. In connection with the revision initiated in 2023, the Bank's strategic direction was essentially confirmed in its current business areas. These are to be developed further and additional business areas are to be explored as a potential complement to core business.

In this regard, Münchener Hypothekenbank aims to position itself as a sustainable institution in terms of the value it contributes to the Cooperative Financial Network, its customers and its members. Münchener Hypothekenbank views itself here as an integral part of the Cooperative Financial Network. It offers its customers and partner banks financial solutions tailored to their needs. ESG issues are a fixed part of the Bank's core business and strategy. Münchener Hypothekenbank sees digitalisation as an opportunity to enhance the business model on a continuous basis and to create efficient business processes.

In order to achieve its strategic objectives, the Bank has defined specific measures and will consistently implement them in the years ahead. In this regard, a key aspect is that our strategic process is compliant with the German Minimum Requirements for Risk Management (Mindestanforderungen an das Risikomanagement, MaRisk). The starting point for the annual strategy cycle is a strategic review of the implementation and impact of the adopted measures. As part of the annual planning associated with the strategy process, sales targets are compared against centralised and decentralised components of administrative expenses. All earnings and cost components and our risk-bearing capacity are monitored continually or projected on a rolling basis so the Bank can react promptly and appropriately to fluctuations in earnings or costs.

Planning also includes capital adequacy.

ECONOMIC REPORT

General economic conditions

ECONOMIC DEVELOPMENT

Although the world economy proved resilient in 2023, growth of 3.1 percent was lower than in the previous year. A number of factors caused global economic growth to slow, particularly high inflation and the marked tightening of monetary policy, as well as the wars in Ukraine and the Middle East and the lingering effects of the coronavirus pandemic. Tight monetary policy had an impact towards the end of the year especially, resulting in a considerable slowdown in inflation. Despite the prolonged phase of economic weakness, global labour markets developed robustly, with unemployment rates remaining low.

The eurozone economy posted weak development. As the geopolitical situation deteriorated, uncertainty increased further. In addition, strong price pressure, higher interest rates and weak global demand put a strain on households and companies. For that reason, the European Central Bank (ECB) expects growth for 2023 to come in at just 0.6 percent. In Europe as well, economic activity benefited from a strong labour market, which continued to develop well despite the slowdown in economic growth.

Inflation in the eurozone eased appreciably in 2023, with an unexpectedly significant drop setting in halfway through the year. In December 2023, however, the eurozone inflation rate rose to 2.9 percent, marking a temporary end to the decline. The rise was mainly driven by trends in Germany, where the inflation rate outpaced the European average due to one-off effects relating to energy prices. Nevertheless, inflation in Germany for 2023 as a whole was lower than in the previous year, falling from 6.9 percent to 5.9 percent.

Generally speaking, the German economy needed more time to recover from the sharp rise in energy prices in 2022 in a tense geopolitical environment. The economy remained weak in the second half of the year, with economic output amounting to minus 0.3 percent for 2023 as a whole. A key reason for this was restrained spending by consumers, since inflation had eroded their purchasing power. The labour market weakened but remained stable overall. The shortage of specialised workers remained an overriding issue. The unemployment rate rose year on year by 0.4 percentage points, coming in at 5.7 percent on average for the year. One striking feature was that despite the shortage of specialised workers and higher unemployment, there were fewer job openings on the market.

FINANCIAL MARKETS

The financial markets were marked by uncertainties in 2023. High inflation rates, sharp interest rate hikes by central banks, the crises on the US and Swiss banking markets in spring 2023, geopolitical conflicts and concerns about recession resulted in increased apprehension among market participants. Nevertheless, the equity markets in particular proved to be very robust over the course of the year, with significant price gains.

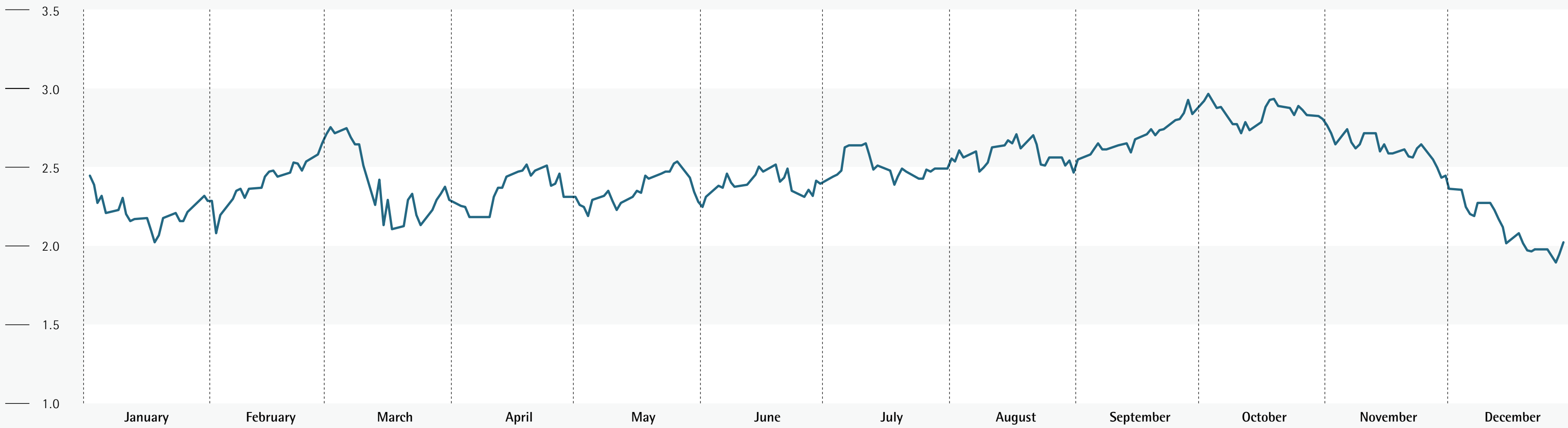
Central banks responded to high inflation with additional interest rate hikes in the first quarter of 2023. The US Federal Reserve (Fed), for instance, raised interest rates four times during the year by a total of 1.00 percentage points to a current range of 5.25 percent to 5.50 percent. The ECB increased the main refinancing operations rate in six increments from 2.50 percent to 4.50 percent.

In order to further reduce excess liquidity in the monetary system, the ECB stopped reinvesting cash from maturing bonds in connection with its asset purchase programme (APP), meaning that its portfolios will shrink as the bonds mature. It intends to continue to reinvest, in full, the principal payments from maturing securities purchased under the pandemic emergency purchase programme (PEPP) until mid-2024.

The sharp interest rate hikes by central banks caused yields to rise further and led to volatility on the bond market. The yield on ten-year German government bonds fluctuated markedly from 2.57 percent at the start of the year to under 2 percent in mid-January, then back up to 2.75 percent in early March. Yields reached their annual high of over 3 percent in early October. Lower inflation rates and the emerging belief that interest rates were about to fall caused yields to drop back to about 2 percent by the end of the year.

On the foreign exchange market, the euro made slight gains against the US dollar over the course of the year, strengthening from EUR/USD 1.07 at the start of the year to EUR/USD 1.10 at the end of the year. Faster interest rate cuts by the Fed and concerns about the US economy contributed to this trend.

Yields on ten-year German government bonds 2023
IN %



Source: Bloomberg

The Swiss franc gained considerably in value against the euro, rising from EUR/CHF 0.99 at the end of 2022 to EUR/CHF 0.93 at the end of 2023. The British pound rose slightly against the euro, from EUR/GBP 0.89 to EUR/GBP 0.87 at the end of the year. The rate fluctuations here were very moderate, with the euro trading over the course of the entire year in a narrow range of EUR/GBP 0.85 to EUR/GBP 0.89.

The covered bond market experienced an extraordinarily high number of issues over the entire year. At the start of the year, many issuers took advantage of lower interest rates and spreads for benchmark issues. The rising issue volume and greater uncertainty on account of inflation and interest rate hikes caused issue spreads to rise significantly, particularly for long maturities. In addition, risk considerations prompted investors to put greater emphasis on shorter maturities of three to five years. Banks used covered bond issues in some cases to finance heavier repayment of TLTRO III tenders. In all, benchmark covered bonds totalling around EUR 192 billion were issued in 2023, nearly reaching the previous year's high volume. The countries with the highest issuance were again France and Germany.

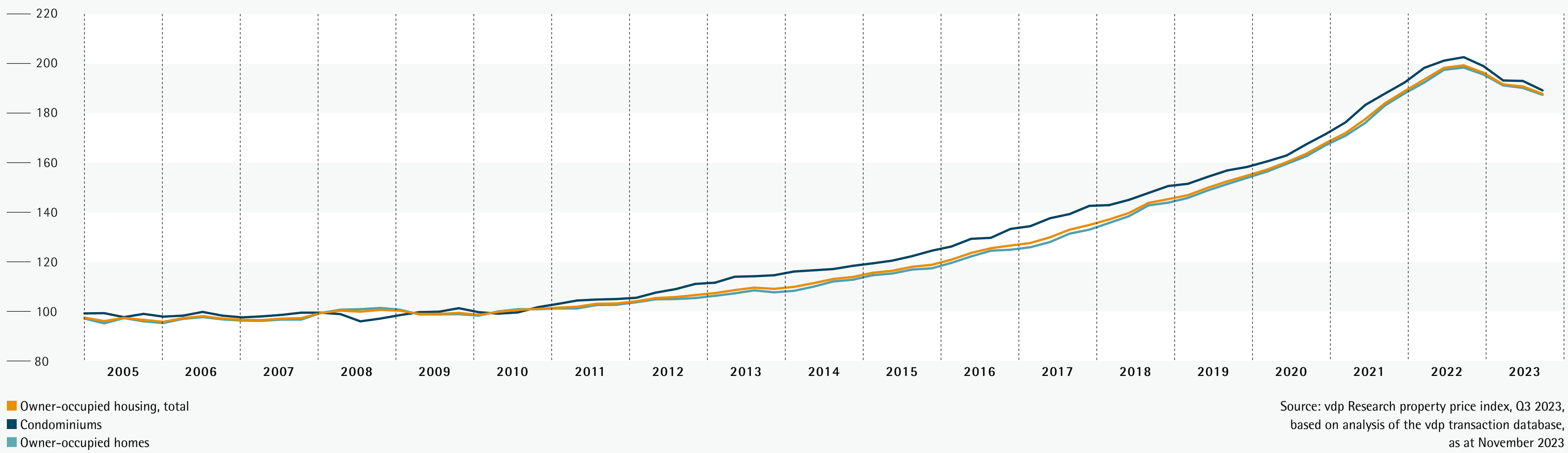
PROPERTY AND PROPERTY FINANCING MARKETS

Residential property, Germany

The German residential property market was characterised by a high level of uncertainty in 2023. Sharply rising construction and financing costs posed great challenges for all market players. On the one hand, the situation brought about a wave of insolvencies among builders and project developers. On the other, construction companies reported a steep rise in order cancellations and a drop in new orders. Overall, only about 180,000 new homes were approved in the period January to October 2023, corresponding to a decline of nearly 30 percent compared with the same previous-year period. The last time that fewer building permits were issued was in 2012. Permit figures tumbled both for owner-occupied homes (minus 41 percent) and for multi-family homes (minus 25 percent). As a result, the German government fell far short of its goal of building 400,000 new homes per year. Current forecasts anticipate fewer than 250,000 completed homes for 2023.

Transaction activity plummeted as a consequence of changes in financing terms and the associated differences in price expectations of buyers and sellers. On the institutional investment market, residential property sales amounted to around EUR 6.5 billion. Compared with the previous year's figure, which was already low, sales fell by more than 30 percent, Trend in prices for owner-occupied housing

INDEX VALUES: 2010 = 100



Source: vdp Research property price index, Q3 2023, based on analysis of the vdp transaction database, as at November 2023

representing the lowest result since 2011. The number of homes sold, as well as total sales revenue, also fell sharply in the case of owner-occupied housing. For instance, the Committee of Valuation Experts of the City of Munich reported a drop of 27 percent in the number of homes sold and a decline of 35 percent in total sales revenue for the first three quarters of 2023, compared with the previous-year period.

Low levels of new construction activity and reluctance to purchase housing led to a further deterioration of the situation on the rental housing market in many cities, partly also because immigration remained high at around 1.7 million people in the first ten months alone. Although immigration numbers fell noticeably year on year due to the sharp drop in the influx of people fleeing the war in Ukraine, they are still considerably higher than in previous years. This caused a further drop in the vacancy rate for housing units that are or will soon become available, which at the start of 2023 stood at just 1.6 percent in growth regions. At the same time, the upward trend in rents intensified. Rents under new housing leases rose sharply throughout Germany by an average of 6.5 percent in the first three quarters of 2023 compared with the previous-year period. In contrast, potential buyers are seeing a decline in purchase prices. Prices for owner-occupied housing declined by 3.5 percent and those for multi-family homes by 5.6 percent. As a result, the gap between rents and purchase prices narrowed again significantly.

The high level of uncertainty on the residential property market was also evident on the financing side. In the first three quarters of 2023, loan disbursements totalled just short of EUR 146 billion, representing a decline of about 33 percent compared with the previous-year period.

Residential property, international

The situation on the European residential property markets remained precarious in view of high interest rates, inflation and geopolitical uncertainties. As a result, transaction volumes declined significantly in 2023 despite unabated high demand for housing. Demand-side pressure thus caused rents to rise further, while prices for residential property fell. Even though prices were dropping, home ownership did not become more affordable, due to the added interest burden. Housing construction therefore stalled across Europe, due also to significantly higher construction costs and stricter sustainability requirements.

The Swiss residential property market developed robustly in 2023. Although the changed interest rate environment dampened the rise in prices for residential property, they did not come under any significant pressure due to excess demand and slight growth in construction activity. In the fourth quarter of 2023, prices for single-family homes rose by 4.6 percent and prices for condominiums by 4.2 percent compared with the previous-year period. Nevertheless, both buyers and sellers on the Swiss residential property market were taking a wait-and-see approach in view of the greater difficulty in arriving at a mutually acceptable price. This was particularly evident in transaction numbers, which were significantly below the level of previous years. Because of scant new construction activity, supply remains tight on the Swiss rental housing market, which has caused rents to rise.

The Austrian housing market was characterised by general uncertainty brought about by high inflation, the sharp rise in interest rates and more restrictive lending policies. Having risen at a brisk pace for years, residential property prices stagnated and, as in Germany, began to fall. Whereas demand lessened for properties to purchase, it rose sharply for rental housing. This trend put greater pressure on rents, which rose by 9.5 percent in the third quarter of 2023 compared with the previous-year quarter.

Commercial property, Germany

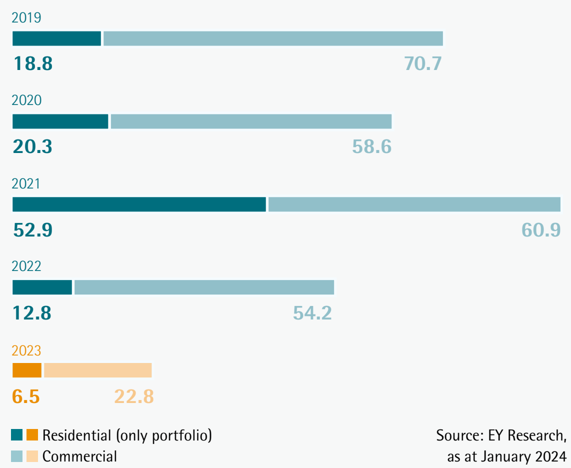
On the German commercial property market, institutional investors were even more restrained than in the previous year. Here as well, the reasons for this were interest rates, economic uncertainties and the diverging price expectations of buyers and sellers. In all, commercial property sales (including residential property portfolios) in Germany totalled around EUR 29 billion, or half the transaction volume in the previous year.

Prices for commercial property fell on average by nearly 10 percent in the first three quarters, a much sharper decline than for residential property. The upward trend in rents prevented an even sharper drop in prices in nearly all asset classes. By contrast, yields trended in a clearly positive direction.

The office property market registered a steep fall in space take-up as a result of the weak economy and the increasing use of new workplace models. All told, space turnover in the top seven markets amounted to around 2.5 million square meter, the lowest figure since 2009. As a result, the vacancy rate for office space continued to rise and neared the 6 percent mark. Because of these unfavourable general conditions, investors took a very dim view of office property, causing the transaction volume to plummet, so that office property constituted only the fourth-strongest asset class in 2023, trailing housing, logistics and retail.

In the case of retail property, the majority of transactions in 2023 involved large portfolio transactions with supermarkets. The rental market was characterised, on the one hand, by business closures as a result of insolvencies and space optimisations and, on the other, by high demand for large spaces in city centres. This ultimately led to a rise in space turnover and to stabilisation of prime rents. All told, retail suffered from the weak economy and high inflation in 2023, with sales in real terms declining year on year by 3.1 percent.

Trend in commercial property transaction volumes in Germany
IN EUR BILLION



Source: EY Research, as at January 2024

Logistics property became the most popular commercial asset class on account of a number of portfolio transactions and a significant upturn in demand in the second half of the year. The solid annual result was on the level of the volume in 2018/2019. Yields rose again slightly over the course of the year.

Commercial property, international

On the international commercial property markets, too, the difficult market environment meant that investors remained restrained. According to initial projections, the global transaction volume for commercial property and residential portfolios declined by 52 percent to around EUR 507 billion. In Europe, the volume also fell by 52 percent to EUR 131 billion. As in Germany, this decline was due to the ongoing price adjustment process, which in broad areas of the market is leading to a discrepancy between the prices that buyers are prepared to offer and those that sellers are prepared to accept. By contrast, rents continued their upward trend, as did yields in the individual asset classes.

In the UK, the property market continued to slow. According to initial forecasts, the volume of investment totalled EUR 35 billion, representing a year-on-year decline of 47 percent. The rise in mortgage interest rates led to another slight rise in yields across all asset classes.

The French commercial property market also significantly under-performed. In total, property transactions amounted to

EUR 24 billion, down by 37 percent year on year. Transactions again predominantly involved office property, which accounted for a share of more than 40 percent. Yields rose for office property as well as for retail property and logistics property in 2023.

Of the markets described here, the Netherlands experienced the sharpest drop in investment volume at over 60 percent. The most popular asset class was the residential property sector, where around 37 percent of the total transaction volume was invested. Logistics came in second with a share of 27 percent, followed by office property with a share of around 22 percent. In addition, the rapid increase in interest rates resulted in a strong rise in net initial yields in the Netherlands.

The picture was similar for Spain. Because of the sharp rise in interest rates, institutional investors remained reluctant to invest, which slowed down activity on the investment market considerably. In all, the volume of investment in commercial property and residential housing portfolios came to nearly EUR 9 billion in 2023, a year-on-year drop of 44 percent. Foreign investors accounted for the majority of the investment volume. In this regard, Madrid and Barcelona remained the preferred investment targets, which was also reflected in the continuing rise in rents. As was the case in most major European cities, yields also rose in Madrid and Barcelona.

Investors and property financiers in the US also remained cautious. The volume of investment fell by nearly 60 percent in the first three quarters. This was primarily due to uncertainty about the future trend in interest rates, the weak economic outlook and stricter lending criteria. With a share of nearly 35 percent, multi-family homes remained the strongest asset class, albeit with a total volume for the first three quarters that fell by 66 percent compared with the previous-year period to USD 81 billion. The largest decline in terms of total volume was registered by the office sector, which is currently struggling with very high vacancy rates. The trend towards remote working and the worsening of general economic conditions led to a significant decline in office rentals. At the same time, the flight to quality by investors in recent years continued in 2023, and this propped up demand for newer, prime office buildings with state-of-the-art equipment and furnishings. As a result, rents rose slightly again.

Business development

NEW MORTGAGE BUSINESS

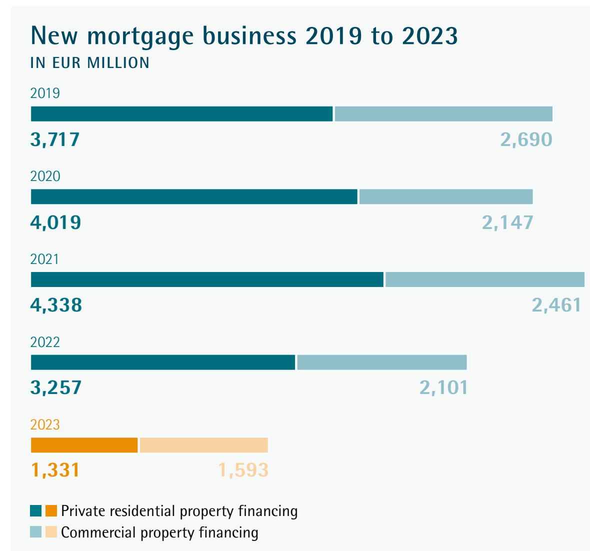
New business amounted to EUR 2.9 billion. Accordingly, the committed volume of residential and commercial property financing was 46 percent lower than in the previous year. This was due to the general economic conditions described in the preceding sections, as well as to the environment on the property markets, which resulted in plummeting demand for property financing. In particular, considerably higher interest rates and the differing price expectations of buyers/investors on the one hand and sellers on the other caused the number and volume of transactions to drop sharply. Measures to counteract this, such as stepped-up market cultivation efforts, also had little success under these conditions.

Accordingly, the development of the markets was worse than expected at the start of 2023. At that time there were indications that the markets would stabilise over the course of the year, but since that did not occur, we fell short of our new business target of EUR 5.4 billion.

In the private residential property financing segment, we granted loans with a total volume of EUR 1.3 billion. This equates to a year-on-year decline of 59 percent.

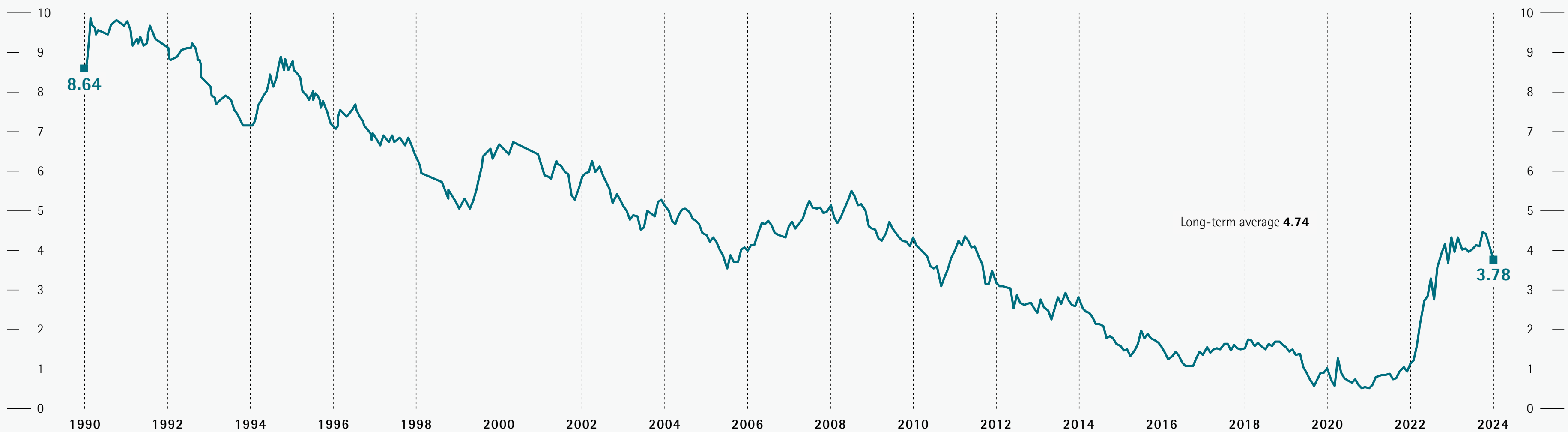
Brokerage business with partner banks in the Cooperative Financial Network was strongly influenced by the contracting property financing market and by the fact that the cooperative banks were less predisposed to broker loans through us as a result. This is because many of their customers decided to sit tight for the time being and not to buy, given that the economic environment and interest rates had made home ownership less affordable.

Under these conditions, our sales campaigns were also less successful than in previous years. Furthermore, fixed-rate financing with terms of more than 15 years was not as much in demand as in previous years, since many customers have opted for shorter fixed-interest rate periods in the expecta-



Mortgage rates of Münchener Hypothekenbank, 10-year fixed rate

IN %



tion that interest rates will fall, despite the partially inverse interest rate structure. The average fixed-interest rate period in the business with the Cooperative Financial Network therefore fell from around 20 years to around 18 years, but it is still very high and ensures stability in terms of interest income. Despite higher interest rates and construction costs, the average loan-to-value ratio in association business rose only slightly from 64 percent to 68 percent and thus remains quite moderate.

The placement of private property financing generated via independent financial service providers in Germany fell by 46 percent year on year to EUR 363 million. At EUR 156 million, new business in Switzerland and Austria came in at the level of the previous year (EUR 157 million), with the partnership with PostFinance in particular generating slight growth. The main reasons for this were the unabated demand for property financing in Switzerland and a joint sales campaign, which was accompanied by promotional activities carried out by PostFinance.

In commercial property financing, we granted loans with a total volume of EUR 1.6 billion, representing a decline of 24 percent. This does not take into consideration the mortgage portfolio integrated through the takeover of Warburg Hypothekenbank, which has a volume of around EUR 1.5 billion. The main reason for the lower new business was the weak transaction market, where, as described, sales were halved nationally and internationally in 2023. We thus fared comparatively well with our new business.

New business once again centred on domestic business, which totalled EUR 1.2 billion (previous year: EUR 1.6 billion). Foreign business fell to EUR 0.4 billion (previous year: EUR 0.5 billion). Commitments were spread quite evenly among the Netherlands, Spain, Austria and the UK. Because of the difficult situation on the US property market, we proceeded with great restraint there.

The income situation in commercial property financing was satisfactory. The budgeted margins were exceeded, which compensated in part for the lower new business volume without extending our risk strategy. This applies to domestic and foreign business equally. The average loan size, which had grown considerably in recent years, plateaued at around EUR 34 million in 2023, on a par with the previous year's level.

From a risk perspective, we maintained our conservative financing approach with a focus on conventional financing at completion, giving due consideration to sustainable minimum cash flows and locations. A positive aspect for us is the high average level of equity that owners have in their properties in new business, which rose to 48 percent in 2023, a significant improvement on the previous year (41 percent). The same applies to the average initial loan-to-value ratio, which fell to 86 percent.

PUBLIC AND LIQUID INVESTMENTS

Public and liquid investments primarily serve to manage liquidity and cover pools. General conditions in this area of business changed considerably in the year under review compared with previous years. Interest rate hikes and the reduction of the ECB's purchases have led to the establishment of higher spreads on the market again, as long maturities have risen significantly due to the inverted yield curve. We used this market situation to make extensive additional purchases.

As a result, new business volume amounted to EUR 2.2 billion in 2023. Taking into account disposals of EUR 0.3 billion, the total portfolio increased to EUR 5.3 billion (previous year: EUR 3.4 billion).

REFINANCING

The market environment for our issues was marked by substantial changes and strong momentum on the primary market for covered bonds. Despite the changed general conditions, we consistently enjoyed access to funding on good terms during the year under review as compared with the market.

For our large-volume funding transactions, we continued to focus on the issuance of Mortgage Pfandbriefe and uncovered bonds in euros and Swiss francs.

In terms of Pfandbrief issues in euros, five Mortgage Pfandbriefe in benchmark and jumbo format are worth emphasising:

- We started in January with the issuance of a Mortgage Pfandbrief with a volume of EUR 1 billion and a term of two years and eight months at a spread of 9 basis points below the mid-swap rate. Demand from investors was extremely strong. The bond was oversubscribed shortly after the order book was opened. After about 1.5 hours, the order book was closed at a volume of EUR 3.5 billion.
- This was followed in mid-April 2023 by our second large-volume Pfandbrief issue. With a volume of EUR 750 million and a term of six years and four months, the benchmark Mortgage Pfandbrief was priced with a spread of 6 basis points above the mid-swap rate.
- In early June 2023, we issued our second green Pfandbrief in benchmark format with a volume of EUR 500 million. It is based on Münchener Hypothekenbank's Green Bond Framework and fulfils the ICMA Green Bond Principles. It also meets the minimum standards of the Association of German Pfandbrief Banks (vdp) for green Pfandbriefe. The Pfandbrief has a term of seven years and two months. It was placed at a price of 8 basis points above the mid-swap rate and met with brisk, widespread demand.
- In August 2023, we issued a benchmark Mortgage Pfandbrief with an issue volume of EUR 500 million and a term of nearly three years. Demand from investors was very brisk, despite the challenging environment on the capital market. The spread was fixed at 3 basis points above the mid-swap rate.
- In November 2023, we issued another green benchmark Mortgage Pfandbrief with a volume of EUR 500 million, which met with strong and widespread investor interest. The term is five years. The order book was closed at over EUR 1.5 billion. The issue was placed at a price of 19 basis points above the mid-swap rate. This green Mortgage Pfandbrief is also based on Münchener Hypothekenbank's Green Bond Framework.

In addition to these issues in euros, the focus in 2023 was also on issues in Swiss francs, which totalled approximately CHF 415 million. These issues took place exclusively on the capital market via syndicated bonds. This brisk issuance activity covered various terms and the product categories Pfandbrief and Tier 2 bond.

One highlight was the issuance of a green Tier 2 bond in May 2023 in the amount of CHF 115 million. It enabled us in particular to optimise our regulatory capital position. The term is ten years. The total issue volume was placed in Switzerland and was ordered mainly by asset managers. The issue was significantly oversubscribed. The combination of sustainability with a Tier 2 bond contributed to the success of this transaction.

As at 31 December 2023, total issue volume amounted to around EUR 7.6 billion. It consisted of EUR 6.7 billion in Mortgage Pfandbriefe and around EUR 0.9 billion in uncovered bonds. In addition, we obtained funding of around EUR 2.4 billion on the money market (including commercial papers) as well as through repo transactions and deposits.

We launched two new sales channels for our deposit products in the year under review. Retail customers can now also obtain them on the platforms "Weltsparen" and "DB-Zinsmarkt". They complement GenoFestgeld, which has been offered since 2017 through partner banks in the Cooperative Financial Network.

Financial and non-financial performance indicators[1]

The Bank's management uses the following financial performance indicators:

- Total new business property financing
- Operating result after loan loss provisions (results from ordinary business activities)
- Administrative expenses
- Cost-income ratio (CIR)
- Return on equity (RoE) before tax

The following two sustainability values are used as non-financial performance indicators:

- Proportion of sustainable loans in the new retail business (private residential property financing)
- Proportion of green financing in the commercial property financing portfolio

TOTAL NEW BUSINESS PROPERTY FINANCING

In 2023 we made property financing commitments totalling EUR 2.9 billion. In our planning, we had assumed a new business volume of EUR 5.4 billion. We were unable to meet this target because of low demand for property financing due to the situation on the property markets.

However, the mortgage loan portfolio increased by around EUR 1.5 billion with the takeover of M.M.Warburg & CO Hypothekenbank AG.

OPERATING RESULT AFTER LOAN LOSS PROVISIONS

The operating result after loan loss provisions, i.e. results from ordinary business activities (item 13 of the income statement), amounted to EUR 170.9 million, compared with EUR 133.2 million in 2022, representing a rise of 28 percent.

As a result of the sharp rise in interest rates and the associated higher net interest income, as well as considerably lower commissions paid to our brokerage partners due to the drop in new business, net interest and commission income as at 31 December 2023 exceeded the target figures by nearly EUR 120 million. On the other hand, loan loss provisions increased by EUR 66 million.

ADMINISTRATIVE EXPENSES

Administrative expenses are the sum total of item 7 "General administrative expenses" and item 8 "Depreciation, amortisation and write-downs of intangible and tangible assets" as shown in the income statement.

As at 31 December 2023, administrative expenses amounted to EUR 164.6 million, a year-on-year increase of 5.5 percent.

COST-INCOME RATIO (CIR)

The cost-income ratio describes the ratio of administrative expenses to net interest and commission income. The way in which administrative expenses are calculated is described in financial performance indicator "administrative expenses". Net interest and commission income is calculated by netting items 1 to 5 in the income statement.

The cost-income ratio for the 2023 financial year was 36.5 percent, compared with 46.9 percent in the previous year. In its planning, the Bank assumed that the ratio would remain nearly unchanged. It aims to keep the cost-income ratio permanently under 50 percent.

RETURN ON EQUITY (ROE) BEFORE TAX

Return on equity before tax is calculated as the ratio of income statement item 13 "Results from ordinary business activities" to balance sheet liability item 9 "Fund for general banking risks" (current year) plus liability item 10aa "Members' capital contributions" (current year) plus item 10b "Revenue reserves" (previous year) plus income statement item 20 "Retained earnings brought forward from previous year". The return on equity before tax for the 2023 financial year was 9.4 percent, compared with 7.7 percent in the previous year. The Bank aims for an RoE before tax of around 10 percent.

PROPORTION OF SUSTAINABLE LOANS IN THE NEW RETAIL BUSINESS (PRIVATE RESIDENTIAL PROPERTY FINANCING)

The key objective of Münchener Hypothekenbank's sustainability strategy is to integrate and expand sustainability within the Bank's core business. Sustainable loans in private residential property financing are a cornerstone in implementing this strategic approach. These include loans that meet the criteria for the Green Loan and Family Loan or that fulfil the criteria for the top 15 percent of building stock in Germany in accordance with Münchener Hypothekenbank's Green Bond Framework. The target for 2023 was a share of at least 10 percent in new business, as the proportion of financing

[1] For the purposes of comparison with 2022, the following figures include the figures for M.M.Warburg & CO Hypothekenbank AG

that was for newly built residential properties was well below average in the year under review, due to the situation on the market. In the year under review, the share was 11.8 percent.

PROPORTION OF GREEN FINANCING IN THE COMMERCIAL PROPERTY FINANCING PORTFOLIO

Another objective of Münchener Hypothekenbank's sustainability strategy is to expand green financing within commercial property financing. This includes loans for commercial properties that have been awarded a recognised sustainability certificate or that meet the criteria for the top 15 percent of building stock in Germany in terms of energy efficiency in accordance with Münchener Hypothekenbank's Green Bond Framework. Our target was to ensure that at least 20 percent of our total portfolio consisted of green financing by the end of 2023. We exceeded this target with a share of 33.3 percent.

Financial performance, financial position and net assets

FINANCIAL PERFORMANCE [2]

Net interest income [3] increased by EUR 76.0 million, or 17.2 percent, to EUR 518.5 million, which was attributable to higher interest rates, but also to growth of the mortgage portfolio. In our forecast, we assumed that net interest income would remain unchanged at around EUR 430.0 million.

Commission paid totalled EUR 77.1 million, which was down by EUR 45.3 million, or 37 percent, compared with the previous year. Commission received amounted to EUR 9.6 million, resulting in a net commission income [4] of minus EUR 67.5 million, compared with minus EUR 109.6 million the previous year.

This resulted in net interest and commission income [5] of EUR 450.9 million, which corresponds to an increase of EUR 118.1 million, or 36 percent, compared with the previous year. In our planning, we assumed a rise of less than 5 percent. In addition to higher net interest income, the increase was also attributable to lower commission payments due to the drop in new business.

General administrative expenses rose by EUR 9.4 million to EUR 161.0 million. Personnel costs amounted to EUR 69.2 million, nearly at the level of the previous year.

Other administrative expenses rose by EUR 9.6 million, or 11.7 percent. The expense for the bank levy increased by EUR 2.0 million. In addition, expenses for renovating and upgrading workspaces in the Bank's buildings contributed around EUR 2 million to the rise. Expenses for projects relating to regulatory issues and for the Bank's further strategic development increased by about EUR 3 million. The remainder of the rise was attributable to investments in IT.

Depreciation, amortisation and write-downs of intangible and tangible assets amounted to EUR 3.6 million, or EUR 0.9 million less than in the previous year.

Total administrative expenses [6] came to EUR 164.6 million, compared with EUR 156.1 million in the previous year. The cost-income ratio [7] was 36.5 percent, compared with 46.9 percent in the previous year.

The net result of other operating expenses and other operating income amounted to plus EUR 2.1 million.

The operating result before loan loss provisions [8] increased by 65.6 percent year on year to EUR 288.4 million. In our planning we assumed EUR 217 million.

The item "Write-downs on and valuation allowances of loans and advances and specific securities, as well as additions to loan loss provisions" amounted to minus EUR 118.0 million. The net result of changes in loan loss provisions (including direct write-downs) came to minus EUR 103.7 million (previous year: minus EUR 17.6 million). The changed macroeconomic environment and the associated rise in interest rates resulted in considerable declines in the value of properties, especially on foreign property markets. In line with our conservative approach, we created a loan loss provision in the amount of these declines in value.

In addition, we added EUR 11 million to the collective impairment allowance, which includes the provision for irrevocable loan commitments. These two positions thus total EUR 60 million.

The item "Income from reversals of write-downs on participating interests, shares in affiliated companies and securities treated as fixed assets" amounted to EUR 0.5 million.

Income from ordinary business activities totalled EUR 170.9 million.

[2] For the purposes of comparison with 2022, the following figures include the figures for M.M.Warburg & CO Hypothekenbank AG
[3] Net interest income is calculated by adding item 1 "Interest income" plus item 3 "Current income" minus item 2 "Interest expenses" as shown in the income statement
[4] Net commission income is calculated by netting item 4 "Commission received" and item 5 "Commission paid" as shown in the income statement
[5] Net interest and commission income is the sum of net interest income and net commission income
[6] Total administrative expenses are the sum total of item 7 "General administrative expenses" and item 8 "Depreciation, amortisation and write-downs of intangible and tangible assets" as shown in the income statement
[7] Ratio of administrative expenses to net interest and commission income
[8] Net result of items 1 to 9 in the income statement

The merger with Warburg Hypothekenbank resulted in extraordinary income of EUR 65.3 million and an extraordinary expense of EUR 6.3 million.

The wholly owned property subsidiary Nußbaumstraße GmbH & Co. KG was merged with the Bank by way of absorption, generating extraordinary income of EUR 20.1 million.

For the bank levy, Münchener Hypothekenbank made use in the years prior to 2023 of the ability to provide an irrevocable payment commitment and to that end deposited 15 percent of the amount of the commitment as cash collateral under a collateral agreement. It recognised a liability and an extraordinary expense of EUR 22.6 million for the irrevocable payment commitment.

The net result of the extraordinary items amounted to EUR 56.5 million.

An allocation of EUR 59 million was made to the fund for general banking risks on 30 June 2023.

After tax expenses of EUR 66.2 million, net income came to EUR 102.1 million, a year-on-year increase of 49.5 percent.

FINANCIAL POSITION

In terms of liquidity management, Münchener Hypothekenbank distinguishes between structural refinancing and daily liquidity management. Liquidity is at all times managed in consideration of and in compliance with the limits of the internal liquidity risk model, as well as the regulatory liquidity requirements mandated by ILAAP, particularly the LCR and the NSFR.

Structural refinancing is subject to the risk that debt financing may not be sufficiently available under certain circumstances. Münchener Hypothekenbank has a licence to operate as a Pfandbrief bank, which forms the basis for covered funding and thus ensures that liquidity can be obtained at all times. It continuously issues Pfandbriefe with a variety of terms to investors both within the Cooperative Financial Network and outside it. In doing so, it strives to have funding with matching maturities where possible.

The aim of ongoing liquidity management is to ensure the supply of liquidity at all times, including when there are significant and unexpected outflows of liquidity. Münchener Hypothekenbank does not offer any liquidity facilities, which means that unexpected outflows can result only from collateral requirements in the case of derivatives. The Bank has a large portfolio of HQLAs (high-quality liquid assets) that it can draw on at any time for this purpose.

Münchener Hypothekenbank's liquidity situation is more than adequate.

Our Bank was able to meet its payment obligations in due form, on time and in full at all times in the last financial year. The liquidity coverage ratio (LCR) was a minimum of 137 percent and on average 370 percent in the period under review. The stress indicator was 648 percent at the balance sheet date.

NET ASSETS

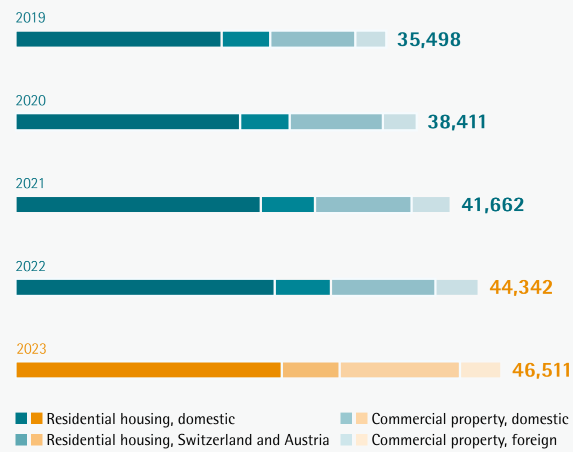
Total assets following the merger with Warburg Hypothekenbank came to EUR 54.1 billion as at the end of 2023, compared with EUR 54.2 billion for both companies in the previous year.

Adjusted for the addition from the merger with Warburg Hypothekenbank, the mortgage loan portfolio grew by EUR 0.6 billion to EUR 46.5 billion during the course of the year. Private residential property financing in Germany was once again the fastest-growing segment, increasing by EUR 0.6 billion.

The private residential property financing portfolio is structured as follows: domestic – EUR 25.5 billion (previous year: EUR 24.8 billion); foreign – EUR 5.5 billion (previous year: EUR 5.4 billion). In addition to financing business in Switzerland, this portfolio also includes financing in Austria. The commercial property financing portfolio totals EUR 15.5 billion (previous year: EUR 15.7 billion). Of this amount, EUR 4.0 billion (previous year: EUR 4.2 billion) is attributable to financing outside Germany. Within this figure, around 40 percent of the portfolio in the US consists of residential property financing, since we began several years ago to shift our US portfolio away from office property in favour of residential property.

Portfolio development 2019 to 2023*

IN EUR MILLION



*2019–2022 does not include the portfolio figures of Warburg Hypothekenbank

The portfolio of public and liquid investments grew to EUR 5.3 billion, including EUR 4.1 billion in securities and bonds.

At the end of 2023, the net balance of hidden charges and hidden reserves in the securities portfolio amounted to plus EUR 8 million (previous year: plus EUR 2 million).

Following a detailed examination of all bonds, we have come to the conclusion that there are no permanent impairments. We aim to hold bonds on the books until maturity. There was no necessity for write-downs to a lower fair value.

The portfolio of long-term funding instruments increased to EUR 46.6 billion. Mortgage Pfandbriefe accounted for EUR 35.3 billion of this amount, Public Pfandbriefe for EUR 1.2 billion and uncovered bonds for EUR 10.1 billion. The total volume of funding instruments – including money market funds and customer deposits – amounted to EUR 50.4 billion as at 31 December 2023.

The item "Other liabilities to customers" consists of:

OTHER LIABILITIES TO CUSTOMERS
IN € 000

	Remaining term < one year	Remaining term > one year	Total
Other liabilities to customers as at 31 December 2023	**2,657,012**	**2,520,323**	**5,177,335**
Registered bonds	**16,880**	**1,546,945**	**1,563,825**
of which institutional investors	15,957	1,387,150	1,394,107
Promissory note loans on the liabilities side	**604,970**	**804,934**	**1,409,904**
of which institutional investors	80,896	453,434	534,330
Other	**2,035,162**	**168,444**	**2,203,606**
of which institutional investors	727,697	77,609	805,306

Members' capital contributions fell by EUR 0.5 million and stood at EUR 1,271.5 million. Regulatory own funds totalled EUR 2,364.4 million (previous year: EUR 1,950.0 million). The rise was primarily the result of obtaining Tier 2 capital facilities with a volume of EUR 0.4 billion.

Common Equity Tier 1 capital rose from EUR 1,690 million in the previous year to EUR 1,760 million as at 31 December 2023. At the end of 2023, the Common Equity Tier 1 capital ratio was 16.5 percent (previous year: 19.0 percent), the Tier 1 capital ratio was 18.7 percent (previous year: 21.2 percent) and the total capital ratio was 22.2 percent (previous year: 21.9 percent). The decline in the capital ratios is due in particular to an increase in risk-weighted assets. The leverage ratio at 31 December 2023 was 3.7 percent (previous year: 3.7 percent).

Ratings, sustainability and general legal conditions

RATINGS

Moody's again confirmed all ratings for Münchener Hypothekenbank and also maintained its "stable" rating outlook.

Moody's remains positive about the fact that Münchener Hypothekenbank has a strong reputation on the capital market as an issuer of Pfandbriefe, noting that it has a correspondingly high level of funding capacity, and also acknowledges the firm ties and corresponding support the Bank enjoys within the Cooperative Financial Network.

Current ratings at a glance:

RATING	
Mortgage Pfandbriefe	Aaa
Junior senior unsecured	A2
Senior unsecured	Aa3
Short-term liabilities	Prime-1
Tier 2	Baa2
Long-term deposits	Aa3

The long-term unsecured liabilities are rated by the other two major rating agencies, Standard & Poor's (A+) and Fitch (AA-), on the basis of the combined rating of the Cooperative Financial Network.

SUSTAINABILITY

The regulatory requirements for sustainability in corporate governance set by the EU, the ECB, the European Banking Authority (EBA) and the German Federal Financial Supervisory Authority (BaFin) remained high in the year under review. These requirements stem in particular from the EU taxonomy, the ECB's "Guide on climate-related and environmental risks", disclosure pursuant to CRR II and the EBA's "Guidelines on loan origination and monitoring". They relate primarily to Münchener Hypothekenbank's core business, risk management and reporting.

As part of the ESG regulatory project that the Board of Management set up in 2021 and extended in 2023 for the purposes of implementing these requirements, important progress was made with numerous work packages in the period under review. These include, in particular, the creation of the necessary processes, structures and corresponding data architecture with the aim of developing effective and efficient sustainability management on this basis.

With the aim of responding to the requirements of the market and to the increased interest in sustainability, Münchener Hypothekenbank enacted its sustainability strategy in 2022, augmenting it in 2023 with a road map that clearly defines timetables and responsibilities in particular.

As part of our ESG framework, the Bank's ESG Committee met monthly as well as when warranted by events. This interdisciplinary body advises the ESG Board, consisting of the entire Board of Management, on sustainability issues, collaborates on the further development of the sustainability strategy and prepares decision proposals.

Our sustainability activities remain focused on our core business – private and commercial property financing. In private residential property financing business, our loans with a social and environmental focus (Green Loan and Family Loan) that were made with banks in the Cooperative Financial Network accounted for around 17 percent of new business in this segment. We publish an annual impact report on the specific environmental added value of sustainable loans for private and commercial property.

As regards sustainable securities, in 2023 we issued ESG Pfandbriefe, green Pfandbriefe, uncovered senior preferred and senior non-preferred bonds as well as green commercial papers and green term deposits. Nearly EUR 1.5 billion was successfully placed in this segment.

In its sustainability rating, ISS ESG awarded Münchener Hypothekenbank a rating of C+ for sustainability management. This again places us among the top performers in the Financials/Mortgage & Public Sector rating peer group. As a result, ISS ESG once again granted us "Prime Status".

Every year, the agency Sustainalytics awards a risk score between 0 and 40 points. The lower this risk score, the stronger the company's sustainability management. Münchener Hypothekenbank's risk score in 2023 was 15.3, which corresponds to low risk in accordance with Sustainalytics' ESG risk rating. This puts the Bank in 10th place out of around 100 banks in the Thrifts and Mortgages peer group.[9]

The development of the sustainability ratings in 2023 and the two previous years at a glance:

THE DEVELOPMENT OF THE SUSTAINABILITY RATINGS SINCE 2021

	2021	2022	2022
ISS ESG	C+ (Prime Status)	C+ (Prime Status)	C+ (Prime Status)
Sustainalytics	Risk Score 18.5 (low risk)	Risk Score 16.3 (low risk)	Risk Score 15.3 (low risk)

SEPARATE NON-FINANCIAL REPORT

Münchener Hypothekenbank has been reporting on the non-financial aspects and the material economic, environmental and social impacts of its business activities since 2012. It does so in harmony with the Global Reporting Initiative Standards. We comply with the requirements set out in the German CSR Directive Implementation Act (CSR-Richtlinie-Umsetzungsgesetz, CSR-RUG) by publishing a separate non-financial report. The non-financial report is published on the Bank's website at the same time as the annual report.

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GENERAL REGULATORY CONDITIONS

Capital

For the most part, Münchener Hypothekenbank calculates its capital requirements using the internal ratings-based approach (IRBA).

Single Supervisory Mechanism for EU banks

The "finalisation" of Basel III also includes the gradual introduction of an output floor of 72.5 percent to limit the effects of internal approaches compared with standard approaches. This means that in particular banks with low risk weightings for their receivables, such as Münchener Hypothekenbank, will be adversely affected by the changes. The introduction of this floor will also impact Münchener Hypothekenbank's capital ratios. The Bank is monitoring developments, and given that its current capital ratios are significantly higher than the minimum requirements, it believes that this regulatory change will be manageable.

The Bank's Compliance unit follows discussions on the publication of new national and international regulations very closely and forwards any new regulations to the responsible departments within the Bank, where they are implemented in various measures and projects. The abundance of additional regulatory requirements imposed by supervisory authorities causes significant costs and poses a considerable challenge for our Bank's human and financial resources.

The ECB conducted the annual Supervisory Review and Evaluation Process (SREP), comprising a very detailed evaluation of the business model, internal governance and capital and liquidity adequacy. Any additional capital and liquidity requirements will be derived from that process. The additional capital adequacy requirement (P2R) imposed within the framework of the SREP again amounted to 1.75 percent of total capital; no additional requirements were set for liquidity.

Recovery and resolution plan

The recovery plan was updated, and the information required for the resolution plan was sent to the resolution authority. There were no significant changes from the previous year.

Executive bodies, committees and employees

EXECUTIVE BODIES AND COMMITTEES

In the year under review, Jürgen Hölscher, a member of the Board of Management of Emsländische Volksbank eG, and Rainer Jenniches, Chairman of the Board of Management of VR-Bank Bonn Rhein-Sieg eG, were re-elected for a further term of office on the Supervisory Board of Münchener Hypothekenbank.

EMPLOYEES

In 2023, human resources work again focused on implementing the human resources strategy. In view of the difficult labour market, which was characterised by a growing shortage of specialised workers, key points of emphasis were ramping up efforts in the area of personnel recruitment, as well as taking steps to retain staff. In addition, Münchener Hypothekenbank's human resources strategy pursues the objective of creating an optimal work environment that promotes the individual abilities and talents of its employees and supports their professional development.

The Bank had 643 employees[10] (previous year: 630) on average over the year.

CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289F HGB

The proportion of women in the Bank as a whole came to 49 percent in the year under review. At Board of Management level, the proportion came to 0 percent, while the proportion at the first management level below the Board was 18 percent, at the second level 30 percent and at the third level 25 percent. The proportion of women on the Supervisory Board was 17 percent in 2023. For the Supervisory Board and the two management levels below the Board of Management, the Bank is aiming for a proportion of women of 20 percent, with a target quota for the Board of Management of 33 percent. In December 2020, the Supervisory Board's Nomination Committee addressed the issue of the proportion of women on the Board of Management and Supervisory Board and decided to retain the existing target quotas and to strive to achieve them by 2026 in the context of upcoming succession arrangements.

[10] Number of employees in accordance with section 267(5) of the German Commercial Code (Handelsgesetzbuch, HGB); excludes trainees, employees on parental leave or in early retirement or partial retirement (non-working phase) and employees on leave of absence.

RISK, OUTLOOK AND OPPORTUNITIES REPORT

Risk report

The continuous control and monitoring of risks is essential to the management of business development at Münchener Hypothekenbank. Risk management is therefore a high priority in terms of the overall management of the Bank.

The framework governing business activities is laid down in the business and risk strategy. The Board of Management is responsible for this strategy, which is reviewed regularly to ensure its objectives are being met, revised where necessary and discussed with the Supervisory Board at least once a year.

The Supervisory Board's Risk Committee is informed of the Bank's risk profile at least once a quarter and additionally as necessary so that it can exercise its supervisory function. This information is based on, among other things, reports on ICAAP and ILAAP and on credit risks, operational risk reports and the risk report prepared in accordance with MaRisk.

Risk management is based firstly on the analysis and presentation of existing risks, and secondly on comparing these risks with the available risk coverage potential (risk-bearing capacity). There are also various other relevant analyses that need to be viewed as a whole to enable adequate management of the Bank. Extensive control procedures involving internal, process-dependent monitoring are employed for this purpose. The Internal Audit department, which is independent of all processes, has an additional supervisory role in this respect.

In terms of our analysis and presentation of existing risks, a distinction is made between counterparty risk, market price risk, credit spread risk, liquidity risk, migration risk, investment risk, model risk, property risk and operational risk. With the exception of liquidity risk, which is covered by ILAAP, these risks are measured from an economic perspective to determine whether they comply with the limit specified for the type of risk. Additional risks, such as placement risk, reputational risk, business risk and ESG risk, are each seen as elements of the above risks and are taken into account at the appropriate point in the respective calculations.

COUNTERPARTY RISK

Counterparty risk (credit risk) is of major importance for Münchener Hypothekenbank. Counterparty risk means the risk that a counterparty will fail to meet its payment obligations towards the Bank by paying late or by defaulting completely or in part.

The Credit Manual sets forth the credit approval procedures and process regulations for those units involved in lending business and the permissible credit products. The business and risk strategy also contains more detailed explanations of the sub-strategies for target customers and target markets, as well as basic specifications for measuring and managing credit risk at individual transaction and portfolio level. Individual limits have been set for all types of lending. Another factor is regional diversification, which is ensured by country limits.

In mortgage business, we ensure that we grant senior loans predominantly with moderate loan-to-value ratios; in commercial business, limits also apply with regard to the debt service coverage ratio (DSCR) and loan to value (LTV). The current loan-to-value ratios break down as follows:

TOTAL PORTFOLIO OF MORTGAGES AND OTHER LOANS [11]

	31 December 2023		31 December 2022	
Loan-to-value ratio	**€**	**Relative**	**€**	**Relative**
Up to 60%	18,910,633,729	39.2%	18,450,179,319	39.3%
> 60% and <= 70%	7,227,826,115	15.0%	6,896,647,557	14.7%
> 70% and <= 80%	7,891,055,770	16.4%	7,898,331,218	16.8%
> 80% and <= 90%	4,936,391,362	10.2%	4,400,454,402	9.4%
> 90% and <= 100%	3,932,960,120	8.2%	4,022,835,569	8.6%
Over 100%	5,301,495,978	11.0%	5,295,250,958	11.3%
Without	26,598,424	0.1%	2,618,630	0.0%
Total	**48,226,961,499**	**100.0%**	**46,966,317,653**	**100.0%**

[11] The total portfolio of mortgages and other loans essentially comprises item 3a. on the assets side of the balance sheet in the amount of EUR 46.2 billion, plus EUR 1.7 billion in irrevocable loan commitments under "2. Other commitments" that are to be disbursed within the next 12 months and EUR 0.3 billion in loan loss provisions.

The average loan-to-value ratio stood at approximately 61 percent in retail business and at approximately 84 percent in individual business. Since Münchener Hypothekenbank provides at most purchase price financing, the highest loan-to-value ratios ranged from 100 percent to 110 percent.

The regional breakdown within Germany and internationally is summarised in the following overview:

TOTAL PORTFOLIO OF MORTGAGES AND OTHER LOANS [12]

	31 December 2023		31 December 2022	
Region	€	Relative	€	Relative
Baden-Württemberg	4,008,195,363	8.3%	4,010,063,305	8.5%
Bavaria	8,921,489,311	18.5%	8,822,458,827	18.8%
Berlin	2,912,114,153	6.0%	2,485,848,754	5.3%
Brandenburg	889,956,143	1.8%	827,421,461	1.8%
Bremen	198,689,754	0.4%	151,347,036	0.3%
Hamburg	1,287,044,713	2.7%	1,227,295,064	2.6%
Hesse	3,453,589,650	7.2%	3,370,033,196	7.2%
Mecklenburg-West Pomerania	622,533,995	1.3%	587,840,865	1.3%
Lower Saxony	3,462,236,530	7.2%	3,356,204,347	7.1%
North Rhine-Westphalia	5,885,499,259	12.2%	5,743,181,146	12.2%
Rhineland-Palatinate	1,887,313,069	3.9%	1,839,349,385	3.9%
Saarland	413,980,541	0.9%	423,200,795	0.9%
Saxony	1,386,609,059	2.9%	1,215,349,408	2.6%
Saxony-Anhalt	800,081,694	1.7%	813,642,843	1.7%
Schleswig-Holstein	2,056,155,720	4.3%	2,049,672,294	4.4%
Thuringia	478,396,213	1.0%	438,961,354	0.9%
Total domestic	**38,663,885,167**	**80.2%**	**37,361,870,080**	**79.6%**
Austria	314,875,927	0.7%	235,491,554	0.5%
France	385,652,662	0.8%	455,318,821	1.0%
United Kingdom	431,616,559	0.9%	479,712,176	1.0%
Spain	710,224,093	1.5%	707,255,450	1.5%
Luxembourg	152,859,212	0.3%	152,668,656	0.3%
Switzerland	5,491,981,269	11.4%	5,339,498,930	11.4%
Netherlands	1,004,203,423	2.1%	989,984,062	2.1%
Belgium	105,493,567	0.2%	105,492,105	0.2%
USA	966,169,620	2.0%	1,139,025,819	2.4%
Total foreign	**9,563,076,331**	**19.8%**	**9,604,447,574**	**20.4%**
Total domestic and foreign	**48,226,961,499**	**100.0%**	**46,966,317,653**	**100.0%**

[12] The total portfolio of mortgages and other loans essentially comprises item 3a. on the assets side of the balance sheet in the amount of EUR 46.2 billion, plus EUR 1.7 billion in irrevocable loan commitments under "2. Other commitments" that are to be disbursed within the next 12 months and EUR 0.3 billion in loan loss provisions.

Credit risk management starts with the drafting of loan terms and conditions when the target transaction is selected. Regularly reviewed risk cost functions are used for this purpose. Depending on the type and risk level of the transaction, various rating and scoring procedures are used.

In property financing, a broadly diversified portfolio of mainly residential property finance and credit approval processes that have been tried and tested for years are reflected in a portfolio with a comparatively low credit risk. However, the difficult situation on the property markets is also affecting the portfolio of Münchener Hypothekenbank. In 2023, risks rose nearly exclusively in individual business:

PARAMETER ON CREDIT RISK (TOTAL PORTFOLIO)
IN EUR MILLION

Parameter	31 December 2023	31 December 2022	Change from the previous year
Default volume	744.4	186.9	298%
thereof retail business	130.4	106.3	23%
thereof individual business – Germany	129.9	3.5	3,600%
thereof individual business – USA	354.1	0.0	N/A
thereof individual business – foreign, excluding USA	129.9	77.1	69%
Expected loss	191.9	99.3	93%
thereof retail business	37.7	34.0	11%
thereof individual business – Germany	11.0	7.7	43%
thereof individual business – USA	75.4	11.9	534%
thereof individual business – foreign, excluding USA	67.7	45.7	48%
Unexpected loss	169.2	127.7	33%
thereof retail business	29.6	27.4	8%
thereof individual business – Germany	48.4	33.6	44%
thereof individual business – USA	39.0	40.6	-4%
thereof individual business – foreign, excluding USA	52.2	26.1	100%
Individual impairment allowance	153.1	48.6	215%
thereof retail business	11.3	9.7	17%
thereof individual business – Germany	0.4	0.1	230%
thereof individual business – USA	84.5	0.0	N/A
thereof individual business – foreign, excluding USA	56.9	38.7	47%

Mortgage loans are checked for the need to create an individual impairment allowance based on their rating, any payment arrears or other negative factors. Workout Management carries out more extensive monitoring of individual impairment allowances, especially in non-retail business.

The portfolio distribution broken down by rating category is as follows and also shows that risks rose year on year. In addition to poor performance or default by individual borrowers, the higher calibration level to which the CredaRate procedure was adjusted as a consequence of a supervisory audit also had an impact here. This procedure rates the customer segments in foreign individual mortgage business, as well as domestic open-end funds (special funds).

TOTAL PORTFOLIO OF MORTGAGES AND OTHER LOANS [13]

Rating category	31 December 2023		31 December 2022	
	€	Relative	€	Relative
0a to 0b	0.00	0.0%	0.00	0.0%
0c to 0e	9,921,666,301	20.6%	10,386,907,954	22.1%
1a to 1c	21,491,954,175	44.6%	23,302,010,446	49.6%
1d to 2a	11,050,538,857	22.9%	10,144,438,199	21.6%
2b to 2c	2,783,048,982	5.8%	1,453,992,753	3.1%
2d to 2e	1,009,277,829	2.1%	267,095,148	0.6%
3a to 3b	951,902,168	2.0%	657,308,116	1.4%
3c to 3d	247,452,360	0.5%	535,178,814	1.1%
3e	25,893,862	0.1%	32,123,226	0.1%
4a to 4e	744,354,783	1.5%	186,909,346	0.4%
No rating	872,181	0.0%	353,650	0.0%
Total	**48,226,961,499**	**100.0%**	**46,966,317,653**	**100.0%**

[13] The total portfolio of mortgages and other loans essentially comprises item 3a. on the assets side of the balance sheet in the amount of EUR 46.2 billion, plus EUR 1.7 billion in irrevocable loan commitments under "2. Other commitments" that are to be disbursed within the next 12 months and EUR 0.3 billion in loan loss provisions.

The Bank creates a collective impairment allowance as a precaution to cover latent credit risks. This collective impairment allowance is calculated on the basis of an expected credit loss model, with the IFRS 9 methodology being adopted for levels 1 and 2 and applied to the HGB assessment basis.

Because of the tense situation prevailing specifically on the US property market, we created individual impairment allowances at an appreciably higher level than in the previous year, particularly for commercial property financing business.

Individual and collective impairment allowances changed as follows in the year under review:

TOTAL LENDING BUSINESS
IN € MILLION

	Opening balance	Additions	Reversals	Utilisation	Exchange rate-related and other changes	Closing balance
Individual impairment allowances	51.8	116.7	-13.0	-1.3	-1.1	153.1
Collective impairment allowances	49.0	10.9	0.0	0.0	0.1	60.0

Our public and liquid investments are focused on central and regional governments, public local authorities and Western European banks (covered bonds only). The regional focus is on Germany and Western Europe, respectively. Highly liquid sovereign bonds and other highly rated securities will continue to be needed to a certain extent in order to guarantee compliance with CRR liquidity requirements.

Business relations with financial institutions are based on master agreements that allow the netting of receivables from, and liabilities to, the other institution. Collateral agreements exist with all derivative counterparties. Derivative transactions, insofar as they are subject to clearing, are settled via a central counterparty (CCP).

MARKET PRICE RISK

Market price risk comprises risks to the value of positions due to changes in market parameters, including interest rates, volatility and exchange rates. These risks are quantified as a potential present value loss using a present value model. A distinction is made here between interest rate risk, option risk and currency risk.

In the case of interest rate risk, a distinction is made between general and specific interest rate risk. General interest rate risk is the risk that the market value of investments or liabilities that depend on general interest rates will be adversely affected if interest rates change.

Specific interest rate risk, also known as credit spread risk, is likewise included under market price risk. The credit spread is defined as the difference in yield between a risk-free and a risky bond. Spread risks take account of the risk that the spread may change even without any change to the rating. The reasons for a change to yield spreads may include:

- varying opinions among market participants regarding positions;
- an actual change in the creditworthiness of the issuer not already reflected in its rating;
- macroeconomic aspects that influence creditworthiness categories.

The risks inherent in options include volatility risk (vega: the risk that the value of a derivative instrument will change due to increasing or decreasing volatility), time risk (theta: the risk that the value of a derivative instrument will change over time), rho risk (the risk of a change in the value of the option if the risk-free interest rate changes) and gamma risk (the risk of a change in the option delta if the price of the underlying asset changes; the option delta describes the change in value of the option due to a change in the price of the underlying asset). Options in capital market business are not entered into for the purposes of speculation. All option positions arise implicitly as a result of the option rights of borrowers (e.g. statutory termination rights under section 489 of the German Civil Code (Bürgerliches Gesetzbuch, BGB) or the right to make unscheduled repayments) and are hedged where necessary. These risks are monitored in the daily risk report and are limited.

Currency risk is the risk that the market value of investments or liabilities that depend on exchange rates will be adversely affected due to changes in exchange rates. Foreign currency transactions of Münchener Hypothekenbank are hedged to the maximum possible extent against currency risk; only the margins included in interest payments are not hedged.

Share price risk is low for Münchener Hypothekenbank and results almost exclusively from participations in companies in the Cooperative Financial Network. In addition, the Bank has invested in a mixed fund (as a special fund of Union Investment), in which a mix of shares is also possible. Responsibility for calculating risk ratios is transferred to the investment fund company; the results are reviewed for plausibility and then input into the Bank's systems.

In order to manage market price risk, the present value of all Münchener Hypothekenbank transactions is determined on a daily basis. All transactions are valued using the Summit IT program. Interest rate risk is managed on the basis of the BPV vector (basis point value), which is calculated daily from the change in present value per maturity band that would occur if the mid-swap curve changed by one basis point. Sensitivities to exchange rates and in relation to rotations in the yield curve and changes to basis spreads and volatilities are also determined. In addition to the BPV, the daily sensitivities are:

- Exchange rates: all foreign currencies change by 10 percent.
- Volatilities: all volatilities increase by 1 percentage point.
- Steepening/flattening: a moderate steepening/flattening of the yield curve is simulated, i.e. at the short end by up to +/-10 basis points, at the long end by up to +/-20 basis points, with rotation around the 5-year grid point.

At Münchener Hypothekenbank, market risks are recorded and limited using the value at risk (VaR) indicator. The VaR calculation takes account of both linear and non-linear risks by means of a historic simulation. The impact of extreme movements in risk factors is also measured here and for other types of risks using various stress scenarios. The daily stress scenarios (others are tested less frequently) are:

- Supervisory requirements:
  - The yield curve is shifted up and down in parallel by 200 basis points separately for each currency. The worse of the two results is taken into account and limited.
  - In addition, six further stress tests (parallel shift up/down, steepening/flattening, parallel shift up/down in the short-term segment) are calculated. The worst result is monitored as an early warning indicator for the limit. The stress tests are prescribed by EBA Guideline 2018/02.
- Parallel shifting: The current yield curve is shifted up and down completely by 50 basis points across all currencies at the same time. The worse of the two results is taken into account.
- Parallel shifting – interest rates and volatilities: Here as well, the current yield curve is shifted up by 50 basis points across all currencies at the same time. In addition, all volatilities are increased by 50 basis points.
- Historic simulation:
  - 2008 financial market crisis: changes in interest rates between 12 September 2008 (the last banking day before the collapse of the investment bank Lehman Brothers) and 10 October 2008 are applied to the current level.
  - Brexit: change in interest rates and exchange rates due to the Brexit referendum on 23 and 24 June 2016.
  - COVID-19 scenario (worst case): worst case from four scenarios that depict the market data movements within the days/weeks after the start of the COVID-19 pandemic in Germany (5 March 2020).

The most important parameters are presented in the following table:

PARAMETER MARKET PRICE RISK
IN € MILLION

Parameter	Average 2023	Max. 2023	Min. 2023
BPV	-0.47	-0.15	-0.80
VaR entire portfolio 10d / 99%	-36	-27	-57
BaFin risk (+/-200 BP) / SOT	-143	-92	-272
BaFin early warning indicator	-144	-94	-277
Interest rates +50 BP	-10	6	-22
Interest rates -50 BP	-3	14	-27

Although Münchener Hypothekenbank is a trading book institution, it has not concluded any trading transactions since 2012.

To manage credit spread risk, Münchener Hypothekenbank calculates the present value of its asset-side capital market transactions on a daily basis and determines the credit spread risks. The credit spread VaR, credit spread sensitivities and various credit spread stress scenarios are calculated in the Summit valuation system.

At Münchener Hypothekenbank, credit spread risks are recorded and limited using the VaR indicator. The VaR is calculated based on a historic simulation.

The current (daily) credit spread stress scenarios are:

- Parallel shifting: All credit spreads are shifted up and down by 100 basis points. The worse of the two results is taken into account.
- Historic simulation of the collapse of the investment bank Lehman Brothers: The scenario assumes an immediate change in spreads based on the change that was measured in the period from one banking day before the collapse of Lehman Brothers to four weeks after that date.
- Flight to government bonds: This scenario simulates a highly visible risk aversion seen on the markets in the past. The spreads of risky security classes widen, while the spreads of safe sovereign bonds narrow.
- Euro crisis: This scenario replicates the change in spreads during the euro crisis between 1 October 2010 and 8 November 2011. During that period, the spreads of poorly rated sovereign bonds in particular increased sharply.
- Downgrade for Germany: This hypothetical scenario is based on the assumption that the spreads for German government bonds rise to the level of the "PIIGS" countries. These countries were hit particularly hard by the euro crisis and still have much higher credit spreads than Germany. This scenario therefore involves a significant increase in spreads for Germany. This increase is also applied to the portfolio of German states, which constitutes the largest portfolio at Münchener Hypothekenbank.
- COVID-19 crisis: This scenario reflects the change in credit spreads in the wake of the COVID-19 crisis between 28 February and 18 March 2020. Spreads increased significantly in all asset classes during this period.

The credit spread VaR for the entire portfolio at a 99.9 percent confidence level and with a holding period of one year and the stress test at plus 100 basis points are presented in the following table:

CREDIT SPREAD (TOTAL PORTFOLIO)
IN € MILLION

Parameter	Average 2023	Max. 2023	Min. 2023
Credit spread VaR 1Y / 99.9%	-183	-145	-232
Credit spreads +100 BP	-315	-224	-415

LIQUIDITY RISK

Liquidity risk basically comprises the following risks:

- Inability to honour payment obligations on time (liquidity risk in the narrower sense).
- Inability to procure sufficient liquidity on the expected terms when needed (funding risk).
- Inability to close out, extend or settle transactions without incurring a loss due to insufficient market depth or market disruptions (market liquidity risk).

Münchener Hypothekenbank distinguishes between short-term solvency measures and medium-term structural liquidity planning.

Short-term solvency measures

The purpose of short-term solvency measures is to ensure that the Bank is able to honour payment obligations in due form, in time and in full on a daily basis, even during stress situations (willingness to pay). All supervisory requirements regarding bank liquidity reserves have been implemented.

Münchener Hypothekenbank classes itself as a capital market-oriented institution within the meaning of MaRisk and therefore also fulfils the requirements of BTR 3.2.

MaRisk distinguishes between five different scenarios, which have been implemented accordingly:

1) Baseline scenario: corresponds to normal management of the Bank.
2) Bank stress: the reputation of the institution deteriorates, for example due to large on-balance-sheet losses.
3) Market stress: short-term event affecting one part of the financial market. Examples of this include the terrorist attack on 11 September 2001 and the financial market/sovereign debt crisis.
4) Combined stress: simultaneous occurrence of bank and market stress.
5) Combined stress without countermeasures: it is assumed that it is no longer possible to obtain any liquidity at all.

According to MaRisk, the Bank must meet the liquidity requirements arising from scenarios 1 to 4 for a minimum of 30 days. Scenario 5 is the worst-case scenario for internal management purposes.

Depending on the scenario, various modelling assumptions have been deduced for all important cash flows, such as drawdowns of liquidity lines, drawdowns of loan commitments already made or changes to collateral. In addition, all securities were allocated to various liquidity classes in order to deduce the volume in each scenario that could be sold or placed in a securities repurchase agreement, and in what time frame, in order to generate additional liquidity. Statutory restrictions, such as the 180-day rule in the German Pfandbrief Act (Pfandbriefgesetz, PfandBG), were met at all times. The result is a day-by-day presentation of available liquidity over a three-year horizon in three currencies (euros, US dollars and Swiss francs). Positions in other currencies are negligible. Limits are set in the stress scenarios across various horizons as early warning indicators for each scenario.

In addition, the liquidity coverage ratio (LCR) and a forecast in accordance with CRD IV are calculated across all currencies at least once a week.

Medium-term structural liquidity planning

The purpose of structural liquidity planning is to safeguard medium-term liquidity. The legal basis for this is both MaRisk BTR 3 and CRD IV on the net stable funding ratio (NSFR).

Medium-term liquidity management in accordance with MaRisk is based on short-term liquidity management in accordance with MaRisk, i.e. both use the same scenarios and modelling assumptions. In view of the longer observation period, however, additional modelling that is not critical to short-term liquidity management is taken into account, including new business planning and current expenses such as salaries and taxes.

Medium-term liquidity planning has the following liquidity ratios over time as profit or loss components:

- cumulative overall cash flow requirement;
- available covered and uncovered funding potential, including planned new business and extensions in accordance with Moody's over-collateralisation requirements;
- other detailed data for planning and management activities.

Liquidity risks are limited via the structural liquidity forecast and stress scenarios, based on available liquidity within a year.

In addition, the NSFR is computed monthly across all currencies in accordance with CRD IV. Forecasts are also created for monitoring purposes.

In order to reduce the funding risk, Münchener Hypothekenbank strives to refinance loans with matching maturities where possible. The Bank continuously checks whether its relevant funding sources (especially those within the Cooperative Financial Network) are still available. In order to limit the market liquidity risk in its business with governments and banks, the Bank predominantly acquires ECB-eligible securities that can be used as collateral for ECB open market operations at any time.

To diversify its funding sources, the Bank has built up a modest deposit business. It can now accept deposits from Weltsparen and Deutsche Bank in addition to those from the cooperative banks. At the end of 2023, the portfolio volume was EUR 449 million.

The indicators LCR and NSFR are presented in the following table:

INDICATOR LCR AND NSFR
IN € MILLION

Indicator	Average 2023	Min. 2023
LCR	369%	161%
NSFR	110%	109%

INVESTMENT RISK

This describes the risk of potential losses if the price of investments falls below their carrying amount. It applies to participating interests held by Münchener Hypothekenbank in the long term for strategic reasons in companies of the Cooperative Financial Network and, to a small extent, positions within its special mixed fund.

OPERATIONAL RISK

Operational risk means the risk of potential losses caused by human error, process or project management weaknesses, technical failures or negative external factors. Human error includes unlawful actions, inappropriate selling practices, unauthorised actions, transactional errors and information and communication risks.

We minimise our operational risk by using skilled staff, transparent processes, automated standard workflows, written work instructions, IT system function tests, contingency plans and preventive measures. Insurable risks are covered by insurance policies to the normal extent required by banks.

The materiality of all services outsourced by Münchener Hypothekenbank in connection with banking transactions and financial services or other standard banking services has been examined in a risk analysis. All outsourced services are monitored in accordance with ECB guidelines and included in the risk management process.

MIGRATION RISK

This means the risk that borrower ratings may be downgraded, which would reduce the cash reserves of Münchener Hypothekenbank. The measures and arrangements described in the section “Counterparty risk” limit migration risks in an analogous manner.

PROPERTY RISK

Property risk means the risk that properties in Münchener Hypothekenbank’s own portfolio may lose value. Property risk is negligible for the Bank.

MODEL RISK

Model risk means the risk that the assessment of the risks mentioned in the previous sections may have been too low due to simplistic assumptions/processes, flawed input data or insufficiently valid parameters. Münchener Hypothekenbank manages and limits this risk by applying the dual control principle, as well as through independent validation, conservative assumptions and safety buffers that can be suitably applied depending on the type of risk.

RISK-BEARING CAPACITY

The technical concepts and models used to calculate risk-bearing capacity, known as ICAAP, are continually updated in accordance with supervisory requirements. Münchener Hypothekenbank calculates its risk-bearing capacity in accordance with the requirements of the ECB in both the normative and the economic perspective.

Market risks, loan default risks, operational risks, spread risks, migration risks, funding risks, investment risks, property risks and model risks, which include other risks not specifically listed, are considered in the economic perspective. Risks are allocated to risk coverage potential conservatively, disregarding any diversification effects between different types of risks.

In the economic perspective, loan default risks and spread risks increased in 2023. The causes of loan default risks are described in the section “Counterparty risk”. The reason for the rise in spread risks was the larger portfolio of long-term bonds issued by German state governments, which were purchased on favourable terms. None of the risk types exceeded their limit in 2023 under any scenario or stress test. Thus, the Bank maintained its risk-bearing capacity at all times throughout the year under review in the economic perspective.

In the normative perspective, a multi-year planning horizon is used to verify that the Bank continuously meets all quantitative regulatory and supervisory capital requirements both as part of basic planning as well as under adverse scenarios.

The Bank maintained its risk-bearing capacity at all times throughout the year under review in the normative perspective. Limit utilisation per risk type as at 31 December 2023 is presented in the following table:

LIMIT UTILISATION AS AT 31 DECEMBER 2023
IN € MILLION

Risk type	Limit	Baseline scenario	Macro stress	
Market risks	531	194.8	131.3	●
Credit risks	400	288.7	382.7	▲
Operational risks	80	63.0	63.0	●
Spread risks	275	228.9	101.6	●
Migration risks	150	107.4	133.3	●
Investment risks	30	25.6	25.6	●
Property risks	8	2.2	2.2	●
Funding risks	15	4.0	4.4	●
Model risks and other risks	50	45.4	45.4	▲

● In the target range
▲ Approaching to limit

USE OF FINANCIAL INSTRUMENTS FOR HEDGING PURPOSES

We engage in hedging activities – interest rate and currency derivatives – in order to further reduce our risks and to hedge our business activities. We do not use credit derivatives. Asset swaps are used as micro-hedges in larger individual transactions. Structured underlying transactions, such as callable securities, are hedged accordingly with structured swaps. Exchange rate risks for exposures in foreign currency are hedged primarily by endeavouring to secure funding in matching currencies; any remaining transactions are hedged using (interest rate) cross-currency swaps. At portfolio level, we mainly use interest rate swaps and swaptions as hedging instruments. Bermuda options on interest rate swaps (swaptions) are used in addition to linear instruments to hedge embedded statutory termination rights or interest rate cap agreements.

ACCOUNTING-RELATED INTERNAL CONTROL AND RISK MANAGEMENT PROCESSES

The accounting-related internal control system is documented in organisational guidelines, process descriptions, accounting manuals and operating instructions. It comprises organisational security measures and ongoing automatic measures and controls that are integrated into work processes. The main controls are segregation of functions, the dual control principle, access restrictions, payment guidelines, processes for new products and new structures and balance confirmations. Non-process-specific audits are conducted primarily by Internal Audit.

The risk management methods described in the risk report provide ongoing qualitative and quantitative information on the financial situation of Münchener Hypothekenbank, such as performance development. Aspects of all types of risks are included in this assessment.

At Münchener Hypothekenbank, there is close coordination between the risk control and financial reporting units.

The output from the risk management system is used as a basis for multi-year planning calculations, year-end projections and reconciliation procedures for the accounting indicators calculated in the Bank's financial reporting process.

Outlook – opportunities and risks

ECONOMY AND FINANCIAL MARKETS

Global economic growth is expected to slowly stabilise in 2024, with inflation abating. However, the wars in Ukraine and the Middle East, trade disputes, geopolitical tensions and China's further economic development make the outlook less bright. For 2024, the International Monetary Fund (IMF) expects global GDP to grow by 3.1 percent, similar to the pace in 2023. A key reason why prospects remain rather modest is high interest rates, which are continuing to hold back economic activity. The weak economy is expected to have an increasing impact on global labour markets, which would cause the unemployment rate to rise somewhat. New uncertainties could emerge from the elections being held in Taiwan and the US in 2024. Both offer the potential for conflict, and the results could worsen both countries' relations with China and have a negative impact on the world economy.

Economic prospects are also accompanied by uncertainty in the eurozone. In view of stricter financing terms and low export growth, economic growth will remain weak at the outset of 2024. The IMF forecasts economic growth of 0.9 percent for 2024 as a whole. Economic experts expect growth to pick up over the course of the year, since real incomes will rise and export growth will recover on account of an upturn in demand from abroad. The labour market is expected to develop robustly, despite a slight cooling off, but a slight rise in the unemployment rate is likely in the short term. Inflation in the eurozone is expected to remain high at the start of 2024 before declining, since measures adopted to keep prices down in many eurozone countries expired at the end of 2023. The ECB expects inflation to come in at 2.7 percent on average for 2024.

The forecast for Germany is that the economy will remain weak. Geopolitical conflicts will continue to inhibit economic activity, and high interest rates will cause the number of personal and corporate insolvencies to rise. Nevertheless, there is a chance that the state of the economy will improve over the course of the year. The IMF predicts growth of 0.9 percent. Inflation will remain relatively high in 2024. Consumer prices rose in December 2023 and are not expected to ease as 2024 gets under way. The expiry of the VAT reduction for the catering sector and the rise in the carbon tax are key reasons for this. However, the Deutsche Bundesbank expects that inflation will fall to 2.7 percent as the year progresses. The labour market is expected to develop robustly, even though the unemployment rate is expected to rise somewhat in the short term.

Falling inflation and modest economic development will likely prompt central banks to adjust their restrictive monetary policies. On the bond market, a significant decline in yields for longer maturities had already begun at the end of the year. However, high volumes of sovereign bond issues could cause yields for longer maturities to rise slightly, particularly if inflation rates do not drop as quickly as anticipated.

In 2024, the Fed is expected to lower interest rates in the range of 100 to 150 basis points, meaning the current rates of 5.25 percent to 5.50 percent would fall to 3.75 percent to 4.50 percent. With inflation abating, the ECB is also likely to ease its restrictive monetary policy and lower the main refinancing operations rate from its current level of 4.50 percent to between 3.00 percent and 3.50 percent.

Moreover, the ECB is continuing to reduce excess liquidity on the money market and will stop reinvesting cash from maturing bonds in connection with its pandemic emergency purchase programme (PEPP) by the end of 2024. It remains to be seen to what extent the ECB will require banks to hold higher minimum reserves and will withdraw additional liquidity.

On the foreign exchange market, the euro is expected to trend in a slightly positive direction against the US dollar, since the Fed will lower interest rates more quickly and the ECB will probably take more of a wait-and-see approach. As for the British pound and the Swiss franc, we expect to see minor price fluctuations and more or less stable exchange rates.

Funding spreads for banks rose again at the start of the year. As the year progresses, we expect them to stabilise or fall slightly. Since banks' funding requirements for 2024 will not be significantly lower than for the year under review, an issue volume for benchmark covered bonds denominated in euros to amount to around EUR 170 billion is expected, with a tendency towards longer maturities since the focus in recent years was more on shorter maturities. If new property financing business remains weak, this could put a damper on issuing activities.

PROPERTY MARKETS AND PROPERTY FINANCING MARKETS

Although the general conditions that prevailed in the reporting year had not changed significantly at the start of 2024, experts nevertheless expect positive momentum on the property markets. Given that economic and geopolitical uncertainties remain high, market participants are hoping that interest rates will stabilise and then begin to fall during the second half of the year. Under that scenario, market activities will likely not pick up before the second half of 2024, after which the upward trend in prices could begin to stabilise.

In our markets of Germany, Switzerland and Austria, falling housing construction and rising population numbers are causing rental housing markets to become even tighter. In view of the low rates of home ownership – the three countries rank last in Europe – the rental housing market represents the most important pillar in terms of housing supply. Because home ownership has become less affordable, there is continued reluctance to buy. This is creating even greater scarcity in the supply of rental housing, which will likely steepen the rise in rents. At the same time, with interest rates expected to stabilise, yields will likely rise only moderately, so we do not anticipate that purchase prices for residential property will fall further over the course of the year. In addition, investors will likely take a wait-and-see approach on account of the further regulation of the rental housing market that is under discussion in several countries, as well as future energy-saving requirements for housing stock.

The prospects for the commercial property markets and their asset class are also modest. This applies first and foremost to the office property market, since demand for office space closely correlates with economic development. Therefore, demand for office space is not expected to rise appreciably in the first half of 2024, particularly because in view of hybrid working, companies will not yet have definitively clarified the amount of space they need. On the supply side, we expect the completion volume to rise, meaning that the vacancy rate is also likely to rise further. Pressure on rents will thus increase further, other than in very good office locations. The office property market in the USA will continue to face subdued demand and rising vacancy rates, given the slight economic slowdown in the first half of 2024 and the fact that hybrid working is becoming increasingly common.

In addition, the situation for bricks-and-mortar retail remains difficult, which will prompt investors to act with restraint. In view of the weak economy and budgetary developments, households can expect to see their disposable income diminish. That will likely cause them to rein in their purchases. As a result, retail sales will not improve significantly in 2024, and if costs remain high, this is likely to trigger further insolvencies and space optimisations.

Thus, in the case of office and retail property, it is likely that investors and buyers will not yet have completed their pricing processes in 2024, which will probably have an impact on transaction activity. By contrast, an end to yield adjustments is in sight for logistics property. Because scarcity in the supply of space will cause rents to rise further, logistics property will probably remain the preferred commercial asset class for the time being.

DEVELOPMENT OF BUSINESS AT MÜNCHENER HYPOTHEKENBANK

With regard to our targets for new business, we expect demand for residential and commercial property financing to recover slowly, since – as described above – the market environment will not improve significantly in 2024. Our planning therefore has new business coming in at EUR 3.5 billion. The property loan portfolio will decrease to around EUR 46 billion due to lower new business compared with the average of recent years.

Achievement of the new business target presupposes that GDP will not deteriorate in our core market of Germany. Our planning assumes zero growth and unchanged interest rates. If GDP contracts in the range of minus 1 percent to minus 3 percent, our planning scenarios assume that new business will amount to only 70 to 90 percent of the target. The same applies in the case of a further rise in interest rates. On the other hand, if interest rates fall by 1 percentage point, that would in all likelihood have a positive effect on the predisposition of cooperative banks and independent financial service providers to broker loans through us, which in turn would cause new business to grow by 10 to 15 percent. In commercial property financing, new business budgeting is focused on the financing of existing properties. There as well, high interest rates mean more challenging financing structures that tend to have higher equity and cash flow requirements. These structures were already being used in 2023.

In private residential property financing in Germany – cooperative banks and independent financial service providers – we anticipate a new business volume of around EUR 1.5 billion. Our planned figures assume, on the one hand, that the predisposition of our partners to broker loans through us will increase moderately as the markets stabilise. On the other hand, we intend to bolster our market potential with targeted campaigns, including in niche markets, and by expanding the range of products in the upgrading and older borrowers segments. In addition, we plan to strengthen our position in platform business and refine the digital processes before and after the loan commitment.

In the brokerage business with our cooperation partners in Switzerland and Austria, we are budgeting for a volume of EUR 0.2 billion. Particularly in Switzerland, we intend to consolidate our market position with joint sales campaigns and expand the range of products to include longer fixed-interest rate periods and so-called "forward loans" that have longer terms.

For commercial property financing, we are assuming moderate growth in new business to EUR 1.8 billion, since we expect market momentum to improve only slightly in 2024. The focus here is on domestic business, but foreign business in Western Europe is also expected to grow at a slow pace with an adjusted, more risk-averse strategy.

This assessment is dependent on how the transaction market develops. Moreover, we assume that investor portfolios will generate the majority of financing revenues initially and that potential acquisition financing will not be offered on the transaction market until the second half of 2024 at the earliest. This will depend in particular on prices stabilising in all asset classes. It is possible that this process might extend into 2025 in some cases.

We believe that our financial position will remain adequate in 2024, enabling us to meet our payment obligations and comply with regulatory requirements for banks.

In the case of public and liquid investments, we will seize opportunities to increase income if the market environment is favourable, as we did in the year under review. Under these conditions, we are planning new investments in the range of EUR 0.8 billion to EUR 1.2 billion in 2024.

Our overall liquidity requirements (money market and capital market) will range from around EUR 7 billion to EUR 8 billion in 2024. We expect to raise EUR 5 billion to EUR 6 billion of this sum on the capital market and the remainder on the money market and through deposits. Mortgage Pfandbriefe remain our most important source of funding.

In 2024, we will continue to work on implementing our sustainability strategy and the areas of activity included in it (sustainable business model, responsible corporate governance, risk management, employees, customers and partners, climate change and CO_2 emissions), as well as various regulatory requirements, including those concerning implementation of the CSRD in particular.

We are expecting net interest income of EUR 485 million for 2024, assuming that interest rates remain roughly the same. If they change, this planning figure may change as well. However, any impact from possible changes in interest rates in 2024 will be only marginal. An increase in interest rates would lead to a slight drop in interest income, while a fall in interest rates would have the opposite effect.

In our planning, we are forecasting a net commission income of minus EUR 74 million. This item changes on a one-to-one basis in line with business development in private residential property financing. If this business increases by 10 percent, the net commission expense also rises by around 10 percent. If new business declines, commission expenses will fall accordingly.

Total administrative expenses are expected to fall year on year to around EUR 148 million. This drop is due to the reduction in the contribution to the European bank levy from EUR 25.6 million in 2023 to less than EUR 3 million in 2024.

Personnel costs are budgeted at around EUR 72 million, which equates to a rise of 4 percent compared with 2023. The employee headcount is expected to remain more or less stable year on year.

Other administrative expenses will fall to EUR 72 million, mainly as a result of the above-mentioned reduction in the bank levy from 2024.

We are expecting loan loss provisions to decrease compared with 2023 and anticipate that they will be up to EUR 85 million. This is based on the assumption that the economic situation in Europe will remain unfavourable and that the property market will be difficult, especially in the US.

We expect the operating result after loan loss provisions (results from ordinary business activities) to amount to EUR 179 million and thus to be slightly higher than in 2023. We consider our earnings to be sufficient to ensure a decent return on equity and an adequate allocation to reserves.

No significant capital measures are planned for 2024. We expect the total capital ratio to be around 21 percent and thus consider it to be adequate.

In the current market environment, we are confident that we will attain our targets for the 2024 financial year, and we anticipate that net income will come in at the level of the previous year.

With regard to our performance indicators, our planning is based on the following figures for 2024:

- Total new property financing business: EUR 3.5 billion
- Operating result after loan loss provisions (results from ordinary business activities): EUR 179 million
- Administrative expenses: EUR 148 million
- Cost-income ratio (CIR): under 40 percent
- Return on equity (RoE) before tax: around 10 percent
- Proportion of sustainable loans in the new retail business (private residential property financing): 10 percent
- Proportion of green financing in the commercial property financing portfolio: 30 percent

As Münchener Hypothekenbank specialises in providing long-term loans, any changes in the environment will not have a direct impact on net interest income for 2024. A change in interest rates entails opportunities and risks for the Bank. In all probability, a further rise in interest rates would result in new business being lower than forecast. A drop in interest rates would have the opposite effect. Any changes in new business figures would have only a minor impact on net interest income in 2024. Changes in retail business, on the other hand, impact net commission income. If new business were above forecast in this area, this would lead to a proportionate increase in commission expenses. The reverse would be the case if new business were lower than forecast.
The percentage change in new business can thus be applied proportionately to the percentage change in commission income. In view of the current situation on the property markets, we expect loan loss provisions to be in line with our budgeted figures. If the situation improves, this will have a positive impact on loan loss provisions. If the market situation deteriorates further, loan loss provisions may have to increase.

Overall, the Bank considers the risks outlined here to be acceptable, based on its internal management.

DISCLAIMER REGARDING FORWARD-LOOKING STATEMENTS

This management report contains statements concerning our expectations and forecasts for the future. These forward-looking statements, in particular those regarding Münchener Hypothekenbank's business development and earnings performance, are based on planning assumptions and estimates and are subject to risks and uncertainties. Our business is influenced by a large number of factors, most of which are beyond our control. These mainly include economic developments, the state and further development of financial and capital markets in general and our funding conditions in particular, as well as unexpected defaults by our borrowers. Actual results and developments may therefore differ from the assumptions that have been made today. Such statements are thus valid only at the time this report was prepared.

ANNUAL STATEMENT OF ACCOUNTS

BALANCE SHEET

31 December 2023

ASSETS
IN €

		31 Dec. 2023	€ 000 31 Dec. 2022 [1]	€ 000 31 Dec. 2022 [2]
1. Cash reserve				
a) Cash on hand	0.00		0	1
b) Balances with central banks	51,309,218.06		39,245	122,781
of which: with Deutsche Bundesbank € 51,309,218.06				
		51,309,218.06	**39,245**	**122,782**
2. Claims on banks				
a) Mortgage loans	13,887,994.20		171	171
b) Public-sector loans	25,220,359.03		25,109	25,110
c) Other claims	1,212,560,643.53		1,502,674	1,511,182
of which: payable on demand € 644,066,247.73				
		1,251,668,996.76	**1,527,954**	**1,536,463**
3. Claims on customers				
a) Mortgage loans	46,231,703,516.31		44,187,378	45,788,704
b) Public-sector loans	1,191,675,605.60		1,199,492	1,200,851
c) Other claims	54,078,740.71		49,625	49,964
		47,477,457,862.62	**45,436,495**	**47,039,519**
4. Bonds and other fixed-income securities				
a) Bonds and notes	4,168,879,005.85		2,263,363	2,391,392
aa) Public-sector issuers € 3,548,610,045.38			(1,632,942)	(1,750,816)
of which: eligible as collateral for Deutsche Bundesbank advance € 3,511,722,704.50				
ab) Other issuers € 620,268,960.47			(630,421)	(640,576)
of which: eligible as collateral for Deutsche Bundesbank advance € 477,719,353.01				
b) Own bonds and notes	503,414,784.72		2,560,526	2,560,526
Nominal value € 500,000,000.00				
		4,672,293,790.57	**4,823,889**	**4,951,918**
Carried forward:		**53,452,729,868.01**	**51,827,583**	**53,650,682**

[1] Prior-year figures, Münchener Hypothekenbank
[2] Prior-year figures, including M.M.Warburg & CO Hypothekenbank AG

ASSETS
IN €

		31 Dec. 2023	€ 000 31 Dec. 2022 [1]	€ 000 31 Dec. 2022 [2]
Brought forward:		**53,452,729,868.01**	**51,827,583**	**53,650,682**
5. Equities and other variable-yield securities		**147,000,000.00**	**144,424**	**144,424**
6. Participations and shares in cooperatives				
a) Participations	102,723,767.61		102,724	102,724
of which: credit institutions € 37,234,870.64				
b) Shares in cooperatives	18,500.00		18	18
of which: in credit cooperatives € 15,500.00				
		102,742,267.61	**102,742**	**102,742**
7. Shares in affiliated companies		**1,151,088.34**	**11,752**	**11,752**
8. Intangible assets				
Concessions acquired for consideration, commercial rights and similar rights and values, as well as licenses to these rights and values				
		347,597.29	**183**	**183**
9. Tangible assets		**93,033,480.68**	**65,186**	**65,261**
10. Other assets		**128,268,270.65**	**143,818**	**144,600**
11. Deferred items				
a) From issuing and lending business	133,054,489.63		107,806	108,863
b) Other	2,207,827.90		2,040	2,039
		135,262,317.53	**109,846**	**110,902**
Total assets		**54,060,534,890.11**	**52,405,534**	**54,230,546**

[1] Prior-year figures, Münchener Hypothekenbank
[2] Prior-year figures, including M.M.Warburg & CO Hypothekenbank AG

LIABILITIES, CAPITAL AND RESERVES
IN €

		31 Dec. 2023	€ 000 31 Dec. 2022 [1]	€ 000 31 Dec. 2022 [2]
1. Liabilities to banks				
a) Registered Mortgage Pfandbriefe issued	961,254,636.40		844,256	1,011,229
b) Registered Public Pfandbriefe issued	65,762,888.17		68,884	68,884
c) Other liabilities	3,201,184,490.38		5,550,025	5,552,416
of which: payable on demand € 1,078,844,784.54				
		4,228,202,014.95	**6,463,165**	**6,632,529**
2. Liabilities to customers				
a) Registered Mortgage Pfandbriefe issued	10,232,021,385.35		9,440,098	10,042,686
b) Registered Public Pfandbriefe issued	1,147,008,995.68		1,228,771	1,228,771
c) Other liabilities	5,177,335,344.17		4,976,986	5,484,113
of which: payable on demand € 14,534,760.87				
		16,556,365,725.20	**15,645,855**	**16,755,570**
3. Certificated liabilities				
a) Bonds issued	30,236,758,083.95		27,686,592	28,078,546
aa) Mortgage Pfandbriefe € 24,329,701,285.94			(21,618,275)	(22,010,229)
ab) Public Pfandbriefe € 40,964,173.55			(41,054)	(41,054)
ac) Other bonds and fixed-income securities € 5,866,092,624.46			(6,027,263)	(6,027,263)
b) Other certificated liabilities	171,926,794.51		339,177	339,177
		30,408,684,878.46	**28,025,769**	**28,417,723**
4. Other liabilities		**207,740,585.28**	**143,521**	**167,814**
Carried forward		**51,400,993,203.89**	**50,278,310**	**51,973,636**

[1] Prior-year figures, Münchener Hypothekenbank
[2] Prior-year figures, including M.M.Warburg & CO Hypothekenbank AG

LIABILITIES, CAPITAL AND RESERVES
IN €

		31 Dec. 2023	€ 000 31 Dec. 2022 [1]	€ 000 31 Dec. 2022 [2]
Brought forward:		**51,400,993,203.89**	**50,278,310**	**51,973,636**
5. Deferred items from issuing and lending business	**46,999,166.06**		64,145	64,575
		46,999,166.06	**64,145**	**64,575**
6. Provisions				
a) Provisions for pensions and similar obligations	32,900,378.00		35,903	35,903
b) Provisions for taxes	11,047,000.24		360	360
c) Other provisions	51,333,304.36		46,273	46,972
		95,280,682.60	**82,536**	**83,235**
7. Subordinated liabilities		**391,390,064.79**	**0**	**20,000**
8. Instruments of the additional regulatory core capital		**225,982,721.38**	**203,108**	**213,108**
9. Fund for general banking risks		**114,000,000.00**	**55,000**	**55,000**
10. Capital and reserves				
a) Subscribed capital	1,271,496,030.00		1,272,003	1,366,326
aa) Members´ capital contributions € 1,271,496,030.00			(1,272,003)	(1,272,003)
b) Revenue reserves	463,000,000.00		412,000	412,100
ba) Legal reserve € 457,000,000.00			(406,000)	(406,000)
bb) Other revenue reserves € 6,000,000.00			(6,000)	(6,100)
c) Unappropriated profit	51,393,021.39		38,432	42,566
		1,785,889,051.39	**1,722,435**	**1,820,992**
Total liabilities, capital and reserves		**54,060,534,890.11**	**52,405,534**	**54,230,546**
1. Contingent liabilities				
Contingent liability on guarantees and indemnities		766.94	1	1
2. Other commitments				
Irrevocable loan commitments		3,239,163,561.18	4,334,875	4,345,007

[1] Prior-year figures, Münchener Hypothekenbank
[2] Prior-year figures, including M.M.Warburg & CO Hypothekenbank AG

INCOME STATEMENT

For the year ended 31 December 2023

INCOME STATEMENT
IN €

			1 Jan. to 31 Dec. 2023	€ 000 1 Jan. to 31 Dec. 2022[1]	€ 000 1 Jan. to 31 Dec. 2022[2]
1. Interest income from			**1,417,980,508.90**	**971,326**	**1,001,634**
a) Lending and money market operations		1,291,285,202.30		906,903	936,726
of which: negative interest on financial assets	0.00			6,370	6,405
b) Fixed-income securities and government debt register claims		126,695,306.60		64,423	64,907
2. Interest expenses			**902,136,654.72**	**542,977**	**562,622**
of which: positive interest on financial liabilities	204,348.75			47,600	47,603
3. Current income from			**2,602,089.77**	**3,406**	**3,406**
a) Shares and other non-fixed income securities		0.00		0	0
b) Participating interests and shares in cooperatives		2,602,089.77		2,906	2,906
c) Investments in affiliated companies		0.00		500	500
4. Income from profit-pooling, profit transfer or partial profit transfer agreements			**9,554,815.81**	**12,628**	**12,845**
5. Commission paid			**77,084,684.14**	**122,320**	**122,397**
6. Other operating income			**5,528,470.29**	**1,676**	**1,806**
7. General administrative expenses			**161,019,627.11**	**142,615**	**151,616**
a) Personnel expenses		69,174,553.71		65,674	69,361
aa) Wages and salaries	58,516,067.91			55,433	58,633
ab) Social security contributions and cost of pensions and other benefits	10,658,485.80			10,242	10,728
of which: for pensions 1,770,116.39 €				(2,176)	(2,248)
b) Other administrative expenses		91,845,073.40		76,941	82,255
8. Depreciation, amortisation and write-downs of intangible and tangible assets			**3,600,276.62**	**4,477**	**4,500**
9. Other operating expenses			**3,410,996.96**	**4,381**	**4,382**
10. Write-downs on and valuation allowances of loans and advances and specific securities, as well as additions to loan loss provisions			**118,036,923.35**	**45,467**	**46,460**

[1] Prior-year figures, Münchener Hypothekenbank
[2] Prior-year figures, including M.M.Warburg & CO Hypothekenbank AG

INCOME STATEMENT
IN €

			1 Jan. to 31 Dec. 2023	€ 000 1 Jan. to 31 Dec. 2022[1]	€ 000 1 Jan. to 31 Dec. 2022[2]
11. Depreciation, amortisation and write-downs of participating interests, shares in affiliated companies and securities treated as fixed assets			**506,069.27**	**5,476**	**5,476**
12. Expenses from loss transfer			**11,571.86**	**0**	**0**
13. Results from ordinary business activities			**170,871,219.28**	**132,275**	**133,190**
14. Extraordinary income			**85,427,293.82**	**0**	**0**
15. Extraordinary expenses			**28,935,958.41**	**0**	**0**
16. Extraordinary result			**56,491,335.41**	**0**	**0**
17. Allocations to the fund for general banking risks			**59,000,000.00**	**0**	**0**
18. Taxes on revenue and income			**66,241,658.41**	**64,189**	**64,872**
19. Net income			**102,120,896.28**	**68,086**	**68,318**
20. Retained earnings brought forward from previous year			**272,125.11**	**347**	**4,248**
21. Allocation to revenue reserves			**51,000,000.00**	**30,000**	**30,000**
a) Legal reserve		51,000,000.00		30,000	30,000
b) Other revenue reserves			0	0	0
22. Unappropriated profit			**51,393,021.39**	**38,433**	**42,566**

[1] Prior-year figures, Münchener Hypothekenbank
[2] Prior-year figures, including M.M.Warburg & CO Hypothekenbank AG

STATEMENT OF DEVELOPMENT IN EQUITY CAPITAL AND CASH FLOW STATEMENT

STATEMENT OF DEVELOPMENT IN EQUITY CAPITAL FOR 2023

IN € 000

	Subscribed capital				
	Members' capital contributions	Silent participations	Revenue reserves	Unappropriated profit	Total capital and reserves
Capital and reserves as of 1 Jan. 2022	1,243,221		372,000	67,108	1,682,329
Net change in capital	28,782		+10,000	-10,000	28,782
Dividends paid				56,761	56,761
Net income			30,000	38,085	68,085
Capital and reserves as of 31 Dec. 2022	1,272,003		412,000	38,432	1,722,435
Net change in capital	-507				-507
Dividends paid				38,160	38,160
Net income			51,000	51,121	102,121
Capital and reserves as of 31 Dec. 2023	1,271,496		463,000	51,393	1,785,889

CASH FLOW STATEMENT 2023

IN € MILLION

	31 Dec. 2023
1. Profit for the period	102.1
2. Depreciation, amortisation and write-downs of and valuation allowances on receivables and items of fixed assets / reversals of such write-downs and valuation allowances	181.2
3. Increase / decrease in provisions	5.1
4. Other non-cash expenses / income	-7.1
5. Gain / loss on disposal of fixed assets	0.0
6. Other adjustments (net)	0.0
7. Increase / decrease in receivables from credit institutions	446.6
8. Increase / decrease in receivables from customers	-2,157.1
9. Increase / decrease in securities (unless classified long-term financial assets)	2,053.6
10. Increase / decrease in other assets relating to operating activities	-54.4
11. Increase / decrease in liabilities to credit institutions	-2,407.3
12. Increase / decrease in liabilities to customers	873.1
13. Increase / decrease in securitised liabilities	2,316.5
14. Increase / decrease in other liabilities relating operating activities	133.9
15. Interest expense / interest income	-238.1
16. Income tax expense / income	0.3
17. Interest and dividend payments received	889.4
18. Interest paid	-132.8
19. Income taxes paid	-66.5
20. Cash flows from operating activities (total of lines 1 to 19)	**1,938.5**
21. Proceeds from disposal of long-term financial assets	317.5
22. Payments to acquire long-term financial assets	-2,173.6
23. Proceeds from disposal of tangible fixed assets	0.0
24. Payments to acquire tangible fixed assets	-31.1
25. Proceeds from disposal of intangible fixed assets	0.0
26. Payments to acquire intangible fixed assets	-0.5
27. Cash flows from investing activities (total of lines 21 to 26)	**–1,887.7**
28. Proceeds from capital contributions	–0.5
29. Dividends paid to shareholders	–38.2
30. Changes in cash funds relating to other capital (net)	0.0
31. Cash flows from financing activities (total of lines 28 to 30)	**–38.7**
32. Net change in cash funds	12.1
33. Effect on cash funds of exchange rate movements and remeasurements	0.0
34. Cash funds at beginning of period	39.2
35. Cash funds[1] at end of period (total of lines 32 to 34)	**51.3**

1 Assets item 1 “Cash reserve”

NOTES

NOTES

GENERAL INFORMATION ON ACCOUNTING POLICIES

The Münchener Hypothekenbank eG annual financial statements as of 31 December 2022 were prepared in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch, HGB), in conjunction with the German Accounting Regulation for Banks and Financial Service Institutions (Verordnung über die Rechnungslegung der Kreditinstitute, RechKredV), and in accordance with the rules contained in the German Cooperatives Act (Genossenschaftsgesetz, GenG) and the German Pfandbrief Act (Pfandbriefgesetz, PfandBG).

In exercise of the option provided for in Section 24 of the German Transformation Act (Umwandlungsgesetz, UmwG), the assets and liabilities assumed in connection with the merger with M.M.Warburg & CO Hypothekenbank AG (legal entity being acquired) were carried forward at the carrying amounts in the closing balance sheet.

The transfer of assets as a result of the merger with the wholly owned subsidiary Nußbaumstraße GmbH & Co. KG took place in accordance with the exchange principles of German commercial law, in exercise of the fair value option.

To create comparability with the previous-year figures as a result of additions through the merger with M.M.Warburg & Co. Hypothekenbank AG, the actual previous-year figures and the current figures were presented along with the adjusted previous-year figures.

With regard to creation of comparability with the previous-year figures as a result of the merger with Nußbaumstraße GmbH & Co. KG ("Shares in affiliated companies", "Tangible assets"), please see the remarks below the statement of changes in fixed assets.

In addition, the mergers also had a material impact on financial performance through the lower carrying amount and the raising of hidden reserves. In this respect, please see the remarks about "Extraordinary expenses" and "Extraordinary income" in the section "Notes to the balance sheet / income statement".

The balance sheet was drawn up with partial use of the annual result.

The following accounting policies were applied when drawing up the balance sheet and the income statement. Where we departed from the accounting policies of the previous year, this is discussed at the end of this section under "Departures from accounting policies".

All claims are stated at nominal amounts in accordance with Section 340e (2) HGB. 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. General allowances are calculated in accordance with IDW RS BFA 7 using an expected credit loss model, whereby the IFRS 9 methodology is employed for stage 1 and 2 and applied using the HGB basis for assessment. Taking into account the probability of default, the loss given default and the exposure at default, general allowances are created for latent default risks for all transactions reported under the balance sheet items loans and advances to credit institutions and loans and advances to customers, as well as for irrevocable loan commitments. General allowances for irrevocable loan commitments are reported in the balance sheet in the form of a provision. All transactions not subject to a specific allowances requirement test are assigned to stage 1 and 2, whereby the expected 12-month expected loss is calculated for stage 1 and the lifetime expected loss is calculated for stage 2. All transactions are generally assigned to stage 1 at the time they are acquired. The assignment to stage 2 is made at the balance sheet date if the transaction's risk of default has increased significantly compared to the risk of default when the transaction was originally acquired. The relevant point-in-time parameters for calculating risk provisions are determined on the basis of macroeconomic forecasts, which are updated quarterly by Münchener Hypothekenbank's stress testing committee on the basis of external macroeconomic data. General allowances are calculated using probability-weighted results from three scenarios: the baseline scenario, at 80%; the downside scenario, at 20%; and the upside scenario, at 0%.

In addition, contingency reserves were formed pursuant to Section 340f HGB.

Securities held in the liquidity reserve are measured at cost or, as the case may be, the lower exchange or market price or at fair value, whichever is lower (strict lower of cost or market principle).

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, a write-down takes place to the lower exchange or market price or the lower fair value.

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.

Intangible assets and tangible assets are valued at cost or production costs less accumulated depreciation. Scheduled depreciation is carried out in accordance with the normal useful life. Due to technical innovation, the normal useful life for software is based on empirical business reality. Low-value business assets are treated in accordance with tax regulations. Non-scheduled depreciation is taken in the event of a permanent loss in value. Other assets were valued at nominal value or their cost of purchase in observance of the strict lower of cost or market principle.

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 1.78 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 the "Heubeck mortality tables 2018 G" prepared by Klaus Heubeck. In accordance with the terms of Section 253 (2) HGB, the average market rate of interest of the last 10 financial years is used for discounting purposes with an assumed remaining term to maturity of 15 years. Effects on profit or loss from a change in the discounting rate in connection with pension provisions are shown in the other operating result analogous to the discounting/compounding effect.

The difference between the recognition of provisions for pension obligations in accordance with the corresponding average market interest rate for the past 10 financial years and the recognition of the provisions in accordance with the corresponding average market interest rate for the past seven financial years amounted to € 319 thousand.

The provisions for partial retirement are based on actuarial calculations derived from the Heubeck mortality tables 2018 G. The provisions for partial retirement are calculated in accordance with actuarial principles using the net present value method in line with IDW RS HFA 3. Discounting took place in line with the remaining term to maturity using an interest rate of 1.04 percent.

The provisions for long-term service emoluments and for benefit obligations are based on actuarial calculations derived from the Heubeck mortality tables 2018 G. These provisions were discounted at the average market interest rate of the past seven financial years of 1.74 percent, with an assumed remaining term to maturity of 15 years.

In addition, provisions were created in the appropriate amount for uncertain liabilities.

Per the terms of Section 256a HGB, 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 recognized net in the income statement under other operating income. Costs and income are valued at the individual daily exchange rate. Considered particularly covered were foreign currency positions in the opposite direction, to the extent that they matched in terms of amount and maturity.

Results from the foreign currency valuation of individual impairment allowances are recognised in the income statement under "Other operating income".

These effects from currency translation that are recognised under "Other operating income" amounted to € 962 thousand in the 2023 financial year (31 December 2022: € 992 thousand).

Income and expenses are valued at the respective daily 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.

We departed from the accounting method of the previous year in the following case for the reason described below:

Until now, a portion of the bank levy was presented through an irrevocable payment commitment (with no effect on the balance sheet), and cash collateral was deposited for this purpose. Based on a current ruling by the European Court of Justice, this portion of the bank levy, together with the recognition of an asset under "Other assets", was now booked for the first time in the income statement as "Other liability". The expense arising for this in the amount of € 22,634 thousand was recognised in the income statement under "Extraordinary expenses" and thus worked to reduce income.

NOTES TO THE BALANCE SHEET INCOME STATEMENT

Maturity analysis by residual term

ASSETS
IN € 000

	31 Dec. 2023	31 Dec. 2022[1]	31 Dec. 2022[2]
Claims on banks	**1,251,669**	**1,527,955**	**1,536,463**
– Three months or shorter	1,213,007	1,511,295	1,511,295
– Three months – one year	684	11	11
– One year – five years	12,895	59	59
– Five years or longer	25,083	25,098	25,098
Claims on customers	**47,477,458**	**45,436,495**	**47,039,520**
– Three months	1,229,134	1,117,737	1,169,855
– Three months – one year	2,637,734	2,124,318	2,205,210
– One year – five years	15,352,799	14,096,011	14,713,304
– Five years or longer	28,257,791	28,098,429	28,951,151
Bonds and other fixed-income securities ≤ one year	**161,836**	**63,668**	**114,168**

LIABILITIES, CAPITAL AND RESERVES
IN € 000

	31 Dec. 2023	31 Dec. 2022[1]	31 Dec. 2022[2]
Liabilities to banks	**4,228,202**	**6,463,165**	**6,632,529**
– Three months or shorter	1,720,903	1,753,708	1,777,072
– Three months – one year	394,335	1,708,662	1,721,662
– One year – five years	761,353	1,509,849	1,610,849
– Five years or longer	1,351,611	1,490,946	1,522,946
Liabilities to customers	**16,556,366**	**15,645,855**	**16,755,570**
– Three months or shorter	1,435,591	1,135,897	1,248,942
– Three months – one year	1,549,283	1,457,049	1,797,569
– One year – five years	1,961,008	1,328,896	1,792,046
– Five years or longer	11,610,484	11,724,013	11,917,013
Certificated liabilities	**30,408,685**	**28,025,769**	**28,417,723**
Bonds issued			
– Three months or shorter	536,816	273,723	273,723
– Three months – one year	3,879,991	2,382,303	2,394,553
– One year – five years	13,974,500	11,671,628	11,894,728
– Five years or longer	11,845,451	13,358,938	13,515,542
Other certificated liabilities			
– Three months or shorter	64,622	69,802	69,802
– Three months – one year	107,305	269,375	269,375

1 Prior-year figures, Münchener Hypothekenbank
2 Prior-year figures, including M.M.Warburg & CO Hypothekenbank AG

Claims on | Liabilities

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

	Affiliated companies 31 Dec. 2023		Companies in which participating interests are held 31 Dec. 2023		Affiliated companies 31 Dec. 2022		Companies in which participating interests are held 31 Dec. 2022	
	certificated	non-certificated	certificated	non-certificated	certificated	non-certificated	certificated	non-certificated
Claims on banks	0	0	0	459,941	0	0	0	236,011
Claims on customers					0	0	0	0
Bonds and other fixed-income securities	0	0	92,075	0	0	0	92,076	0
Liabilities to banks	0	0	0	1,503,336	0	0	0	1,683,790
Liabilities to customers	0	697	0	0	0	2,027	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

	31 Dec. 2023		31 Dec. 2022	
Asset category	Listed	Unlisted	Listed	Unlisted
Bonds and other fixed-income securities	3,930,120	180,911	2,075,057	169,163
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	147,000	7,217	0

There are no restrictions on the ability to redeem daily.

SUBORDINATED ASSETS
IN € 000

	31 Dec. 2023	31 Dec. 2022
Bonds and other fixed-income securities	92,075	92,076

Trading book

As of 31 December 2023, 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. 2023	Net book value on 31 Dec. 2022
Bonds and other fixed-income securities	2,263,363	+ 1,905,516	4,168,879	2,263,363
Shares and other non fixed-income securities	0	0	0	0
Participations and shares in cooperatives	102,742	0	102,742	102,742
Shares in affiliated companies	11,751	- 10,600	1,151	11,751

									Changes in legal depreciation taken related to				Net book value on	
	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	Additions	Disposals	Transfers	Accumulated depreciation at end of business year	31 Dec. 2023	31 Dec. 2022
Intangible assets	19,323	464			19,787	19,140	299					19,439	348	183
a) Internally generated commercial property rights and similar rights and assets	0												0	0
b) Concessions acquired for consideration, commercial rights and similar rights and values, as well as licenses to these rights and values	19,323	464			19,787	19,140	299					19,439	348	183
Tangible assets	101,841	31,149	336		132,654	36,655	3,301			336		39,620	93,034	65,186

[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.

The change to the item "Bonds and other fixed-income securities" includes the addition of securities in the amount of € 31,015 thousand from the merger with M.M.Warburg & CO Hypothekenbank AG.

The transfer of assets as a result of the merger with the wholly owned subsidiary Nußbaumstraße GmbH & Co. KG (carry amount of limited partner interests: € 10,600 thousand) took place in accordance with the exchange principles of German commercial law, in exercise of the fair value option. Additions to tangible assets included the corresponding countervalue of € 30,705 thousand. No information was available on the other participations on the balance sheet date that the fair 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 € 1,575,468 thousand (previous year: € 605,189 thousand) exceeding the fair value of € 1,534,980 thousand (previous year: € 574,978 thousand). To the extent that these securities are associated with a swap transaction, they are valued together with the transaction as a single item.

Of the bonds and other fixed-interest securities held as fixed assets, there are € 3,904 million in valuation units within the meaning of Section 254 HGB as at the balance sheet date.

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 valued in accordance with the moderated lower of cost or market principle € 4,111,030 thousand (previous year: € 2,244,220 thousand) are marketable securities.

Shareholdings

The Cooperative holds the following investments in other enterprises with which a group relationship exists:

SHAREHOLDINGS

	Percentage of capital held IN %	Equity IN € 000	Profit/loss IN € 000
M-Wert GmbH, Munich [1]	100.00	435	182
Immobilienservice GmbH der Münchener Hypothekenbank eG, Munich (profit transfer agreement) [2]	100.00	509	0
M-4tec GmbH, Munich [1]	100.00	595	-10

1 Annual financial statements 2022.
2 Annual financial statements 2023.

Consolidated financial statements were not prepared because preparation was able to be dispensed with due to the minor significance for the assets, liabilities, financial position and financial performance (Section 290 (5) HGB in conjunction with Section 296 (2) HGB).

Other investments were listed due to the overall minor significance pursuant to Section 286 (3) HGB.

Tangible assets

The portion of the total value attributable to the land and buildings used by the Bank is € 52,068 thousand (previous year: € 53,026 thousand), and of plant and office equipment € 3,465 thousand (previous year: € 3,324 thousand).

Other assets

The item "Other assets" includes deferred items of € 52,451 thousand related to the derivative business, and € 46,439 thousand in commissions for mortgage loans that will be paid after the balance sheet date. Furthermore this item also includes € 22,634 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. 2023	31 Dec. 2022
Assets side 11.		
Discount from liabilities	116,523	87,811
Premium from claims	1,998	2,907
Other deferred charges	16,741	19,128
Liabilities side 5.		
Premium from liabilities	32,788	46,337
Discount from claims	818	1,388
Other deferred income	13,393	16,420

The remaining deferred items include compensatory payments by the Bank to derivative counterparties due to a change in the collateralisation 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

Because the values recognised in the balance sheet prepared for commercial law purposes differ from those recognised in the balance sheet prepared for tax purposes, deferred tax assets arise for the items "Claims on customers", "Equities and other variable-yield securities" and "Provisions". Deferred tax liabilities result from the item "Tangible assets". 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 € 0 thousand (previous year: € 2,202,000 thousand) were pledged. Within the framework of security arrangements for derivative transactions, cash collateral of € 858,320 thousand (previous year: € 1,286,540 thousand) was provided. Securities valued at € 19,970 thousand (previous year: € 14,734 thousand) were pledged to secure pension obligations and requirements of the partial retirement model for older employees. Securities valued at € 20,000 thousand (previous year: € 20,000 thousand) were pledged to secure financial aid obligations within the framework of a Contractual Trust Arrangement (CTA). Claims in respect of loans valued at € 661,665 thousand (previous year: € 632,437 thousand) were assigned to secure loans obtained from credit institutions.

Pursuant to Section 12 (5) of the German Restructuring Fund Act (Restrukturierungsfondsgesetz, RStruktFG), € 22,634 thousand in cash collateral has been pledged.

Other liabilities

The item "Other liabilities" consists of € 122,223 thousand for deferred items and adjustment items for valuation of foreign currency items, and € 20,191 thousand related to derivative transactions, as well as interest deferrals under Additional Tier 1 (AT1) bonds of € 5,443 thousand and interest deferrals under subordinated liabilities of € 6,766 thousand. In addition, because of the changed accounting method, there is a further liability under this item in the amount of € 22,634 thousand for cash collateral pledged pursuant to Section 12 (5) of the RStruktFG.

Subordinated liabilities

Subordinated liabilities incurred interest expenses of € 8,297 thousand (previous year: € 738 thousand).

Subordinated liabilities which individually exceed 10 percent of the overall statement amount to:

Nominal amount	Currency	Interest rate	Maturity date
200,000,000.00	EUR	7.125	31.10.2028
124,190,064.79	CHF	4.2525	07.06.2023

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 it 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 € 10 million from the takeover of M.M.Warburg & CO Hypothekenbank AG and CHF 200 million, or a book value of € 216 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 € 9,050 thousand on the balance sheet date, of which € 5,443 thousand was attributable to accrued interest.

As at 31 December 2023, there were four bonds in the portfolio.

Nominal amount	Currency	Interest rate	Date issued	First interest rate adjustment (every 5 years thereafter)	Margin on interest rate adjustment
125,000,000.00	CHF	3.125	12.12.2019	02.06.2025	3.656
75,000,000.00	CHF	5.750	02.06.2022	02.06.2027	4.945
6,000,000.00	EUR	6.400	10.12.2018	30.11.2028	4.000
4,000,000.00	EUR	6.400	30.11.2018	30.11.2028	4.000

Both CHF bonds were issued in denominations of CHF 50,000. Both EUR bonds are divided into units of 1 each. The bonds are perpetual. The CHF bonds are callable by Münchener Hypothekenbank after 5.5 years, and the EUR bonds after 5 years. The interest rate for the CHF bonds will be adjusted to the current 5-year CHF mid-swap rate on the interest rate adjustment date, as well as an additional margin. For the EUR bonds, the interest rate is equal to the yield on debt securities outstanding for government bonds with a residual term of 4 to 5 years, as well as an additional margin.

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 CHF bonds 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, and the EUR bonds will be written down if the CET ratio falls below 5.125 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. 2023	31 Dec. 2022
Capital contributions	1,271,496,030.00	1,272,002,690.00
a) of remaining members	1,260,874,370.00	1,264,006,170.00
b) of former members	7,674,170.00	7,293,020.00
c) in respect of shares under notice	2,947,490.00	703,500.00
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. 2023	406,000	6,000
Transfer from 2022 retained earnings		
Transfer from 2023 net income	51,000	
31 Dec. 2023	457,000	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 € 319 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. 2023	31 Dec. 2022
Assets side	6,816,818	6,976,033
Liabilities side	6,440,055	5,987,279
Contingent liabilities and other obligations	236,249	170,961

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.

The loan commitments are shown in the nominal amount. If individual impairment allowances for irrevocable loan commitments that have not been utilised, or collective impairment allowances for latent credit risks, are classified as a liability, the respective item is curtailed at the bottom line in the amount of the provision.

Other operating expenses

This item contains expenses arising from adding interest effects of € 655 thousand (previous year: € 1,122 thousand) for established provisions.

Extraordinary expenses

This item includes expenses of € 6,302 thousand from the merger with M.M.Warburg & CO Hypothekenbank AG and expenses for recognition of the liability of € 22,634 thousand for cash collateral pledged pursuant to Section 12 (5) of the RStruktFG.

Extraordinary income

This item includes the gain of € 65,322 thousand from the merger with M.M.Warburg & CO Hypothekenbank AG and the gain of € 20,105 thousand from the merger with Nußbaumstraße GmbH & Co. KG.

Write-downs on and value allowances of loans and advances and specific securities, as well as additions to loan loss provisions

The item "Depreciation, amortisation and value adjustments on accounts receivables and certain securities as well as allocations to provisions for possible loan losses" amounted to minus € 118,037 thousand (previous year: minus € 45,467 thousand). The net result of changes in loan loss provisions (including direct depreciation) amounted to minus € 103,708 thousand (previous year: minus € 18,658 thousand). The calculation of general loan loss provisions for the lending business in accordance with IDW RS BFA 7 resulted in an addition of € 10,920 thousand (previous year: € 28,000 thousand), of which € 0 thousand (previous year: € 1,000 thousand) was in the form of a provision for latent default risks for commitments. In addition, a provision in the amount of € 3,399 thousand was created for an open loan commitment at risk of default.

Taxes on revenue and income

This item includes expenses of € 1,771 thousand relating to other periods (previous year: € 6,674 thousand).

Forward trades | 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	9,848	29,303	64,607	103,758	240
Interest rate options					
– Calls	29	488	390	906	21
– Puts	40	239	0	279	-17
Other interest rate contracts	50	10	2,893	2,953	51
Currency-related transactions					
Cross-currency swaps	1,129	2,414	162	3,705	-140
Currency swaps	627	0	0	627	19

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 € 38.7 million (previous year: € 38.6 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 € 423.4 million (previous year: € 255.2 million) and "Liabilities to banks" with € 350.8 million (previous year: € 224.4 million) or "Claims on customers", which amounted to € 8.9 million (previous year: € 7.7 million) while "Liabilities to customers" were € 11.0 million (previous year: € 12.3 million). The accrual of compensatory payments made is entered under "Other assets" with € 13.8 million (previous year: € 11.9 million); the accrual of compensatory payments received is entered under "Other liabilities" with € 20.2 million (previous year: € 21.1 million).

Compensatory items in the amount of € 122.2 million (previous year: € 113.7 million) related to the valuation of foreign currency swaps are carried under the balance sheet item "Other liabilities".

The counterparties of derivative contracts are banks and providers of financial services, located in OECD countries.

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, € 3,904 million (previous year: € 2,075 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 € 326 million.

Interest-based finance instruments carried in the banking book, including the interest rate derivatives concluded to manage general interest rate risk (asset/liability management), are valued without losses within the framework of an overall valuation of all transactions in accordance with IDS FS BFA 3 (new version). For this purpose, the interest rate driven net present values are compared. The resulting amount of the positive difference is then reduced by the net present value of the risk costs and the net present value of the portfolio management costs. In the event of a negative result, a provision for contingent losses is created, which is recognised under "Other provisions". A related provision did not have to be created based on the results of the calculation made on 31 December 2023.

All interest income and interest expenses from swaps that are assigned to asset/liability management are netted by the Bank. The net amount is then recognised either under "Interest income" or "Interest expenses" in order to present a true and accurate view of the company's net assets, financial position and financial performance.

In the current financial year, interest income of € 2,313 million (previous year: € 285 million) was netted with interest expenses of € 2,092 million (previous year: € 310 million), and the net amount of € 221 million was recognised under "Interest income" (previous year: € 25 million under "Interest Expenses").

As at 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. 2023	31 Dec. 2022
Ordinary cover assets	36,310,758	33,795,563
1. Claims on banks (mortgage loans)	13,719	168
2. Claims on customers (mortgage loans)	36,244,575	33,742,931
3. Tangible assets (charges on land owned by the Bank)	52,464	52,464
Substitute cover assets	1,240,400	581,414
1. Cash reserves	0	1,000
2. Other claims on banks	0	0
3. Bonds and other fixed-income securities	1,240,400	580,414
Total cover	37,551,158	34,376,977
Total Mortgage Pfandbriefe requiring cover	35,241,283	31,693,890
Surplus cover	2,309,875	2,683,087

B. PUBLIC PFANDBRIEFE
IN € 000

	31 Dec. 2023	31 Dec. 2022
Ordinary cover assets	1,375,944	1,406,984
1. Claims on banks (public-sector loans)	25,000	25,000
2. on customers (public-sector loans)	1,150,944	1,171,984
3. Bonds and other fixed-income securities	200,000	210,000
Substitute cover assets	0	50,000
1. Other claims on banks	0	0
2. Bonds and other fixed-income securities	0	50,000
Total cover	1,375,944	1,456,984
Total public-sector Pfandbriefe requiring cover	1,226,268	1,308,390
Surplus cover	149,676	148,594

PUBLICATION IN ACCORDANCE WITH SECTION 28 PFANDBRIEF ACT

PUBLICATION PURSUANT TO SECTION 28 (1) SENTENCE 1, 3 PFANDBRIEF ACT (PFANDBRIEFGESETZ, PFANDBG)

Pfandbriefe outstanding and their cover

Q4 2023

PFANDBRIEFE OUTSTANDING AND THEIR COVER
IN € MILLION

	nominal value		net present value		risk-adjusted net present value[1]	
	Q4 2023	Q4 2022	Q4 2023	Q4 2022	Q4 2023	Q4 2022
Outstanding total Mortgage Pfandbriefe	**35,241.3**	**31,693.9**	**33,368.0**	**28,407.9**	**30,922.5**	**21,197.3**
of which derivatives	–	–	–	–	–	–
Cover pool	37,551.2	34,377.0	36,958.0	32,304.3	34,130.9	24,490.0
of which derivatives	–	–	–	–	–	–
Over-collateralisation (OC)	2,309.9	2,683.1	3,590.0	3,896.4	3,208.4	3,292.7
OC in % of Pfandbriefe outstanding	6.6	8.5	10.8	13.7	10.4	15.5
Statutory OC[2]	1,274.0	1,148.8	667.4	1,162.0		
Contractual OC[3]	–	–	–	–		
Voluntary OC[4]	1,035.9	1,534.3	2,922.6	2,734.3		
"Over-collateralization in consideration of vdp credit quality differentiation model"	2,309.9	2,683.1	3,590.0	3,896.4		
OC in % of Pfandbriefe outstanding	6.6	8.5	10.8	13.7		

1 The dynamic approach was used for calculating the risk-adjusted net present value according to Section 5 (1) No. 2 of the Net Present Value Regulation (PfandBarwertV).
2 According to nominal value: sum of the nominal statutory over-collateralisation pursuant to Section 4 (2) PfandBG and the nominal value of the net present value statutory over-collateralisation pursuant to Section 4 (1) PfandBG
3 Contractual over-collateralisation
4 Residual, depending on the statutory and contractual over-collateralisation; net present value includes the net present value of the nominal statutory over-collateralisation pursuant to Section 4 (2) PfandBG
Note: The release of the over-collateralisation with a view to the vdp-credit quality differentiation model is voluntary.

OUTSTANDING TOTAL PUBLIC PFANDBRIEFE
IN € MILLION

	nominal value		net present value		risk-adjusted net present value [1]	
	Q4 2023	Q4 2022	Q4 2023	Q4 2022	Q4 2023	Q4 2022
Outstanding total Mortgage Pfandbriefe	**1,226.3**	**1,308.4**	**1,359.0**	**1,401.9**	**1,256.7**	**993.8**
of which derivatives	–	–	–	–	–	–
Cover pool	1,375.9	1,457.0	1,531.6	1,552.6	1,360.8	1,041.4
of which derivatives	–	–	14.4	12.0	7.3	-15.8
Over-collateralization (OC)	149.6	148.6	172.6	150.7	104.1	47.7
OC in % of Pfandbriefe outstanding	12.2	11.4	12.7	10.7	8.3	4.8
Statutory OC [2]	47.9	51.1	27.2	55.9		
Contractual OC [3]	–	–	–	–		
Voluntary OC [4]	101.7	97.5	145.5	94.8		
Over-collateralization in consideration of vdp credit quality differentiation model	149.7	148.6	172.7	150.7		
OC in % of Pfandbriefe outstanding	12.2	11.4	12.7	10.7		

[1] The dynamic approach was used for calculating the risk-adjusted net present value according to Section 5 (1) No. 2 of the Net Present Value Regulation (PfandBarwertV).
[2] According to nominal value: sum of the nominal statutory over-collateralisation pursuant to Section 4 (2) PfandBG and the nominal value of the net present value statutory over-collateralisation pursuant to Section 4 (1) PfandBG
[3] Contractual over-collateralisation
[4] Residual, depending on the statutory and contractual over-collateralisation; net present value includes the net present value of the nominal statutory over-collateralisation pursuant to Section 4 (2) PfandBG
Note: The release of the over-collateralisation with a view to the vdp-credit quality differentiation model is voluntary.

PUBLICATION PURSUANT TO SECTION 28 (1) SENTENCE 2, NOS. 4 AND 5 OF THE GERMAN PFANDBRIEF ACT (PFANDBRIEFGESETZ, PFANDBG)

Maturity structure of Pfandbriefe outstanding and their respective cover pools

Q4 2023

MORTGAGE PFANDBRIEFE
IN € MILLION

	Q4 2023		Q4 2022		Q4 2023 Mat-Ex (12 months)[1]	Q4 2022 Mat-Ex (12 months)[1]
Maturity:	Pfandbriefe outstanding	Cover pool	Pfandbriefe outstanding	Cover pool	Pfandbriefe outstanding	Pfandbriefe outstanding
<= 0.5 years	1,866.8	1,590.2	1,280.9	1,414.7	–	–
> 0.5 years and <= 1 year	1,392.0	1,494.7	1,613.0	1,603.7	–	–
> 1 year and <= 1.5 years	1,308.2	1,417.0	731.9	1,399.8	1,866.8	1,280.9
> 1.5 years and <= 2 years	1,756.7	2,104.3	885.6	1,192.9	1,392.0	1,613.0
> 2 years and <= 3 years	3,512.0	3,537.2	1,186.6	3,229.2	3,064.9	1,617.4
> 3 years and <= 4 years	3,473.9	3,554.7	2,723.1	2,800.0	3,512.0	1,186.6
> 4 years and <= 5 years	3,498.5	2,278.7	3,197.7	2,916.4	3,473.9	2,723.1
> 5 years and <= 10 years	8,253.6	10,770.0	9,446.0	10,078.2	10,625.5	10,954.7
> 10 years	10,179.6	10,804.4	10,629.2	9,741.9	11,306.2	12,318.2

PUBLIC PFANDBRIEFE
IN € MILLION

	Q4 2023		Q4 2022		Q4 2023 Mat-Ex (12 months)[1]	Q4 2022 Mat-Ex (12 months)[1]
Maturity:	Pfandbriefe outstanding	Cover pool	Pfandbriefe outstanding	Cover pool	Pfandbriefe outstanding	Pfandbriefe outstanding
<= 0.5 years	56.5	7.2	36.7	24.9	–	–
> 0.5 years and <= 1 year	46.8	15.8	48.0	24.9	–	–
> 1 year and <= 1.5 years	11.3	13.3	53.9	26.4	56.5	36.7
> 1.5 years and <= 2 years	41.6	11.8	46.8	28.0	46.8	48.0
> 2 years and <= 3 years	172.2	240.9	77.9	128.6	52.9	100.6
> 3 years and <= 4 years	3.0	20.0	129.6	134.6	175.2	77.9
> 4 years and <= 5 years	233.4	68.8	5.4	12.4	3.0	129.6
> 5 years and <= 10 years	437.6	120.4	402.4	210.6	367.4	324.1
> 10 years	223.9	877.8	507.9	866.5	524.5	591.5

[1] Effects of an extension of maturity on the maturity structure of the Pfandbriefe / extension scenario: twelve months. This is an extremely unlikely scenario, which could only come into play after the appointment of a cover pool administrator.

INFORMATIONS ON THE MATURITY EXTENSION OF THE PFANDBRIEFE

	Q4 2023	Q4 2022
Prerequisites for the extension of maturity of the Pfandbriefe	The extension of the maturity is necessary in order to avoid the imminent insolvency of the Pfandbrief bank with limited business activity, the Pfandbrief bank with limited business activity is not overindebted and there is reason to believe that the Pfandbrief bank with limited business activity will be able to meet its liabilities then due after the expiry of the maximum possible extension date, taking into account further possibilities for extension. See also, in addition, section 30 para 2b Pfandbrief Act.	The extension of the maturity is necessary in order to avoid the imminent insolvency of the Pfandbrief bank with limited business activity, the Pfandbrief bank with limited business activity is not overindebted and there is reason to believe that the Pfandbrief bank with limited business activity will be able to meet its liabilities then due after the expiry of the maximum possible extension date, taking into account further possibilities for extension. See also, in addition, section 30 para 2b Pfandbrief Act.
Powers of the cover pool administrator in the event of the extension of maturity of the Pfandbriefe	The cover pool administrator may extend the maturity dates of the principle payments, if the relevant requirements pursuant to section 30 para. 2b Pfandbrief Act are met. The administrator shall determine the period of the extension of the maturity, which may not exceed a period of 12 months, in accordance with necessity. The cover pool administrator may extend the maturity dates of the principal and interest payments falling due within one month after the appointment of the cover pool administrator to the end of that monthly period. If the cover pool administrator decides in favor of such a extension of the maturity, the existence of the prerequisites pursuant to section 30 para. 2b Pfandbrief Act shall be irrefutably presumed. Such an extension shall be taken into account within the maximum extension period of 12 months. The cover pool administrator may only exercise his authority uniformly for all Pfandbriefe of an issue. In this connection, the maturities may be extented in full or on a pro rata basis. The cover pool administrator must extend the maturity for a Pfandbrief issue in such a way that the original order of servicing of the Pfandbriefe which could be overtaken by the postponement is not changed (prohibition of overtaking). This may result in the maturities of later maturing issues also having to be extended in order to comply with the prohibition on overtaking. See also, in addition, section 30 para. 2a and 2b Pfandbrief Act.	The cover pool administrator may extend the maturity dates of the principle payments, if the relevant requirements pursuant to section 30 para. 2b Pfandbrief Act are met. The administrator shall determine the period of the extension of the maturity, which may not exceed a period of 12 months, in accordance with necessity. The cover pool administrator may extend the maturity dates of the principal and interest payments falling due within one month after the appointment of the cover pool administrator to the end of that monthly period. If the cover pool administrator decides in favor of such a extension of the maturity, the existence of the prerequisites pursuant to section 30 para. 2b Pfandbrief Act shall be irrefutably presumed. Such an extension shall be taken into account within the maximum extension period of 12 months. The cover pool administrator may only exercise his authority uniformly for all Pfandbriefe of an issue. In this connection, the maturities may be extented in full or on a pro rata basis. The cover pool administrator must extend the maturity for a Pfandbrief issue in such a way that the original order of servicing of the Pfandbriefe which could be overtaken by the postponement is not changed (prohibition of overtaking). This may result in the maturities of later maturing issues also having to be extended in order to comply with the prohibition on overtaking. See also, in addition, section 30 para. 2a and 2b Pfandbrief Act.

PUBLICATION PURSUANT TO SECTION 28 (2) NO. 1 A, (3) NO. 1 AND (4) NO. 1 A OF THE GERMAN PFANDBRIEF ACT (PFANDBRIEFGESETZ, PFANDBG)

Mortgage loans used as cover for Mortgage Pfandbriefe according to their amount in tranches

Q4 2023

COVER ASSETS
IN € MILLION

	Q4 2023	Q4 2022
Up to EUR 300,000	20,213.9	19,684.7
Between EUR 300,000 and EUR 1 million	5,700.7	4,962.8
Between EUR 1 million and EUR 10 million	2,716.1	2,286.7
Over EUR 10 million	7,680.1	6,861.3
Total	**36,310.8**	**33,795.6**

Cover assets used to secure public Pfandbriefe according to their amount in tranches

Q4 2023

COVER ASSETS
IN € MILLION

	Q4 2023	Q4 2022
Up to EUR 10 million	35.9	51.9
Between EUR 10 million and EUR 100 million	370.0	430.0
Over EUR 100 million	970.0	975.1
Total	**1,375.9**	**1,457.0**

PUBLICATION PURSUANT TO SECTION 28 (2) NO. 1 B AND C AND NO. 2 OF THE GERMAN PFANDBRIEF ACT (PFANDBRIEFGESETZ, PFANDBG)

Volume of claims used to cover Mortgage Pfandbriefe according to states in which the real property is located, according to property type and the total amount of payments in arrears for at least 90 days as well as the total amount of these claims inasmuch as the respective amount in arrears is at least 5 percent of the claim

Q4 2023

MORTGAGE BONDS COVER
IN € MILLION

ACCORDING TO GROUP OF BORROWERS AND REGIONS
IN € MILLION

		Cover assets														ACCORDING TO GROUP OF BORROWERS AND REGIONS	
			thereof														
			Residential						Commercial								
				thereof						thereof							
State	Q4	Total	Total	Apart-ments	Single-and two-family houses	Multiple-family houses	Buildings under con-struction	Buil-ding land	Total	Office buildings	Retail buildings	Industrial buildings	Other commerci-ally used buildings	Buildings under construc-tion	Build-ing land	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 – all states	**year 2023**	**36,310.8**	**29,352.3**	**5,470.1**	**18,275.1**	**5,599.0**	**7.4**	**0.7**	**6,958.5**	**4,521.2**	**2,186.1**	**6.4**	**244.8**	**–**	**–**	**15.1**	**17.7**
	year 2022	33,795.6	27,774.0	5,136.1	17,406.1	5,222.4	8.1	1.3	6,021.6	3,874.9	1,860.5	6.9	279.3	–	–	11.6	12.9
Germany	year 2023	29,173.2	24,190.0	3,787.4	15,471.0	4,923.5	7.4	0.7	4,983.2	3,407.4	1,366.0	6.4	203.4	–	–	14.9	17.3
	year 2022	26,682.6	22,840.3	3,524.8	14,718.8	4,587.3	8.1	1.3	3,842.2	2,513.5	1,089.6	6.9	232.2	–	–	11.6	12.9
Belgium	year 2023	71.6	–	–	–	–	–	–	71.6	71.6	–	–	–	–	–	–	–
	year 2022	71.6	–	–	–	–	–	–	71.6	71.6	–	–	–	–	–	–	–
France	year 2023	217.8	–	–	–	–	–	–	217.8	159.8	58.0	–	–	–	–	–	–
	year 2022	259.2	–	–	–	–	–	–	259.2	201.2	58.0	–	–	–	–	–	–
Great Britain	year 2023	271.9	82.1	–	–	82.1	–	–	189.8	152.4	14.0	–	23.4	–	–	–	–
	year 2022	281.9	–	–	–	–	–	–	281.9	231.2	27.6	–	23.0	–	–	–	–
Luxembourg	year 2023	116.7	–	–	–	–	–	–	116.7	116.7	–	–	–	–	–	–	–
	year 2022	90.9	–	–	–	–	–	–	90.9	90.9	–	–	–	–	–	–	–
Netherlands	year 2023	734.5	293.7	–	–	293.7	–	–	440.8	175.8	265.0	–	–	–	–	–	–
	year 2022	716.6	299.6	–	–	299.6	–	–	417.0	175.2	241.8	–	–	–	–	–	–
Austria	year 2023	250.7	56.1	16.3	39.6	0.2	–	–	194.6	46.3	130.3	–	18.0	–	–	0.2	0.4
	year 2022	173.7	45.4	14.2	30.9	0.3	–	–	128.3	36.2	92.1	–	–	–	–	0.0	–
Spain	year 2023	479.1	31.8	–	–	31.8	–	–	447.3	116.5	330.8	–	–	–	–	–	–
	year 2022	469.0	8.5	–	–	8.5	–	–	460.5	132.0	328.5	–	–	–	–	–	–
Switzerland	year 2023	4,430.9	4,430.9	1,666.4	2,764.5	–	–	–	–	–	–	–	–	–	–	–	–
	year 2022	4,253.5	4,253.5	1,597.1	2,656.5	–	–	–	–	–	–	–	–	–	–	–	–
USA	year 2023	564.4	267.7	–	–	267.7	–	–	296.7	274.7	22.0	–	–	–	–	–	–
	year 2022	796.5	326.6	–	–	326.6	–	–	469.9	423.0	22.8	–	24.0	–	–	–	–

PUBLICATION PURSUANT TO SECTION 28 (3) NO. 2 OF THE GERMAN PFANDBRIEF ACT (PFANDBRIEFGESETZ, PFANDBG)

Volume of claims used to cover Public Pfandbriefe

Q4 2023

VOLUME OF CLAIMS USED TO COVER PUBLIC PFANDBRIEFE

IN € MILLION

		Cover assets									
		Total		thereof owed by				thereof granted by			
State	Q4		Total includes claims granted for promoting exports	State	Regional authorities	Local authorities	Other debtors	State	Regional authorities	Local authorities	Other debtors
Total – all states	**year 2023**	**1,375.9**	**–**	**120.0**	**1,135.0**	**35.9**	**85.0**	**–**	**–**	**–**	**–**
	year 2022	1,457.0	–	120.0	1,200.1	51.9	85.0	–	–	–	–
Germany	year 2023	1,220.9	–	–	1,100.0	35.9	85.0	–	–	–	–
	year 2022	1,302.0	–	–	1,165.1	51.9	85.0	–	–	–	–
Austria	year 2023	155.0	–	120.0	35.0	–	–	–	–	–	–
	year 2022	155.0	–	120.0	35.0	–	–	–	–	–	–

PUBLICATION PURSUANT TO SECTION 28 (3) NO. 3 OF THE GERMAN PFANDBRIEF ACT (PFANDBRIEFGESETZ, PFANDBG)

Total amount of payments in arrears for at least 90 days as well as the total amount of these claims inasmuch as the respective amount in arrears is at least 5 percent of the claim

Q4 2023

AMOUNT OF CLAIMS IN ARREARS ON PUBLIC-SECTOR PFANDBRIEFE

IN € MILLION

		Amount of claims in arrears for at least 90 days					Total amount of these claims inasmuch as the respectiveamount in arrears is at least 5% of the claim				
			thereof					thereof			
State	Q4	Total	State	Regional authorities	Local authorities	Other debtors	Total	State	Regional authorities	Local authorities	Other debtors
Total – all states	**year 2023**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	year 2022	–	–	–	–	–	–	–	–	–	–
Germany	year 2023	–	–	–	–	–	–	–	–	–	–
	year 2022	–	–	–	–	–	–	–	–	–	–

PUBLICATION PURSUANT TO SECTION 28 (1) SENTENCE 1 NOS. 8, 9 AND 10 OF THE GERMAN PFANDBRIEF ACT (PFANDBRIEFGESETZ, PFANDBG)

Further cover assets – in detail for Mortgage Pfandbriefe

Q4 2023

FURTHER COVER ASSETS – IN DETAIL FOR MORTGAGE PFANDBRIEFE
IN € MILLION

		Further cover assets for Mortgage Pfandbriefe according to Section 19 (1) No. 2 a) and b), Section 19 (1) No. 3 a) to c), Section 19 (1) No. 4					
			thereof				
			claims according to Section 19 (1) No. 2 a) and b)		claims according to Section 19 (1) No. 3 a) to c)		
				thereof		thereof	
State	Q4	Total	Overall	Covered bonds according to Article 129 Regulation (EU) No 575/2013	Overall	Covered bonds according to Article 129 Regulation (EU) No 575/2013	Claims according to Section 19 (1) No. 4
Total – all states	**year 2023**	**1,240.4**	**–**	**–**	**–**	**–**	**1,240.4**
	year 2022	581.4	–	–	1.0	–	580.4
Germany	year 2023	1,230.0	–	–	–	–	1,230.0
	year 2022	571.0	–	–	1.0	–	570.0
Austria	year 2023	10.4	–	–	–	–	10.4
	year 2022	10.4	–	–	–	–	10.4

PUBLICATION ACCORDING TO SECTION 28 PARA. 1 NOS. 8, 9 PFANDBRIEF ACT (PFANDBRIEFGESETZ, PFANDBG)

Further cover assets – in detail for Public Pfandbriefe

Q4 2023

FURTHER COVER ASSETS – IN DETAIL FOR PUBLIC PFANDBRIEFE
IN € MILLION

		Further cover assets for Public Pfandbriefe according to section 20 para. 2 no. 2, section 20 para. 2 nos. 3 a) to c), section 20 para. 2 no. 4						
			thereof					
			claims according to section 20 para. 2 no. 2		claims according to section 20 para. 2 nos. 3 a) to c)		claims according to section 20 para. 2 no. 4	
				thereof		thereof		thereof
State	Q4	Total	Overall	covered bonds according to Art. 129 Regulation (EU) No 575/2013	Overall	covered bonds according to Art. 129 Regulation (EU) No 575/2013	Overall	covered bonds according to Art. 129 Regulation (EU) No 575/2013
Total – all states	**year 2023**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	year 2022	–	–	–	–	–	–	–
Germany	year 2023	–	–	–	–	–	–	–
	year 2022	–	–	–	–	–	–	–

PUBLICATION ACCORDING TO SECTION 28 (1) SENTENCE 1 NOS. 6, 7, 11, 12, 13, 14, 15 PFANDBRIEF ACT AND SECTION 28 (2) SENTENCE 1 NOS. 3, 4 PFANDBRIEF ACT (PFANDBRIEFGESETZ, PFANDBG)

Key figures about outstanding Pfandbriefe and cover pool

Q4 2023

MORTGAGE PFANDBRIEFE

		Q4 2023	Q4 2022
Outstanding Pfandbriefe	(€ mn.)	35,241.3	31,693.9
thereof percentage share of fixed-rate Pfandbriefe Section 28 (1) 13	%	96.1	91.0
Cover pool	(€ mn.)	37,551.2	34,377.0
thereof total amount of the claims according to Section 12 (1) which exceed the limits laid down in section 13 para. 1 s. 2, 2nd half sentence section 28 para. 1 no. 11	(€ mn.)	–	–
thereof total amount of the assets according to section 19 para. 1 which exceed the limits laid down in Section 19 (1) sentence 6 Section 28 (1) No. 11	(€ mn.)	–	–
Claims which exceed the limits laid down in Section 19 (1) No. 2 Section 28 (1) No. 12	(€ mn.)	–	–
Claims which exceed the limits laid down in Section 19 (1) No. 3 Section 28 (1) No. 12	(€ mn.)	–	–
Claims which exceed the limits laid down in Section 19 (1) No. 4 Section 28 (1) No. 12	(€ mn.)	–	–
thereof percentage share of fixed-rate cover assets Section 28 (1) No. 13	%	95.9	96.0
Net present value pursuant to Section 6 of the Pfandbrief Net Present Value Regulation for each foreign currency in € million Section 28 (1) No. 14 (net total)	CAD	–	–
	CHF	870.9	795.2
	CZK	–	–
	DKK	–	–
	GBP	-113.6	-120.4
	HKD	–	–
	JPY	–	–
	NOK	–	–
	SEK	–	–
	USD	-19.6	450.3
	AUD	–	–

MORTGAGE PFANDBRIEFE

		Q4 2023	Q4 2022
Volume-weighted average of the maturity that has passed since the loan was granted (seasoning) Section 28 (2) No. 4	Years	5.3	5.0
Average loan-to-value ratio, weighted using the mortgage lending value Section 28 (2) No. 3	%	52.4	52.0
Average loan-to-value ratio, weighted using the market value	%	–	–
Key figures on liquidity according to Section 28 (1) No. 6 Pfandbrief Act[1]			
Largest negative amount within the next 180 days within the meaning of Section 4 (1a) sentence 3 Pfandrief Act for Pfandbriefe	(€ mn.)	581.7	82.2
Day on which the largest negative sum results	Day (1–180)	179	166
Total amount of cover assets meeting the requirements of Section 4 (1a) sentence 3 Pfandbrief Act	(€ mn.)	1,324.1	620.7
Key figures according to Section 28 (1) sentence 7 Pfandbrief Act			
Share of derivative transactions included in the cover pools according to Section 19 (1) No. 1 (credit quality step 3)	%	–	–
Share of derivative transactions included in the cover pools according to Section 19 (1) No. 2c (credit quality step 2)	%	–	–
Share of derivative transactions included in the cover pools according to Section 19 (1) No. 3d (credit quality step 1)	%	–	–
Share of derivative transactions in liabilities to be covered according to Section 19 (1) No. 1 (credit quality step 3)	%	–	–
Share of derivative transactions in liabilities to be covered according to Section 19 (1) No. 2c (credit quality step 2)	%	–	–
Share of derivative transactions in liabilities to be covered according to Section 19 (1) No. 3d (credit quality step 1)	%	–	–
Key figures according to Section 28 (1) No. 15 Pfandbrief Act			
Share of cover assets in the cover pool for which or for whose debtor a default pursuant to Article 178 (1) of Regulation (EU) no. 575/2013 is deemed to have occurred.	%	0.7	0.3

PUBLICATION ACCORDING TO SECTION 28 (1) SENTENCE 1 NOS. 6, 7, 11, 12, 13, 14, 15 PFANDBRIEF ACT AND SECTION 28 (2) SENTENCE 1 NOS. 3, 4 PFANDBRIEF ACT (PFANDBRIEFGESETZ, PFANDBG)

Key figures about outstanding Pfandbriefe and cover pool

Q4 2023

PUBLIC PFANDBRIEFE

		Q4 2023	Q4 2022
Outstanding Pfandbriefe	(€ mn.)	1,226.3	1,308.4
thereof percentage share of fixed-rate Pfandbriefe Section 20 (1) No. 13	%	91.0	92.0
Cover pool	(€ mn.)	1,375.9	1,457.0
thereof total amount of the claims according to Section 20 (1 and 2) which exceed the limits laid down in Section 20 (3) Section 28 (1) No. 11	(€ mn.)	–	–
Claims which exceed the limits laid down in Section 20 (2) No. 2 Section 20 (1) No. 12	(€ mn.)	–	–
Claims which exceed the limits laid down in Section 20 (2) No. 3 Section 20 (2) No. 12		–	
thereof percentage share of fixed-rate cover assets Section 28 (1) No. 13	%	94.6	91.0
Net present value pursuant to Section 6 of the Pfandbrief Net Present Value Regulation for each foreign currency in € million Section 28 (1) No. 14 (net total)	CAD	–	–
	CHF	–	–
	CZK	–	–
	DKK	–	–
	GBP	–	–
	HKD	–	–
	JPY	–	–
	NOK	–	–
	SEK	–	–
	USD	–	–
	AUD	–	–
Key figures on liquidity according to Section 28 para. 1 no. 6 Pfandbrief Act			
Largest negative amount within the next 180 days within the meaning of section 4 para. 1a s. 3 Pfandrief Act for Pfandbriefe	(€ mn.)	58.7	19.3
Day on which the largest negative sum results	Day (1-180)	115	111
Total amount of cover assets meeting the requirements of Section 4 para 1a s. 3 Pfandbrief Act	(€ mn.)	158.5	225.9

PUBLIC PFANDBRIEFE

		Q4 2023	Q4 2022
Key figures according to Section 28 (1) No. 7 Pfandbrief Act			
Share of derivative transactions included in the cover pools according to Section 20 (2) No. 1 (credit quality step 3)	%	–	–
Share of derivative transactions included in the cover pools according to Section 20 (2) No. 2 (credit quality step 2)	%	1.0	0.8
Share of derivative transactions included in the cover pools according to Section 20 (2) No. 3c (credit quality step 1)	%	–	–
Share of derivative transactions in liabilities to be covered according to Section 20 (2) No. 1 (credit quality step 3)	%	–	–
Share of derivative transactions in liabilities to be covered according to Section 20 (2) No. 2 (credit quality step 2)	%	–	–
Share of derivative transactions in liabilities to be covered according to Section 20 (2) No. 3c (credit quality step 1)	%	–	–
Key figures according to Section 28 (1) No. 15 Pfandbrief Act			
Share of cover assets in the cover pool for which or for whose debtor a default pursuant to Article 178 (1) of Regulation (EU) no. 575/2013 is deemed to have occurred.	%	–	–

PUBLICATION ACCORDING TO SECTION 28 (1) SENTENCE 1 NO. 2 PFANDBRIEF ACT (PFANDBRIEFGESETZ, PFANDBG)

List of International Securities Identification Numbers of the International Organization for Standardization (ISIN) by Pfandbrief class

Q4 2023

MORTGAGE PFANDBRIEFE

	Q4 2023	Q4 2022[1]
ISIN	CH0386949314, CH0417086086, CH0438965532, CH0457206842, CH0460872341, CH0463112059, CH0471297991, CH0481013768, CH1100259808, CH1122290237, CH1131931375, CH1137407453, CH1139995810, CH1175016091, CH1195555409, CH1233900005, CH1271360427, DE000A11QCG1, DE000A254ZY0, DE000A2AASW0, DE000A2G9GY4, DE000A2GS2H6, DE000A2GSRM2, DE000A2LQ4R6, DE000A2LQ4T2, DE000A2TR7N9, DE000A2TSS66, DE000A2YNRE3, DE000A30V3C8, DE000A30V3D6, DE000A30V3E4, DE000A351LJ5, DE000A3E5FC1, DE000A3E5P03, DE000A3H2002, DE000A3H2YT0, DE000A3H3JW3, DE000MHB10J3, DE000MHB12J9, DE000MHB13J7, DE000MHB17J8, DE000MHB18J6, DE000MHB1954, DE000MHB19J4, DE000MHB20J2, DE000MHB2234, DE000MHB2242, DE000MHB2283, DE000MHB22J8, DE000MHB2317, DE000MHB2374, DE000MHB2440, DE000MHB2457, DE000MHB25J1, DE000MHB2648, DE000MHB2697, DE000MHB26J9, DE000MHB2705, DE000MHB2721, DE000MHB2739, DE000MHB2754, DE000MHB27J7, DE000MHB2812, DE000MHB2820, DE000MHB2838, DE000MHB2853, DE000MHB2861, DE000MHB28J5, DE000MHB2945, DE000MHB2960, DE000MHB2978, DE000MHB2994, DE000MHB29J3, DE000MHB30J1, DE000MHB31J9, DE000MHB32J7, DE000MHB33J5, DE000MHB34J3, DE000MHB35J0, DE000MHB36J8, DE000MHB37J6, DE000MHB4057, DE000MHB4107, DE000MHB4149, DE000MHB4156, DE000MHB4214, DE000MHB4289, DE000MHB4297, DE000MHB4305, DE000MHB4388, DE000MHB4396, DE000MHB4412, DE000MHB4420, DE000MHB4446, DE000MHB4479, DE000MHB4487, DE000MHB4529, DE000MHB4552, DE000MHB4560, DE000MHB4586, DE000MHB4610, DE000MHB4636, DE000MHB4644, DE000MHB4651, DE000MHB4669, DE000MHB4677, DE000MHB4685, DE000MHB4693, DE000MHB4701, DE000MHB4719, DE000MHB4727, DE000MHB4735, DE000MHB4743, DE000MHB4750, DE000MHB4776, DE000MHB4784, DE000MHB4792, DE000MHB4818, DE000MHB4826, DE000MHB4842, DE000MHB4859, DE000MHB4867, DE000MHB4875, DE000MHB4883, DE000MHB4891, DE000MHB61H0, DE000MHB9171	CH0386949314, CH0417086086, CH0438965532, CH0457206842, CH0460872341, CH0463112059, CH0471297991, CH0481013768, CH1100259808, CH1122290237, CH1131931375, CH1137407453, CH1139995810, CH1175016091, CH1195555409, DE000MHB10J3, DE000MHB12J9, DE000MHB13J7, DE000MHB14J5, DE000MHB17J8, DE000MHB18J6, DE000MHB1954, DE000MHB19J4, DE000MHB20J2, DE000MHB2135, DE000MHB2192, DE000MHB21J0, DE000MHB2234, DE000MHB2242, DE000MHB2283, DE000MHB22J8, DE000MHB2317, DE000MHB2374, DE000MHB2432, DE000MHB2440, DE000MHB2457, DE000MHB24J4, DE000MHB25J1, DE000MHB2648, DE000MHB2697, DE000MHB26J9, DE000MHB2705, DE000MHB2721, DE000MHB2739, DE000MHB2754, DE000MHB27J7, DE000MHB2812, DE000MHB2820, DE000MHB2838, DE000MHB2853, DE000MHB2861, DE000MHB2895, DE000MHB28J5, DE000MHB2945, DE000MHB2960, DE000MHB2978, DE000MHB2994, DE000MHB29J3, DE000MHB30J1, DE000MHB31J9, DE000MHB32J7, DE000MHB4024, DE000MHB4057, DE000MHB4107, DE000MHB4149, DE000MHB4156, DE000MHB4172, DE000MHB4206, DE000MHB4214, DE000MHB4248, DE000MHB4263, DE000MHB4289, DE000MHB4297, DE000MHB4305, DE000MHB4354, DE000MHB4370, DE000MHB4388, DE000MHB4396, DE000MHB4404, DE000MHB4412, DE000MHB4420, DE000MHB4438, DE000MHB4446, DE000MHB4479, DE000MHB4487, DE000MHB4495, DE000MHB4529, DE000MHB4552, DE000MHB4560, DE000MHB4586, DE000MHB4602, DE000MHB4610, DE000MHB4636, DE000MHB4644, DE000MHB4651, DE000MHB4669, DE000MHB4677, DE000MHB4685, DE000MHB4693, DE000MHB4701, DE000MHB4719, DE000MHB4727, DE000MHB4735, DE000MHB4743, DE000MHB4750, DE000MHB61H0, DE000MHB9171

PUBLIC PFANDBRIEFE

	Q4 2023	Q4 2022[1]
ISIN	DE000MHB3349	DE000MHB3349

Overdue interest

COVERING MORTGAGES WITH OVERDUE INTEREST
IN € 000

	Total		Thereof residential		Thereof commercial	
	2023	2022	2023	2022	2023	2022
Overdue interest	414	293	414	292	0	1

Foreclosures and receiverships

FORECLOSURES AND RECEIVERSHIPS OF MORTGAGES USED AS COVER

	Total		Thereof residential		Thereof commercial	
Pending on balance sheet date	2023	2022	2023	2022	2023	2022
– Foreclosure proceedings	68	64	67	62	1	2
– Receivership proceedings	6	12	4	10	2	2
	4 [1]	11 [1]	4 [1]	10 [1]	0 [1]	1 [1]
Foreclosures completed during business year	20	14	20	14	0	0

[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 movement

MEMBERSHIP DATA

	Number of members
Beginning of 2022	60,347
Additions in 2022	289
Reductions in 2022	3,677
End of 2022	56,959

	€
Increase in remaining members capital contributions	3,131,800.00
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	299.00	182.50	481.50
Part-time employees	37.00	124.25	161.25
Total number of employees	336.00	306.75	642.75
These figures do not include:			
Apprenticed trainees	4.00	9.50	13.50
Employees participating in parental leave, early retirement, partial retirement (non-working phase), or employees suspended with pay	13.50	28.80	42.25

Special disclosure requirements

Pursuant to Section 8 CRR (Articles 435 to 455), Münchener Hypothekenbank 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 0.201 percent.

Proposed appropriation of distributable income

Net income for the year comes to EUR 102,120,896.28. These annual financial statements show an advance allocation of EUR 51,000,000.

The remaining unappropriated profit for the year – including profit carried forward from the previous year – amounting to € 51,393,021.39 should therefore be allocated as follows:

4.00% dividend	EUR 50,703,000.00
Carried forward to new year	EUR 690.021,39

Company

Münchener Hypothekenbank eG
Karl-Scharnagl-Ring 10 | 80539 München
Register of cooperatives of the District Court of Munich
Gen.-Reg 396

BODIES

Supervisory Board

Dr Hermann Starnecker
Spokesman of the Board of Management
VR Bank Augsburg-Ostallgäu eG
Chairman of the Supervisory Board

Gregor Scheller
President and Chairman of the Board of
Genossenschaftsverbands Bayern e.V.
Deputy Chairman of the Supervisory Board

HRH Anna Duchess in Bavaria
Entrepreneur

Thomas Höbel
Spokesman of the Board of Management
Volksbank Raiffeisenbank Dachau eG (until 31.12.2023)
Retirement (as of 01.01.2024)

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

Jürgen Hölscher
Member of the Board of Management
Emsländische Volksbank eG

Rainer Jenniches
Chairman of the Board of Management
VR-Bank Bonn Rhein-Sieg eG

Reimund Käsbauer
Employee representative

Michael Schäffler
Employee representative

Claudia Schirsch
Employee representative

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

Frank Wolf-Kunz
Employee representative

Board of Management

Dr Holger Horn
CEO

Ulrich Scheer
CFO

Markus Wirsen
CRO

Mandates

Dr Holger Horn
FMS Wertmanagement AöR
Member of the Board of Supervisory Directors (until 31.03.2023)

Chairman of the Supervisory Board of M.M.Warburg & CO
Hypothekenbank AG (01.06.2023 to 23.06.2023)

Ulrich Scheer
Member of the Supervisory Board of M.M.Warburg & CO
Hypothekenbank AG (01.06.2023 to 23.06.2023)

Markus Wirsen
Deputy Chairman of the Supervisory Board of M.M.Warburg
& CO Hypothekenbank AG (01.06.2023 to 23.06.2023)

As of the balance sheet date, loans to members of the Supervisory Board amounted to € 459 thousand (previous year: € 546 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 € 20,825 thousand (previous year: € 19,782 thousand) were made for former members of the Board of Management and their surviving dependants. Total remuneration received by the members of the Board of Management during the year under review amounted to € 1,921 thousand (previous year: € 2,907 thousand), for members of the Supervisory Board € 489 thousand (previous year: € 476 thousand). Total compensation received by the members of the Advisory Committee amounted to € 41 thousand (previous year: € 46 thousand). Total compensation received by former members of the Board of Management and their surviving dependants amounted to € 2,101 thousand (previous year: € 1,515 thousand).

AUDITING ASSOCIATION

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

The audit was conducted on behalf of DGRV by
Baden-Württembergischer Genossenschaftsverband e. V.,
Am Rüppurrer Schloss 40, Karlsruhe, (BWGV).

The total fee charged by the auditor was € 855 thousand (previous year € 647 thousand) excluding value-added tax. The individual charges are as follows:

TOTAL AUDITOR FEE
IN € 000

	BWGV 31 Dec. 2023	DGRV 31 Dec. 2023	DGRV 31 Dec. 2022
For audit services[1]	811	29[1]	616
Other assurance services	44	0	31
Tax advisory services	0	0	0
Other services	0	0	0

[1] of which reversal of provisions from 2022 of EUR 13 thousand

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 € 33,326 thousand. In addition, pursuant to Article 7 of the Accession and Declaration of Commitment to the bank-related protection scheme of the BVR Institutssicherung 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 losses 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, 23 February 2024

Münchener Hypothekenbank eG

The Board of Management

Dr Holger Horn
CEO

Ulrich Scheer
CFO

Markus Wirsen
CRO

REPORT OF THE INDEPENDENT STATUTORY AUDITOR

To Münchener Hypothekenbank eG, Munich

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

Audit opinions

We audited the annual financial statements of Münchener Hypothekenbank eG, Munich (hereinafter the "Cooperative"), which comprise the balance sheet as at 31 December 2023, the income statement, the cash flow statement and the statement of changes in equity for the financial year from 1 January to 31 December 2023, as well as the notes to the financial statements, including the accounting policies. In addition, we audited the management report of the Cooperative for the financial year from 1 January to 31 December 2023. In accordance with German statutory requirements, we did not audit the content of the parts of the management report specified in the section entitled "Other information". The management report states that the separate non-financial report required by sections 289b to 289e of the German Commercial Code (Handelsgesetzbuch, HGB) has been published on the Cooperative's website. In conformity with German statutory requirements, our audit did not cover this separate non-financial report.

In our opinion, based on the findings of our audit,

- the accompanying annual financial statements comply in all material respects with the requirements of HGB applicable to cooperatives and present a true and fair view of the Cooperative's net assets and financial position as at 31 December 2023 and its financial performance for the financial year from 1 January to 31 December 2023 in accordance with German standards of proper accounting, and
- the accompanying management report as a whole provides an accurate view of the Cooperative's position. The management report is consistent with the annual financial statements in all material respects, complies with German statutory requirements and accurately depicts the opportunities and risks of future development. Our audit opinion on the management report does not cover the content of the parts of the management report specified in the section entitled "Other information", nor does it cover the content of the aforementioned separate non-financial report.

Pursuant to section 322(3) sentence 1 HGB, we declare that our audit has not led to any reservations concerning the regularity of the annual financial statements or the management report.

Basis for the audit opinions

We conducted our audit of the annual financial statements and the management report in conformity with section 53(2) of the German Cooperatives Act (Genossenschaftsgesetz, GenG), sections 340k and 317 HGB and EU Audit Regulation No 537/2014 (hereinafter the "EU Audit Regulation"), as well as in accordance with the German standards for proper statutory audits promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer in Deutschland, IDW). Our responsibility under these provisions and standards is described in greater detail in the section of our auditor's report entitled "Responsibility of the statutory auditor for the audit of the annual financial statements and the management report". We are independent of the Cooperative, as required under EU law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in conformity with these requirements. In addition, in accordance with section 10(2)(f) of the EU Audit Regulation in conjunction with sections 55(2) and 38(1a) GenG, we declare that no persons employed by us who could influence the outcome of the audit have provided any non-audit services prohibited under section 5(1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions concerning the annual financial statements and 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 to 31 December 2023. These matters were taken into account in connection with our audit of the annual financial statements as a whole and in the formation of our audit opinion thereon; we do not express a separate audit opinion on these matters.

Matters we consider to be key audit matters are set out below.

1. **Recoverability of receivables in individual customer business**
2. **Integration of M.M.Warburg & CO Hypothekenbank AG, Hamburg**

In each case, our presentation of key audit matters is structured as follows:
a) Matter and issue
b) Audit approach and findings
c) Reference to further information

re 1.a)
Receivables from customers, netted against the loan loss provisions that were created, amount to EUR 47.5 billion. In this item, commercial loans (individual customer business) play a significant role in terms of risk. Most of the receivables are secured by mortgages.

The identification of impairments and the calculation of individual impairment allowances, as well as the measurement of provisions for contingent liabilities, are subject to significant estimation uncertainties and the use of discretion. There is a risk to the annual financial statements if an impairment is not identified in a timely manner or if the amount of an impairment allowance is influenced by the respective borrower's financial position and performance or by the valuation of the loan collateral. Particularly in the case of commercial financing, valuation parameters have a significant impact on the value of collateral. Furthermore, the assessment of the ongoing ability to service debt depends on external factors such as the general rise in interest rates, as well as on estimates with respect to the borrower's future financial performance. Therefore, accurately measuring customer receivables in commercial and individual customer business is of critical importance for the annual financial statements and, in particular, for financial performance, and in our opinion it constitutes a key audit matter.

re 1.b)
We firstly evaluated whether the Bank's systems and processes are structured in such a way that acute risks are identified with adequate certainty and in a timely manner and that, where necessary, sufficient loan loss provisions are created.

We then assured ourselves through spot checks that the arrangements and processes functioned properly. In doing so, we focused in particular on the relevant controls established by the Bank.

Based on the findings from the audits of structure, processes and effectiveness, we performed audit procedures to identify credit exposures showing evidence of acute risk of default. In this regard, we evaluated the Bank's total portfolio with respect to the audit criteria we had established.

Based on this, we purposely audited select credit exposures with regard to the necessity and appropriateness of a loan loss provision. In doing so, we also evaluated whether the valuation parameters that were applied in the appraisals and the assumptions that were made are appropriate and reasonable. We also relied on publicly available market data in doing this.

re 1.c)
Other disclosures by the Bank concerning the recognition and measurement of receivables in lending business are contained in the notes in the section "General information on accounting policies".

The management report contains remarks on credit structures and the procedures for risk identification.

re 2.a)
In the 2023 financial year, M.M.Warburg & CO Hypothekenbank AG, Hamburg, was merged into Münchener Hypothekenbank eG.

The merger required the migration of databases to the Bank. In addition, there were issues of relevance to accounting concerning the characterisation of the merger in accordance with commercial law and tax law. In our opinion, key audit matters include, in particular, the correct transfer of the database and the accurate presentation of the merger in the annual financial statements, including disclosures to be made in the notes.

re 2.b)
We performed audit procedures that examined whether the migration process was performed properly. In doing so, we evaluated and checked the data transfers that the Bank carried out in accordance with the dual control principle and

the reconciliations that it made. In addition, based on a spot check, we reviewed whether key data about individual loans were properly transferred. In connection with the audit of the annual financial statements, we also assured ourselves that the disclosures concerning how the merger was accounted for, including the presentation in the notes, meet the requirements of IDW RS HFA 42.

re 2.c)
Disclosures relating to the merger are contained in the notes, particularly in the section "General information on accounting policies", and in the management report in the sections "Integration of Warburg Hypothekenbank" and "Development of earnings".

Other information

The Board of Management and the Supervisory Board are responsible for the other information.

The other information includes the corporate governance statement in accordance with section 289f(4) HGB (disclosures on the percentage of women in governing bodies). We did not audit the content of this component of the management report.

The other information also comprises:

- the separate non-financial report in accordance with Section 289b(3) HGB
- the other parts of the annual report – excluding cross-references to external information – with the exception of the audited annual financial statements and management report as well as our auditor's report.

The 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 concerning the annual financial statements and the management report do not cover the other information, and as a result, we do not express an audit opinion or any other form of audit conclusion concerning it.

In connection with our audit, our responsibility is to read the other information and, in doing so, to consider whether the other information

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

Responsibility 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 preparing annual financial statements that comply in all material respects with the provisions of German commercial law applicable to capital market-oriented credit cooperatives and for ensuring that they present a true and fair view of the Cooperative's net assets, financial position and financial performance, in accordance with German standards of proper accounting. In addition, the Board of Management is responsible for the internal controls that it has specified as necessary in accordance with German standards of proper accounting to facilitate the preparation of annual financial statements that are free from material misstatement, due to either fraud (i.e. manipulation of accounts or misappropriation of assets) 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 is also responsible for disclosing, where relevant, matters concerning the ability of the Cooperative to continue as a going concern. Moreover, it is responsible for using the going concern basis of accounting, unless factual or legal circumstances prevent this.

In addition, the Board of Management is responsible for preparing a management report that as a whole provides an accurate view of the Cooperative's position, is consistent in all material respects with the annual financial statements, complies with German statutory requirements and appropriately presents the opportunities and risks of future development. Moreover, the Board of Management is responsible for the arrangements and measures (systems) that it considers necessary in order to facilitate the preparation of a management report in conformity with applicable German statutory requirements and to enable sufficient and appropriate evidence to be provided for the statements in the management report.

The Supervisory Board is responsible for monitoring the Cooperative's accounting process with respect to the preparation of the annual financial statements and the management report.

Responsibility of the statutory auditor for the audit of the annual financial statements and the management report

Our objective is to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, due to either fraud or error, and about whether the management report as a whole gives an accurate view of the Cooperative's position and in all material respects is consistent with the annual financial statements and the knowledge obtained during the audit, complies with German statutory requirements and accurately depicts the opportunities and risks of future development, as well as to issue an auditor's report containing our audit opinions concerning the annual financial statements and management report.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with Section 53(2) GenG, Sections 340k and 317 HGB and the EU Audit Regulation and in compliance with the German standards for proper statutory audits promulgated by the IDW will always detect a material misstatement. Misstatements may be the result of 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. In addition, we:

- Identify and assess the risks of material misstatements in the annual financial statements and the management report, due to either fraud or error, design and perform audit procedures in response to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than in the case of error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control;
- Obtain an understanding of the internal control system relevant to the audit of the annual financial statements and of the arrangements and measures 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 applied by the Board of Management and the reasonableness of accounting estimates made by the Board of Management and related disclosures;
- Draw conclusions about the appropriateness of the Board of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, about whether a material uncertainty exists in relation to events or circumstances that may cast significant doubt on the Cooperative's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or circumstances may result in the Cooperative being unable to continue as a going concern;
- Evaluate the presentation, structure and content of the annual financial statements as a whole, including the disclosures, and whether the annual financial statements depict the underlying business transactions and events in such a way as to present a true and fair view of the Cooperative's net assets, financial position and financial performance in accordance with German standards of proper accounting;
- Evaluate the consistency of the management report with the annual financial statements, its conformity with the law and the view of the Cooperative's position that it presents;
- Perform audit procedures relating to the forward-looking statements made by the Board of Management in the management report. In doing so, on the basis of sufficient and appropriate audit evidence, we gain an understanding, in particular, of the key assumptions underlying the Board of Management's forward-looking statements and evaluate whether the statements were properly derived from those assumptions. We do not express a separate audit opinion concerning the forward-looking statements or the underlying assumptions. There is a substantial, unavoidable risk that future events may deviate significantly from the forward-looking statements.

We meet with the Supervisory Board in order to discuss, 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 provide the Supervisory Board with a statement that we have complied with the relevant independence requirements, and we discuss with it all relationships and other matters that may reasonably be assumed to have an impact on our independence and, where relevant, the steps we have taken to protect our independence or redress threats to it.

Of the matters that we discussed with the Supervisory Board, we determine those matters that were of most significance in the audit of the annual financial statements for the current reporting period and are therefore key audit matters. We describe these matters in our auditor's report, unless laws or other regulations preclude public disclosure of such matters.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on the audit of the electronic reproductions of the annual financial statements and the management report that were prepared for purposes of disclosure in accordance with section 53(4) GenG and section 317(3a) HGB

Audit opinion

Pursuant to Section 53(4) GenG and Section 317(3a) HGB, we performed an audit with reasonable assurance about whether the reproductions of the annual financial statements and the management report that were prepared for purposes of disclosure (hereinafter the "ESEF documents"), which are included in the provided electronic file muenchenerhyp_geschaeftsbericht_2023_esef.xhtml, are in conformity with the requirements of Section 328(1) HGB concerning the electronic reporting format (the "ESEF format") in all material respects. In accordance with German statutory requirements, this audit covers only the conversion of the information in the annual financial statements and management report into the ESEF format and therefore does not cover the information included in those reproductions or other information included in the aforementioned electronic file.

In our opinion, the reproductions of the annual financial statements and the management report that were prepared for purposes of disclosure and are included in the aforementioned provided electronic file are in conformity with the requirements of Section 328(1) HGB concerning the electronic reporting format in all material respects. We do not express any audit opinion whatsoever about the information included in those reproductions or about the other information included in the aforementioned electronic file that goes beyond this audit opinion and our audit opinions about the accompanying annual financial statements and management report for the financial year from 1 January to 31 December 2023 that are included in the foregoing "Report on the audit of the annual financial statements and the management report".

Basis for the audit opinion

We performed our audit of the reproductions of the annual financial statements and the management report included in the aforementioned provided electronic file in conformity with Section 53(4) GenG and Section 317(3a) HGB and in accordance with the IDW accounting standard "Audit of the electronic reproductions of financial statements and management reports prepared for purposes of disclosure in accordance with Section 317(3a) HGB" (IDW PS 410 (6.2022)). Our responsibility in this regard is more extensively described in the section "Responsibility of the statutory auditor for the audit of the ESEF documents". Our auditing association applied the requirements concerning quality management and the quality assurance system of the relevant IDW quality management standards and the IDW quality assurance standard "Requirements for quality assurance in public auditor practice".

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

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

In addition, the Board of Management of the Cooperative is responsible for the internal controls that it considers necessary in order to enable the preparation of ESEF documents that are free from material infringements of the requirements of Section 328(1) HGB concerning the electronic reporting format, due to either fraud or error.

The Supervisory Board is responsible for monitoring the process for preparing the ESEF documents as part of the accounting process.

Responsibility of the statutory auditor for the audit of the ESEF documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material infringements of the requirements of Section 328(1) HGB, due to either fraud or error. We exercise professional judgement and maintain professional scepticism throughout the audit. In addition, we:

- Identify and assess the risks of material infringements of the requirements of Section 328(1) HGB, due to either fraud or error, design and perform audit procedures in response to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion;
- Obtain an understanding of the internal controls relevant to the audit of the ESEF documents 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 such controls;
- Evaluate the technical validity of the ESEF documents, i.e. whether the provided electronic file included in the ESEF documents meets the requirements of Delegated Regulation (EU) 2019/815, in the version in force on the reporting date, concerning the technical specifications for this electronic file;
- Evaluate whether the ESEF documents enable an identical XHTML reproduction of the audited annual financial statements and the audited management report.

Further disclosures pursuant to Section 10 of the EU Audit Regulation

On 24 July 2023, we were engaged for the first time by the responsible statutory auditing association in accordance with Section 55(3) GenG to perform the audit of the annual financial statements of Münchener Hypothekenbank eG, Munich, as at 31 December 2023 and to audit the management report of Münchener Hypothekenbank eG, Munich, for the financial year from 1 January to 31 December 2023.

We declare that the audit opinion contained in this auditor's report is consistent with our additional report to the Supervisory Board and/or Audit Committee in accordance with Section 11 of the EU Audit Regulation, in conjunction with Section 58(3) GenG (audit report).

Persons employed by us who could influence the outcome of the audit have provided the following services for the audited Cooperative in addition to the statutory audit:

- In the 2023 financial year, assistance in preparing a statement in connection with the hearing concerning the discovery of errors in the 2019 annual financial statements and management report
- In the period between 1 January 2024 and the issuance of the auditor's report:
  - Other separate assurance services for banking supervision and the Deutsche Bundesbank
  - Other assurance services in connection with the deposit guarantee scheme as well as to Bundesverband der Deutschen Volksbanken und Raiffeisenbanken e.V., Berlin
  - Audit of the separate non-financial report
  - Provision of a comfort letter.

OTHER MATTER – USE OF THE AUDITOR'S REPORT

Our auditor's report must always be read together with the audited annual financial statements, the audited management report and the audited ESEF documents. The annual financial statements and the management report converted to the ESEF format – including the versions to be filed with the company register – are merely electronic reproductions of the audited annual financial statements and the audited management report and do not replace them. In particular, the ESEF report and our audit opinion contained therein may be used only in conjunction with the audited ESEF documents made available in electronic form.

Responsible public auditor

The public auditor responsible for the audit is Michael Kopf.

Stuttgart, 19 March 2024

Baden-Württembergischer Genossenschaftsverband e.V.

Mathias Juhl
Wirtschaftsprüfer
(German public auditor)

Michael Kopf
Wirtschaftsprüfer
(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, 23 February 2024

Münchener Hypothekenbank eG

The Board of Management

Dr Holger Horn CEO	**Ulrich Scheer** CFO	**Markus Wirsen** CRO

ANNEX TO ANNUAL FINANCIAL STATEMENTS PURSUANT TO SECTION 26A (1) SENTENCE 2 OF THE GERMAN BANKING ACT (KWG)

for the period ending 31 December 2023 ("country-by-country reporting")

Münchener Hypothekenbank 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 Hypothekenbank 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, expenses from loss transfer, commission received, commission paid and other operating income. Revenues for the period 1 January to 31 December 2023 were € 456,433 thousand.

The number of full-time equivalent salaried employees is 590.79.

Profit before tax amounts to € 168,363 thousand.

Taxes on income amount to € 66,242 thousand, of which € 1,771 thousand related to previous years.

Münchener Hypothekenbank 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 its rules of procedure. The Board of Management reported to the Supervisory Board in a timely manner on the Bank's corporate planning, its business and financial situation, and further strategic development. The Supervisory Board also 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 CONSIDERED IN SUPERVISORY BOARD MEETINGS

During the past financial year, the Supervisory Board held one constituent meeting, four regular meetings and one other meeting in order to continuously advise and monitor the management of Münchener Hypothekenbank 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, the business, risk, digitalisation, IT and diversity strategies, the risk situation, regulatory issues, governance issues, and long-term succession planning for the Supervisory Board. In addition, the Supervisory Board discussed the merger with M.M. Warburg & CO Hypothekenbank at its March meeting and the further development of the business strategy "MHB 2028" at its December meeting.

The Board of Management kept the Supervisory Board up to date with regular, detailed verbal and written reports on key matters at the Bank. The Board of Management reported on the position of the Bank, the development of business, key financial indicators and the review of the Bank's business and risk strategy. In addition, the current liquidity situation and measures to control liquidity were explained to the Supervisory Board, and it was provided with detailed reports on the risk situation, measures to control risks, and the Bank's risk management system. The Supervisory Board also obtained comprehensive reports on the status of strategic and operational planning. It was involved in all important decisions. Current developments on the property market and in private and commercial property financing were monitored and discussed. During the Supervisory Board meetings, considerable attention was also devoted to the increasing regulatory requirements and their implementation.

Resolutions requiring adoption at the Delegates Meeting were prepared together with the Board of Management. Annual meetings were once again held between the Joint Supervisory Team, the Chairman of the Supervisory Board and the Chairs of the various Supervisory Board committees. In addition, representatives of the ECB and the Joint Supervisory Team presented the results of the Supervisory Review and Evaluation Process 2022 and the supervisory recommendations to the Supervisory Board and discussed them with it.

EVALUATION OF THE SUPERVISORY BOARD

The Supervisory Board conducted the annual evaluation of the Board of Management and the Supervisory Board based on the approved guidance for carrying out the suitability assessment and on conflicts of interest. The preparatory work was conducted by the Nomination Committee in accordance with the regulations of section 25d of the German Banking Act (Kreditwesengesetz, KWG). The results were discussed within the Supervisory Board in July 2023 and documented in the reports on the suitability assessment and the efficiency review. It was found that the structure, size, composition and performance of the Supervisory Board, as well as the knowledge, skills and experience of the individual members of the Supervisory Board and the Supervisory Board as a whole, comply with legal requirements and those defined in the Bank's Articles of Association.

Succession plans for the Board of Management and the Supervisory Board were drawn up based on the suitability assessment and efficiency review, and improvements to increase the efficiency of the Supervisory Board's activities were defined. In line with the existing onboarding and training concept, the Supervisory Board attended training sessions on current regulatory topics and legal developments. Training sessions were also planned and conducted for the Supervisory Board committees.

COLLABORATION WITH THE BOARD OF MANAGEMENT

The Chairman of the Supervisory Board was in regular close contact with the Chairman of the Board of Management, discussing important matters and decisions in face-to-face meetings.

In addition, the Chairman of the Board of Management reported to the Chairman of the Supervisory Board continuously and regularly between the individual meetings on 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. In the Supervisory Board meetings, the committees reported regularly on their activities.

Four meetings of the **Nomination Committee** were held in the reporting year. In addition to regular Board of Management and Supervisory Board matters, it also addressed, in particular, the suitability assessment and efficiency review of the management bodies and preparation for succession planning for the Board of Management and the Supervisory Board. In this regard, the Nomination Committee dedicated particular attention to the selection of two new Supervisory Board members to fill vacancies that will arise in April 2024. The structured process included identifying and selecting appropriate candidates and interviewing them. A suitability assessment was performed, and based on it, two candidates were selected. They will be nominated at the Delegates Meeting in April 2024 for election to the Supervisory Board.

The **Audit Committee** held four meetings, during which it discussed the results of the audit of the annual financial statements and of the management report. Other topics included the Bank's internal control system, reports prepared by the Internal Audit department and by the Compliance Officer, the results of external audits, the monitoring of the introduction of new accounting policies and the accounting process, the issues and requirements discussed during meetings with banking supervisory authorities, and the quality assessment of the audit of the annual financial statements. The Chairman of the Supervisory Board and the Chairman of the Audit Committee closely monitored the change of auditor to BWGV, as did the Audit Committee itself.

The **Risk Committee** convened thirteen meetings. The Board of Management provided the Committee with detailed reports on the development of markets in which the Bank provides property financing. The Committee also addressed the regulatory environment, risk strategy, risk governance, legal risks, IT risks and information security, including data protection. Furthermore, it considered and authorised loans requiring approval and took note of any reportable transactions. The Board of Management presented individual exposures of significance for the Bank to the Committee and discussed them with the Committee. Detailed reports were also provided on the provision and management of liquidity and on refinancing. As part of this process, the risk types associated with the Bank's business were discussed and examined in detail. In addition to credit risks, these include in particular market, liquidity and operational risks, taking into account risk-bearing capacity in accordance with the Minimum Requirements for Risk Management (MaRisk). Reports on the Bank's risk situation were regularly submitted to the Committee and explained in detail by the Board of Management and Head of Risk Controlling. The Committee also reviewed the sales report, the outsourcing report and the report prepared by the Chief Information Security Officer (CISO). Another key issue in 2023 was the Bank's risk situation in light of current developments on the property market and in private and commercial property financing.

The two meetings of the **Remuneration Control Committee** addressed the Bank's remuneration systems, the targets and remuneration of members of the Board of Management and all related issues. The Committee determined the appropriateness of Münchener Hypothekenbank's remuneration systems and recommended that the Supervisory Board take note of the results of the appropriateness test.

ANNUAL FINANCIAL STATEMENTS

DGRV – Deutscher Genossenschafts- und Raiffeisenverband e.V., Berlin, as the statutory auditing association, engaged BWGV – Baden-Württembergischer Genossenschaftsverband e.V. to audit the accounting records, the annual financial statements and the management report for 2023 financial year. BWGV performed the audit 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. The auditing association's audit report on the statutory audit pursuant to Section 53 of the German Cooperatives Act (Genossenschaftsgesetz – GenG), including the audit of Münchener Hypothekenbank's financial statements for 2023, was provided in good time to each member of the Supervisory Board for their information. The Supervisory Board discussed the results of the audit during a meeting held jointly with the Board of Management and attended by the auditor. The results of the audit are also reported at the Delegates Meeting.

The annual financial statements, the management report, the Board of Management's proposal for the allocation of distributable income, and the non-financial report were examined and approved by the Supervisory Board. The Supervisory Board recommends that the Delegates Meeting approve the annual financial statements for 2023 – as explained – and endorse the Board of Management's proposal for the allocation of net income. The proposal complies with the provisions of the Bank's Articles of Association.

CHANGES TO THE SUPERVISORY BOARD

In April 2023, the Delegates Meeting re-elected Jürgen Hölscher, a member of the Board of Management of Emsländische Volksbank eG, and Rainer Jenniches, Chairman of the Board of Management of VR-Bank Bonn Rhein-Sieg eG, for a further term of office on the Supervisory Board of Münchener Hypothekenbank.

DEVELOPMENT OF MÜNCHENER HYPOTHEKENBANK DURING THE YEAR UNDER REVIEW

Münchener Hypothekenbank generated very good earnings last year. Although the market was characterised by very weak demand for property financing, the Bank benefited from its long-term business policy and its well-diversified portfolio. With the further development of its business strategy, the Bank has laid the foundation for stable, sustained growth in the future.

The Supervisory Board would like to thank the Board of Management and the Delegates of Münchener Hypothekenbank for their good, constructive collaboration. It would also like to thank the employees for their achievements and efforts for the Bank.

Munich, April 2024

Münchener Hypothekenbank eG

Dr Hermann Starnecker
Chairman of the Supervisory Board

FURTHER INFORMATION

Agenda – General (Delegates) Meeting

19 APRIL 2024 AT 10.30 AM

1. Report of the Board of Management about the 2023 business year

2. Report of the Supervisory Board on its activities

3. Report on the results of the statutory auditor's report

4. Consultation of the auditor's report and resolutionregarding the extent of disclosure of the auditor's report

5. Resolutions to ratify

a) approval of the annual financial statements as at 31 December 2023 and the management report for the 2023 financial year

b) the proposed appropriation of distributable income

c) ratification of the acts of the Board of Management and the Supervisory Board for the 2023 financial year

6. Elections to the Supervisory Board

7. Other issues

The members of the Delegates Meeting

Peter Bahlmann
Heinrich Beerenwinkel
Gunnar Bertram (until 31.01.2023)
Horst Bertram
Thomas Bierfreund
Christian Dietrich
Eva Irina Doyé
Clemens Fritz
Steffen Fromm
Rainer Geis
Josef Geserer
Christian Glasauer
Helmut Graf
Markus Gschwandtner
Dr Harald Heker
Martin Herding
Joachim Hettler
Dr Michael Hies
Ingo Hinzmann
Michael Hohmann
Konrad Irtel
Thomas Jakoby
Andreas Jeske
Michael Joop
Carsten Jung
Herbert Kellner
Manfred Klaar
Robert Kling
Dr Carsten Krauß
Norbert Lautenschläger
Marcus Wilfried Leiendecker
Martin Leis
Dr Ursula Lipowsky
Georg Litmathe
Thomas Ludwig
Jan Mackenberg
Karl Magenau
Gregor Mersmann
Klaus Merz
Markus Merz
Franz Dierk Meurers
Jens Ulrich Meyer
Prof. Dr Peter Otto Mülbert
Carsten Müller
Markus H. Müller
Heinrich Oberreitmeier
HSH Albrecht Prince of Oettingen-Spielberg
Armin Pabst
Markus Pavlasek
Karsten Petersen
Claus Preiss
Jens Prößer
Jan H. Reese
Richard Riedmaier
Frank Ruffing
André Schaffeld
Ulrich Scheppan
Michael Schlagenhaufer
Jan-Hendrik Schlüter (as of 01.02.2023)
Dr Eckhard Schmid
Franz Schmid
Andreas Schmidt
Andreas Schmidt
Dr Marc Alexander Schmieder
Carsten Schüler
Thorsten Schwengels
Roland Seidl
Hermann-Josef Simonis
Martin Spils
Jörg Stahl
Thomas Standar
Thomas Stolper
Remo Teichert
Stefan Terveer
Werner Thomann
Florian Ungethüm
Peter Voggenreiter
Karsten Voß
Chris Wallbaum
Dr Gerhard Walther
Michael Zaigler

Cooperative Advisory Committee (as at 1 January 2024)

Herbert Kellner
VR-Bank Ismaning Hallbergmoos Neufahrn eG
Chairman

Friedhelm Beuse
Volksbank im Münsterland eG
Deputy Chairman

Hans-Jörg Meier
Volksbank Bühl eG
Deputy Chairman

Matthias Berkessel
Volksbank Rhein-Lahn-Limburg eG

Gunnar Bertram
Volksbank Chemnitz eG

Frank Buchheit
levoBank eG

Franz-Josef Echelmeyer
Volksbank Süd-Emsland eG

Jürgen Edel
Heidenheimer Volksbank eG

Bernhard Failer
Raiffeisen-Volksbank Ebersberg eG

Steffen Fromm
VR-Bank Neu-Ulm eG

Josef Geserer
Raiffeisenbank Oberpfalz Süd eG

Ralf Gottschalk
Volksbank in der Region eG

Herbert Hermes
Volksbank Vechta eG

Carsten Jung
Berliner Volksbank eG

Thomas Ludwig
Volksbank Raiffeisenbank Nordoberpfalz eG

Markus H. Müller
Sparda-Bank Hessen eG

Stefan Rinsch
Volksbank Krefeld eG

Jan-Hendrik Schlüter
Raiffeisenbank eG

Martin Traub
VR Bank Alb-Blau-Donau eG

Thorsten Wolff
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