MÜNCHENER HYPOTHEKENBANK

Annual Report
2022

MÜNCHENER HYPOTHEKENBANK: A STRONG REAL-ESTATE BANK

We provide private and commercial property financing with the help of our 630 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.

New mortgage business
in EUR billion
5.4
2021: 6.8 (–21 %) ↘

Total assets
in EUR billion
52.4
2021: 52.5 (0 %) →

Portfolio of mortgage loans
in EUR billion
44.3
2021: 41.7 (+6 %) ↗

Interest income and net commission income
in EUR billion
322
2021: 272 (+18 %) ↗

Cost-income ratio
in %
45.7
2021: 48.8 (–3.1 PP*) ↘

Income from ordinary business activities
in EUR million
132
2021: 113 (+17 %) ↗

* percentage points

CONTENT

FOREWORD

Dear Shareholders and Business Partners

The 2022 financial year was increasingly marked by the weakening property sector. After more than ten years of continuous growth, the demand for properties and property financing slumped for the first time. There were several reasons for this: among many other adverse effects, Russia's attack on Ukraine triggered a spike in inflation and, as a consequence, rapid and sharp rises in interest rates and high volatility on the capital markets. The macroeconomic and political situations caused uncertainty among market participants.

Münchener Hypothekenbank was likewise unable to escape the effects unscathed. That applies particularly to our new business. In the first half of the year, we were still on track due to anticipatory effects, since many customers were looking for a way to hedge against rising interest rates. Over the rest of the year, however, commitment volumes declined as overall conditions continued to worsen.

Our business model has proved viable and crisis-resistant in the years after the COVID-19 pandemic, even in the now considerably more difficult market environment. We have demonstrated once again that our customers and brokerage partners can count on us for competitive financing solutions despite heightened uncertainty and falling demand and transactions.

We were thus able to achieve a business result this past year that was good in nearly all respects. The only decline we experienced was with regard to the commitment volume in new mortgage business, which fell by 21 percent from the record result in the previous year to EUR 5.4 billion. In domestic commercial property financing, we are pleased that the EUR 1.6 billion in new business almost matched the previous year's result despite the considerably lower transaction volume.

We succeeded in expanding the mortgage loan portfolios further. These increased by 6.5 percent to EUR 44.3 billion.

Net interest income trended positively, rising by 7 percent to EUR 432 million. This can be attributed to high-margin, dynamic new business in previous years and the higher interest rates. Negative net commission income improved by 16 percent to EUR 110 million due to lower new business. As a result, net interest and commission income rose by 18 percent to EUR 322 million.

Owing to the broad diversification and high granularity of our loan portfolios, the risk exposure in lending business remained moderate. Nevertheless, we made appropriate adjustments to our loan loss provisions in view of the deteriorating market situation and the macroeconomic environment.

The Bank's capitalisation remains very satisfactory. Own funds rose by about 9 percent to EUR 1.950 million. This also includes an Additional Tier 1 bond in the amount of CHF 75 million, which was successfully issued last year. As at 31 December 2022 the Common Equity Tier 1 capital ratio stood at 19.0 percent.

We want our members to share in the positive income trend in a difficult financial year with an appropriate distribution. The Board of Management will propose a dividend of 3.0 percent to the Delegates Meeting.

Economic and geopolitical developments also unsettled the capital and financial markets. High inflation and rising interest rates especially caused spreads on the bond markets to widen. In this setting, the Pfandbrief once again proved to be a solid refinancing instrument. Thanks to our pre-eminent standing among investors, our Pfandbrief issues experienced

»Our business model has proved viable and crisis resistant even in a considerably more difficult market environment.«

DR HOLGER HORN
CEO

> »We want our members to share in the positive income trend with a dividend of 3.0%.«
>
> **ULRICH SCHEER**
> **CFO**

very high demand, which enabled to us obtain funding on favourable terms. This allowed us to place several large-volume Pfandbriefe very successfully, for instance. In other developments, our green Mortgage Pfandbrief in jumbo format was named Best ESG Deal 2022 at the GlobalCapital Covered Bond Awards.

For us, this award is, firstly, recognition of our pioneering work in developing and issuing sustainable Pfandbriefe. It also confirms that our sustainability strategy has enabled us to close the sustainability loop in our core business. We refined and adopted this strategy last year. We have set ourselves the task of developing our range of sustainable products further on both the assets and the liabilities side and thus make significant contributions to the transformation towards a more sustainable real estate sector.

Our new business targets for 2023 reflect the difficult market conditions and the restrained demand for property financing. We are therefore focusing on continuing to acquire low-risk, conservative financing. We will also optimise and digitalise our products, processes and services further.

We need to get used to the fact that the environment in the property and capital markets will remain challenging in the future. Higher interest rates, persistently high inflation and economic uncertainties will continue to depress demand for properties and property financing. A recovery cannot be expected until there is less volatility in interest rates especially.

In addition, we intend to close on the acquisition of Warburg Hypothekenbank this year once the required approvals are in place. We plan to integrate Warburg Hypothekenbank quickly, which will enable us to realise significant positive economic effects and operational synergies.

We would like to thank you for your support and trust over the entire financial year. We owe a debt of gratitude to the Supervisory Board and the delegates of Münchener Hypothekenbank for their constructive collaboration. Our employees once again worked with great commitment to ensure the success of Münchener Hypothekenbank, for which we thank them warmly.

Yours sincerely,

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

> »With our sustainability strategy, we intend to make significant contributions to the transformation towards a more sustainable real estate sector.«
>
> **MARKUS WIRSEN**
> **CRO**

MANAGEMENT REPORT

ECONOMIC REPORT

General economic conditions

ECONOMIC DEVELOPMENT

Russia's war of aggression against Ukraine had a significant impact on the development of the world economy in 2022, causing it to weaken considerably. According to the IMF estimate of January 2023, global gross domestic product rose by 3.4 percent in the year under review, nearly half the rate of economic growth in 2021. The slowdown was primarily attributable to energy and commodity prices, which rose sharply as a result of the war in Ukraine, as well as high inflation, material shortages, supply bottlenecks and, particularly in China, the effects of the COVID-19 pandemic.

According to the World Bank, economic growth in the eurozone fell by two percentage points year-on-year to 3.3 percent. The European economy thus proved to be more robust than many experts had assumed, despite the adverse effects of the war in Ukraine and the high dependence on energy supplied from Russia. Growth was spurred in particular by capital investment and private consumption. Inflation spiked as a consequence of the war. In its autumn forecast for 2022, the European Commission anticipated an inflation rate of 8.5 percent. The labour market was in good shape. The number of people in employment rose further and the unemployment rate fell to 6.2 percent, in line with the European Commission's autumn forecast.

The German economy also performed better than predicted. According to initial calculations by the Federal Statistical Office, gross domestic product grew by 1.9 percent, following 2.6 percent the year before. The main driver of growth was private consumption, which benefited from the ending of the COVID-19 protection measures. Capital investments also made a positive contribution to growth. By contrast, construction activity declined, with construction investment falling by 1.6 percent. This was due to the shortage of building materials and skilled workers, but also to a greater number of order cancellations in light of rising prices and interest rates.

Inflation hit a record high of 7.9 percent owing to enormous price increases for energy and food following the outbreak of the war in Ukraine. Relief measures by the German government were able to weaken inflation somewhat towards the end of the year, although it remained at a high level.

The labour market continued to trend positively in spite of the difficult overall conditions. The number of people in employment rose to 45.6 million, while the number unemployed fell by around 200,000 to 2.4 million, representing a drop in the unemployment rate of 0.4 percentage points to 5.3 percent.

FINANCIAL MARKETS

The war in Ukraine, high inflation rates, rising interest rates and growing fears of a recession unsettled the capital and financial markets considerably in 2022. This resulted in sometimes drastic price jumps, as well as high volatility.

Central banks responded to rising inflation rates with several significant interest rate hikes. The U.S. Federal Reserve (Fed), for instance, raised interest rates seven times during the year by a total of 4.25 percent to a current range of 4.25 percent to 4.50 percent. The European Central Bank (ECB) ended its zero interest-rate policy, which had been in effect for a number of years, and increased the main refinancing rate in four increments to 2.50 percent.

In order to reduce excess liquidity in the monetary system, the ECB eased the interest rate terms for long-term tender operations and facilitated additional repayment dates for banks. In addition, the reinvestment of maturing securities under the asset purchase programme (APP) is expected to be lowered to EUR 15 billion per month, starting in the first quarter of 2023. This change in monetary policy made it significantly more expensive for companies and banks to refinance.

The ending of the low interest-rate policy also caused yields on the bond markets to rise sharply. Yields on ten-year German government bonds, for example, climbed over the course of the year: from minus 0.18 percent at the beginning of 2022 to 2.57 percent at the end of the year.

On the foreign exchange market, the US dollar made significant gains against the euro over the course of the year, strengthening from EUR/USD 1.14 at the start of the year to a peak of EUR/USD 0.95. This development was mainly due to the considerably faster and larger interest rate jumps by the Fed, the outbreak of the war in Ukraine, and Europe's heavy reliance on energy from Russia. With expectations growing that the ECB would raise interest rates, the euro recovered in the fourth quarter to close the year at EUR/USD 1.07.

Yields on ten-year German government bonds
IN %

Source: Bloomberg

The trend of the Swiss franc over the course of the year was similar to that of the US dollar against the euro. After closing 2021 at the rate of EUR/CHF 1.04, it improved to EUR/CHF 0.94 by the end of September before weakening somewhat to EUR/CHF 0.99 at the end of 2022. The British pound dropped slightly from EUR/GBP 0.84 at the end of 2021 to EUR/GBP 0.89 at the end of 2022. This was due to the continuing impact of Brexit and the government crises in the UK.

The covered bond market saw an extraordinarily high number of issues over the entire year. At the start of the year, many issuers exploited the low interest rates and spreads for benchmark issues. Rising interest rates over the rest of the year and greater uncertainty about inflation and interest rate hikes caused issue spreads to rise, particularly for long maturities. In addition, changing risk considerations by investors resulted in shorter maturities being issued in greater numbers. Issuing activities also benefited from the TLTRO III tender subsequently becoming more expensive for banks. Overall, benchmark covered bonds totalling around EUR 200 billion were issued in 2022, twice the volume in the previous year. The countries with the highest issuance were again France and Germany.

PROPERTY MARKETS AND PROPERTY FINANCING MARKETS

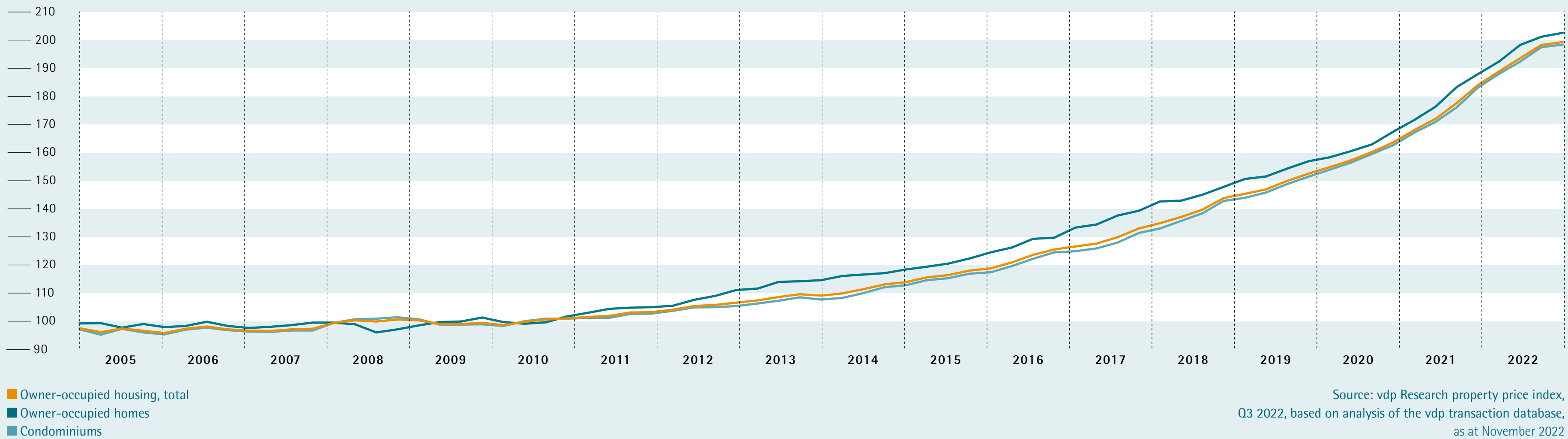
Residential property, Germany

The German residential property market cooled considerably in 2022. This was caused by the sharp rise in financing costs, which made owner-occupiers as well as private and institutional investors noticeably more cautious. The institutional investment market, for instance, saw residential property sales totalling just under EUR 13 billion, representing a drop of more than 70 percent compared with the record result of the previous year, which was marked by the takeover of Deutsche Wohnen by Vonovia. In 2022 the market was dominated by domestic investors and by fund and property companies and asset managers, which accounted for a share of about 70 percent of the transaction volume.

In the case of owner-occupied housing, the much higher interest rates and tighter lending policies of banks meant that it became prohibitively expensive for lower-income or "marginal" households to buy their own homes.

Trend in prices for owner-occupied housing

INDEX VALUES: 2010 = 100



Source: vdp Research property price index, Q3 2022, based on analysis of the vdp transaction database, as at November 2022

The mood in the construction sector also darkened considerably. With manufacturing and material costs continuing to rise sharply – in November 2022 alone they increased by nearly 17 percent compared with the same month the previous year – and less favourable financing terms, numerous housing projects had to be recosted. This led to a noticeable increase in project cancellations over the course of the year. According to the ifo Institute, about 17 percent of construction companies were affected by cancellations in November.

Reluctance to build is also reflected in the number of building permits granted. From January to November 2022, the construction of owner-occupied housing fell by 16 percent compared with the same previous-year period. By contrast, the number of permits for the construction of condominiums rose slightly by 1 percent. Overall, the number of building permits dropped by nearly 6 percent, which indicates that the German government will for now likely fall far short of its goal of 400,000 new homes per year.

The lack of new construction in previous years has resulted in a significant housing shortage, currently estimated at around 700,000 homes. The situation on the housing market last year was exacerbated by record net immigration. According to estimates, the population grew by around 1.1 million people, which predominantly impacted a rental housing market that was already very constricted in many places. This caused rents under new leases to rise by an average of 4.8 percent in the first three quarters of 2022 compared with the previous-year period. However, purchase prices for owner-occupied housing (+8.3 percent) and for multi-family houses (+4.1 percent) also continued to rise year on year, although the momentum slowed noticeably in the third quarter. At the same time, yields on multi-family houses rose in the third quarter of 2022 for the first time since 2011.

In terms of financing, falling demand over the course of the year for residential properties and for new construction, as well as for upgrades, led to a decline in residential property financing in the third quarter of 2022. Overall, the total volume of loan commitments in the first three quarters amounted to EUR 218 billion, nearly 2 percent lower than in the previous-year period.

Residential property, international

Tighter financing terms and rising construction costs, as well as shortages of materials and workers, had an adverse effect on the housing market in nearly every European country. The impact was felt on both the supply and the demand side. Eurostat house price index showed that price rises across Europe began to slow in the second quarter of 2022, and in some countries, such as Denmark, Sweden and Italy, prices even fell slightly in the third quarter of 2022 compared with the previous quarter.

The Swiss housing market is characterised by the limited supply of both owner-occupied and rental housing. This can be seen in the vacancy rate, which fell further to 1.3 percent in mid-2022 due to lower new construction and higher immigration. Despite higher financing costs, prices for owner-occupied homes and condominiums consequently increased by 5.6 percent and 7.6 percent respectively within the space of a year, once again a higher rise than the long-term average. Rents, on the other hand, went up only slightly.

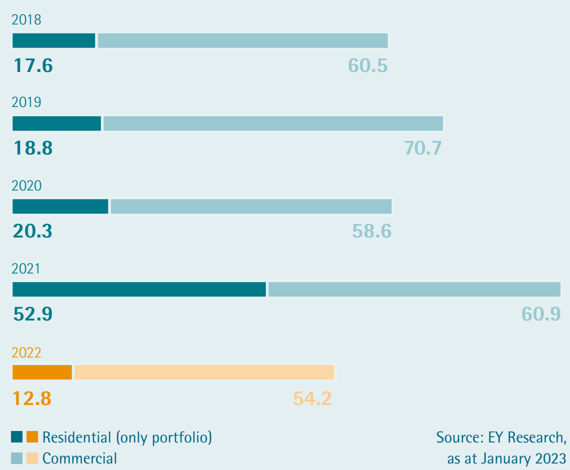
The Austrian housing market is one of those that experienced significant price increases. House prices here rose by 12.8 percent on average over the first three quarters. On the demand side, higher financing costs in the first half of 2022 caused buyers to become increasingly cautious about buying. In addition, minimum lending requirements concerning equity and the debt service-to-income ratio were introduced on 1 July 2022, which made it more difficult for many households to purchase residential property. This development puts added pressure on rents, which rose by nearly 5 percent in the first nine months.

Commercial property, Germany

The commercial property market had a good start in the first quarter but then steadily lost momentum. Here too, rising interest rates and economic uncertainties made investors increasingly cautious. As a result, transaction volumes fell by 11 percent to EUR 54 billion.

The decline in the case of office properties was somewhat steeper, with the volume of transactions coming in at nearly EUR 22 billion, but their share of total sales rose to about a third. Thus, after two years, office properties in 2022 were once again the investment class that generated the highest sales in Germany. This development indicates that the user market is robust, with high revenue from leasing and rising rents. According to JLL's analyses, the focus was on high-quality spaces that meet current ESG criteria. Prices for office properties rose by 1.4 percent through to the end of September 2022, although they softened noticeably in the third quarter. This was due to yield expectations, which began rising again for the first time since 2010.

Trend in commercial property transaction volumes in Germany
IN € BILLION



Source: EY Research, as at January 2023

The mood in the retail sector was markedly gloomier, with a series of crises – the pandemic, war in Ukraine, inflation and energy costs – dampening consumers' willingness to spend. This caused a drop in retail sales and numerous commercial insolvencies. Sales per square metre also declined slightly and are now about one third lower than the pre-COVID level. Investors continue to take a dim view of retail properties, and this is again reflected in falling purchase prices and rising yields. In total, retail property sales amounted to around EUR 9 billion.

Commercial property, international

Internationally, commercial property markets also tended to perform less strongly than in the previous year for the reasons outlined in the preceding section. However, the investment market was still robust enough in the first half of the year for the transaction volume in Europe to rise by 18 percent to EUR 229 billion by the end of September 2022, despite a weak third quarter. Investors were primarily focused on Core and Core Plus properties, which caused the share of office properties to climb sharply again in most countries, with yields again slightly higher in nearly all countries and segments from mid-2022 onwards.

After struggling with the consequences of Brexit for several years, the UK investment market began to recover in 2021. By mid-2022, however, deteriorating overall economic conditions and rising interest rates had brought the recovery to a halt. Despite a strong first six months, the transaction volume fell by 13 percent to GBP 54 billion. The weakness of the pound against other currencies, particularly the US dollar, favoured the purchase of property by foreign investors, so that only about 40 percent of the transaction volume was attributable to domestic investors. With interest rates on the rise, yields in all asset classes increased again slightly from the middle of the year.

The investment market in France stagnated. Properties worth around EUR 26 billion were turned over, which corresponds to a slight decline of 1 percent compared to the previous year. Transactions again predominantly involved office properties, which accounted for a 50 percent share. Compared with previous years, however, their dominance waned in the face of a sharp increase in retail and logistics properties. Yields in all three asset classes rose in 2022, but so too did prime rents.

In the Netherlands, a slight decline in economic growth in the third quarter of 2022 caused the commercial property market to lose momentum. After starting the year strongly, demand for office space fell sharply. By contrast, office rents in prime locations rose further, with a shortage of supply. Demand for space also declined in the retail sector. Prime rents had fallen significantly through 2021, but the rent level stabilised in 2022.

Thanks to lively interest from foreign investor groups and a number of major deals, the Spanish investment market recorded a rise in transaction volumes in 2022, with more than half being invested in retail and residential properties. The drop in rents for retail properties that set in with the outbreak of the COVID-19 pandemic came to a halt for the moment, while yields rose again slightly for the first time. This trend could also be observed with office properties. The user market proved to be robust, with heightened demand for space in Madrid and Barcelona.

In the third quarter of 2022, rising interest rates halted the recovery on the US investment market, as the volume of transactions came in more than 20 percent below the previous year's figure. In addition, investor confidence was rattled by geopolitical tensions, high inflation and weak economic outlooks. Economic uncertainties in particular had an effect on demand for office space, which was depressed by the negative performance of the technology sector and the continuing trend toward smaller but higher-quality space. Sales of office space thus dropped overall. This led to falling rents, rising vacancy rates and caution among investors.

Business development

NEW MORTGAGE BUSINESS

The change in property markets and property financing markets brought about by rising interest rates, higher construction costs and economic uncertainties had an increasing impact over the course of the year on our new business in residential and commercial property financing. In the first half of the year, we were able to expand new business once again as a result of anticipatory effects. In the second half, however, falling demand and lower transaction activity significantly depressed the volumes committed.

Overall, we granted a total of EUR 5.4 billion in private and commercial property financing, representing a drop of 21 percent year-on-year. Nevertheless, this is a satisfactory result given that increasingly difficult general conditions prevented us from achieving the moderate growth in our two core business areas we had budgeted for.

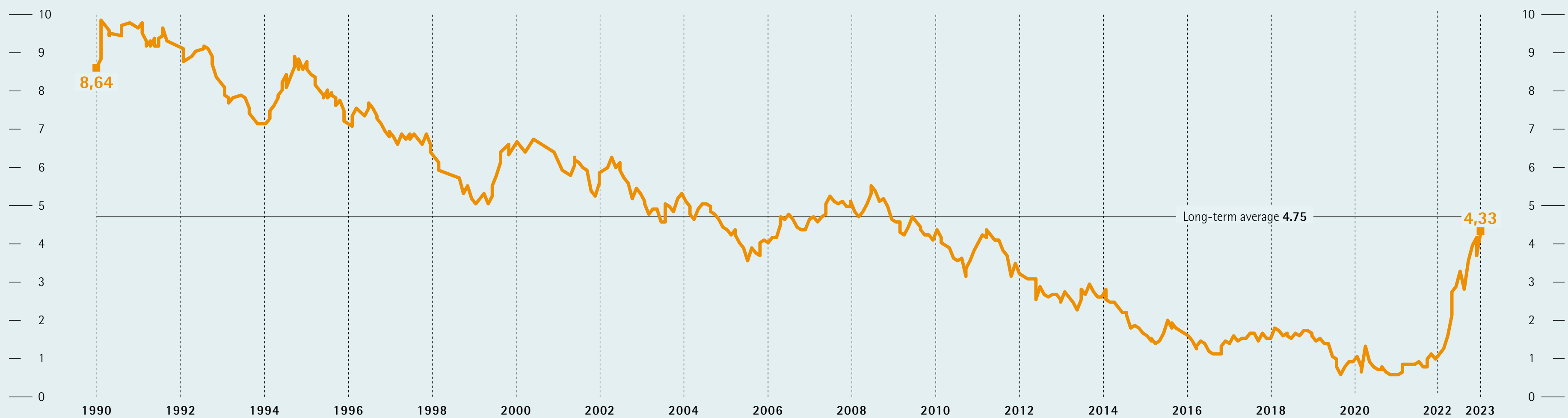
New private residential property financing business amounted to EUR 3.3 billion, a commitment volume that was 25 percent lower year-on-year.

Of this total, EUR 2.4 billion (minus 21 percent) was attributable to business with partner banks in the Cooperative Financial Network. The majority of this was generated in the first half of the year, when demand for follow-on financing was high due to rising interest rates. This effect disappeared in the second half since interest rates had by then come to a standstill. In this regard, hedging against rising interest rates was an important motive for borrowing. Overall, demand for long fixed-interest rate periods also increased further.

New mortgage business 2018 to 2022
IN € MILLION

Mortgage rates of Münchener Hypothekenbank, 10-year fixed rate

IN %



The placement of private property financing generated via independent financial service providers in Germany fell by 18 percent year-on-year to EUR 670 million. New business from our partnership with PostFinance in Switzerland amounted to EUR 133 million (minus 68 percent), while in Austria it came to EUR 26 million (minus 46 percent).

In commercial property financing, too, the sharp rises in interest rates put a dampener on transaction activity from the second half of the year. This caused our new business to fall by 15 percent to EUR 2.1 billion. Of this total, the commitment volume in domestic business came in at EUR 1.6 billion, just under the last year's result of EUR 1.7 billion. Foreign business fell from EUR 0.7 billion to EUR 0.5 billion. The two most important foreign markets were the US (syndicated business only) and the Netherlands.

In terms of earnings the trend has stabilised, which enabled the lower new business volume to be offset in part by the improved margin result. This applies to domestic and foreign business equally. The average loan sizes grew further in the year under review.

From a risk perspective, we maintained our conservative financing approach with a focus on conventional financing at completion, giving due consideration to adequate, sustainable minimum cash flows and locations. Positive aspects for us are the high level of equity that owners have in their properties – although it decreased slightly year-on-year, it still stood at 41 percent on average – and the average loan-to-value ratios, which declined slightly.

CAPITAL MARKETS BUSINESS

In line with the business strategy, the Bank continues to conduct its capital markets business with restraint. New purchases serve primarily to meet regulatory requirements. Liquid securities are needed to manage liquidity and the cover pools, and also as collateral in ECB repo transactions or tender operations.

Highly liquid sovereign and bank securities continued to trade at very expensive spread levels and, for regulatory reasons, resulted in high total asset costs. The budgeted target volume of liquid securities has now been reached, so there are no plans for a further portfolio reduction.

New business volume stood at EUR 514 million in 2022. Through sales of EUR 323 million and maturities of EUR 688 million, the total portfolio dropped slightly to EUR 3.4 billion (previous year: EUR 3.6 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 changing overall conditions, we consistently enjoyed access to funding on good terms during the year under review.

The focus of our large-volume funding transactions was again on the issuance of Pfandbriefe and uncovered bonds in EUR and CHF.

In terms of Pfandbrief issues, four Mortgage Pfandbriefe in benchmark and jumbo format are worth emphasising.

- In January 2022, we issued a Mortgage Pfandbrief with a volume of EUR 750 million and a term of seven years at a spread of 3 basis points below the mid-swap rate and a coupon of 0.125 percent. The issue met with brisk demand among investors seeking to invest in medium-term maturities.
- At the beginning of April 2022, we issued a Green Jumbo Mortgage Pfandbrief for EUR 1 billion, which proved highly successful. It is based on Münchener Hypothekenbank's Green Bond Framework, which fulfils the ICMA Green Bond Principles and meets the vdp's minimum standards for green Pfandbriefe. The bond has a term of seven years and ten months and a coupon of 1.25 percent. The issue was placed at a price of 2 basis points above the mid-swap rate. Demand for the Jumbo Pfandbrief was so high that the order book was closed after about two hours at a volume of more than EUR 2.7 billion. Around a third of the issue volume was subscribed by investors specialising in green and sustainable investments.
- We opened the second half of 2022 by issuing another Jumbo Mortgage Pfandbrief. The issue volume amounted to EUR 1 billion and the term was ten years. The Pfandbrief has a coupon of 1.875 percent. Investor demand was so high that the order book was more than twice oversubscribed after about two hours. This enabled the spread to be reduced in the course of the transaction to 5 basis points above the mid-swap rate.
- In November 2022, we issued a further benchmark Mortgage Pfandbrief for EUR 700 million. The term is just under five years and the coupon is 3.0 percent. The issue was placed at a price of 1 basis point above the mid-swap rate.

As regards issues in foreign currencies, the focus was on Swiss francs. All told, we issued bonds with a volume of around CHF 675 million. This volume was primarily issued on the capital market in the first half of the year via syndicated bonds. This issuance activity covered various terms and product categories (Pfandbrief, senior non-preferred and Additional Tier 1). The senior non-preferred bond was issued in green format.

The total issue volume in 2022 was around EUR 6.5 billion. This comprised EUR 5.3 billion in Mortgage Pfandbriefe and around EUR 1.2 billion in uncovered bonds. Once again, no Public Pfandbriefe were issued, in keeping with the Bank's business strategy.

In May 2022, we also issued a further Additional Tier 1 bond in the amount of CHF 75 million. That enabled us to further strengthen our equity basis and to optimise our equity structure with respect to banking supervisory requirements for additional core capital. The entire issue volume was placed in Switzerland.

Financial performance, financial position and net assets

DEVELOPMENT OF EARNINGS

Net interest income[1] increased by EUR 29.2 million, or 7.2 percent, to EUR 431.8 million, which was attributable to mortgage portfolio growth in line with our forecast. The one-off effect in net interest income that resulted from a premium of EUR 21.8 million for the third targeted longer-term refinancing operation (TLTRO III) with the ECB was more than offset by a decline in income from early repayment penalties due to the rise in interest rates.

Commission paid totalled EUR 122.3 million, which was down by EUR 19.9 million, or 14 percent, compared with the previous year. Commission received amounted to EUR 12.6 million, resulting in net commission income[2] of minus EUR 109.7 million, compared with minus EUR 130.2 million the previous year.

This resulted in net interest and commission income[3] of EUR 322.1 million, which corresponds to an increase of EUR 49.6 million, or 18.2 percent, compared with the previous year.

General administrative expenses rose by EUR 15.9 million to EUR 142.6 million. This included an increase in personnel costs of EUR 2.6 million, or 4.2 percent.

Other administrative expenses rose by EUR 13.3 million, or 20.8 percent. The expense for the bank levy alone increased by EUR 4.0 million. Expenses in connection with the planned takeover of Warburg Hypothekenbank also contributed to this rise.

Depreciation, amortisation and write-downs of intangible and tangible assets fell by EUR 1.7 million year-on-year to EUR 4.5 million.

Total administrative expenses[4] came to EUR 147.1 million compared with EUR 132.9 million the previous year. The cost-income ratio[5] was 45.7 percent, as against 48.8 percent a year earlier.

The net result of other operating expenses and income amounted to minus EUR 2.7 million.

The operating result before loan loss provisions[6] increased by 26.4 percent year-on-year to EUR 172.3 million.

The item "Depreciation, amortisation and value adjustments on accounts receivable and certain securities as well as allocations to loan loss provisions" amounted to minus EUR 45.5 million. The changed market environment made it necessary to set up additions to impairment allowance, including the provision for irrevocable loan commitments in the amount of EUR 28 million. These two positions thus total EUR 49 million. The net result of changes in loan loss provisions (including direct write-downs) came to minus EUR 17.6 million (previous year: minus EUR 5.9 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 5.5 million.

Income from ordinary business activities totalled EUR 132.3 million. After tax expenses of EUR 64.2 million, net income came to EUR 68.1 million, a year-on-year increase of 15.3 percent. The increase is thus above our forecast, in particular due to the higher net interest and commission income.

The return on equity (RoE) before tax amounted to 7.7 percent.[7] After tax, the Bank achieved an RoE of 4.0 percent.[8]

[1] Net interest income is calculated by adding item 1 "Interest income" plus item 3 "Current income" plus item 4 "Income from profit-pooling, profit transfer or partial profit transfer agreements" minus item 2 "Interest expenses" as shown in the income statement.
[2] Net commission income is calculated by netting item 5 "Commission received" and item 6 "Commission paid" as shown in the income statement.
[3] Net interest and commission income is the sum of net interest income and net commission income.
[4] Total administrative expenses are the sum total of item 8 "General administrative expenses" and item 9 "Depreciation, amortisation and write-downs of intangible and tangible assets" as shown in the income statement.
[5] Ratio of total administrative expenses to net interest and net commission income.
[6] Net result of items 1 to 10 in the income statement.
[7] RoE before tax is calculated as the ratio of income statement item 14 "Results from ordinary business activities" to balance sheet liability item 9 "Fund for general banking risks" (previous year) plus liability item 10aa "Members' capital contributions" (current year) plus item 10b "Revenue reserves" (previous year) plus income statement item 18 "Retained earnings brought forward from previous year".
[8] RoE after tax is calculated as the ratio of income statement item 16 "Allocation to fund for general banking risks" plus item 17 "Net income" to balance sheet liability item 9 "Fund for general banking risks (previous year)" plus liability item 10aa "Members' capital contributions" (current year) plus item 10b "Revenue reserves" (previous year) plus income statement item 18 "Retained earnings brought forward from previous year".

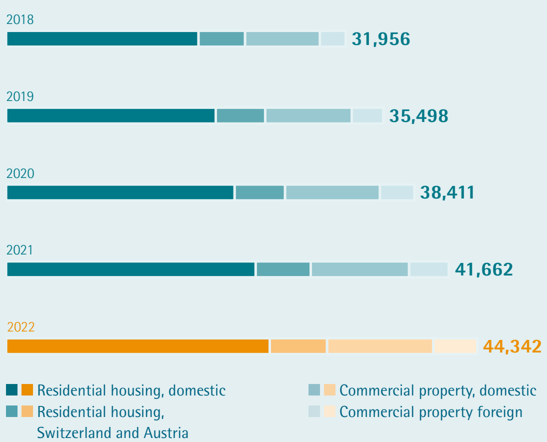
BALANCE SHEET STRUCTURE

Total assets stood at EUR 52.4 billion at the end of the financial year 2022 compared with EUR 52.5 billion at 31 December 2021.

During the course of the year, the mortgage loan portfolio grew by EUR 2.7 billion to EUR 44.3 billion. Private residential property financing in Germany was once again the fastest growing segment, increasing by EUR 1.3 billion.

The private residential property financing portfolio is structured as follows: domestic – EUR 24.8 billion (previous year: EUR 23.5 billion); foreign – EUR 5.4 billion (previous year: EUR 5.2 billion). In addition to the financing business in Switzerland, this portfolio also includes financing in Austria. The commercial property financing portfolio totals EUR 14.1 billion (previous year: EUR 13.0 billion). Of this amount, EUR 4.1 billion (previous year EUR 3.7 billion) is attributable to financing outside Germany. The most important international market is the USA at 27 percent (previous year: 22 percent), followed by the Netherlands at 24 percent (previous year: 23 percent), Spain at 17 percent (previous year: 18 percent) and the UK at 12 percent (previous year: 15 percent).

Portfolio development 2018 to 2022
IN € MILLION



In line with our business and risk strategy, the portfolio of public-sector and bank loans and securities decreased from EUR 3.6 billion to EUR 3.4 billion, EUR 2.2 billion of which was made up of securities and bonds.

At the end of 2022, the net balance of hidden charges and hidden reserves in the securities portfolio amounted to EUR 2 million (previous year: EUR 33 million).

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

The portfolio of long-term funding instruments increased by EUR 1.5 billion to EUR 43.5 billion. Mortgage Pfandbriefe accounted for EUR 31.7 billion of this amount, Public Pfandbriefe EUR 1.3 billion and uncovered bonds EUR 10.5 billion. The total volume of funding instruments – including money market funds and customer deposits – amounted to EUR 49.6 billion as at 31 December 2022.

The item "Other liabilities to customers" can be broken down as follows:

OTHER LIABILITIES TO CUSTOMERS
IN € 000

	Remaining term < one year	Remaining term > one year	Total
Other liabilities to customers as at 31 December 2022	**2,294,693**	**2,682,294**	**4,976,987**
Registered bonds	**27,809**	**1,514,995**	**1,542,804**
of which institutional investors	16,884	1,346,200	1,363,084
Promissory note loans on the liabilities side	**738,458**	**822,157**	**1,560,615**
of which institutional investors	160,810	480,657	641,467
Other	**1,528,426**	**345,142**	**1,873,568**
of which institutional investors	878,908	182,109	1,061,017

Members' capital contributions grew by EUR 28.8 million to EUR 1,272.0 million. Together with the issue of the Additional Tier 1 bonds in the amount of CHF 200 million in 2019 and 2022, regulatory own funds totalled EUR 1,950.0 million (previous year: EUR 1,790.1 million).

Common Equity Tier 1 capital rose from EUR 1,626 million in the previous year to EUR 1,690 million as at 31 December 2022. At the end of 2022, the Common Equity Tier 1 capital ratio was 19.0 percent (previous year: 20.4 percent), the Tier 1 capital ratio 21.2 percent (previous year: 21.9 percent) and the total capital ratio 21.9 percent (previous year: 22.5 percent). The leverage ratio at 31 December 2022 was 3.7 percent (previous year: 3.6 percent).

PLANNED ACQUISITION OF WARBURG HYPOTHEKENBANK

In early November 2022, Münchener Hypothekenbank signed a contract to acquire all shares in M.M.Warburg & CO Hypothekenbank AG (Warburg Hypothekenbank). The current owners are M.M.Warburg & CO (AG & Co.) Kommanditgesellschaft auf Aktien and Landeskrankenhilfe V.V.a.G.

The planned closing on the purchase of the shares is still subject to required official approvals. This includes, in particular, the regulatory holder control procedure, which had not yet been completed when this report was drafted.

Once the acquisition is concluded, the plan is to integrate Warburg Hypothekenbank by way of a merger before the end of 2023.

Ratings, sustainability and general legal conditions

RATINGS

In August 2022, Moody's 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.

RATING	
Mortgage Pfandbriefe	Aaa
Junior Senior Unsecured	A2
Senior Unsecured	Aa3
Short-term liabilities	Prime-1
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 by the EU, the ECB, the European Banking Authority (EBA) and the 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 set up by the Board of Management 2021 for the purposes of implementing these requirements, numerous work packages were advanced to a significant extent 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.

In 2022, Münchener Hypothekenbank also enacted its sustainability strategy, which establishes clear objectives and KPIs for the Bank that address regulatory requirements and respond to the increased interest in sustainability in the market.

The Bank's ESG Committee also began its work as part of the ESG framework we created last year. Meeting every three months, 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 (MünchenerHyp Green Loan and MünchenerHyp Family Loan) that were made to banks in the Cooperative Financial Network accounted for more than 18 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 2022 we issued ESG and green Pfandbriefe, uncovered senior preferred and senior non-preferred bonds and commercial papers. Approximately EUR 1.2 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 has granted us "Prime Status" once again.

Each year, the agency Sustainalytics awards a risk score between 0 and 40 points. The lower the risk score, the stronger the sustainability management. Münchener Hypothekenbank's risk score in 2022 was 16.3, which corresponds to a low risk. This puts the bank in 10th place in the Thrifts and Mortgages peer group.[9]

The development of the sustainability ratings in 2022 and the two previous years at a glance:

THE DEVELOPMENT OF THE SUSTAINABILITY RATINGS SINCE 2020

	2020	2021	2022
ISS ESG	C+ (Prime Status)	C+ (Prime Status)	C+ (Prime Status)
Sustainalytics	Risk score 17.4 (low risk)	Risk score 18.5 (low risk)	Risk score 16.3 (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.

GENERAL REGULATORY CONDITIONS

Capital

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

Liquidity

The liquidity coverage ratio (LCR) was maintained throughout the year, with values above 500 percent on average. The minimum was above 200 percent. The net stable funding ratio (NSFR) was always above 107 percent, and on average above 111 percent.

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. Overall, we take a critical view of the new regulation, because it will make loans more expensive. The Bank is monitoring developments and, given the currently high Common Equity Tier 1 capital ratio, believes that this regulatory change will be manageable.

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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.

As every year, the ECB conducted the 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 are derived from that process. The additional capital adequacy requirement (P2R) imposed within the framework of the SREP amounts 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.

Registered office, executive bodies, committees and employees

REGISTERED OFFICE

Münchener Hypothekenbank eG has its registered office in Munich. The Bank also has a branch in Berlin and 10 offices across Germany.

EXECUTIVE BODIES AND COMMITTEES

Dr Louis Hagen stepped down from the Board of Management of Münchener Hypothekenbank with effect from the end of 2022. He had been a member of the Bank's Board of Management since 2009 and had been its spokesman since 2010 and Chairman since 2016.

The Supervisory Board appointed Dr Holger Horn as Chairman of the Board of Management with effect from 1 January 2023.

Markus Wirsen joined Münchener Hypothekenbank's Board of Management on 1 April 2022.

EMPLOYEES

In 2022, human resources work was again influenced by the COVID-19 pandemic. However, the established measures made it possible to largely contain the adverse effects on the staff and maintain the Bank's operations without interruption.

As the pandemic subsided, human resources work increasingly returned to implementing the human resources strategy. Recruitment, for instance remained a key challenge for the Bank given the tight labour market. For this reason, Münchener Hypothekenbank's human resources strategy is focused on enhancing our employer brand, attracting and promoting talent, creating attractive overall conditions for all employees and offering an attractive remuneration, among other things.

The Bank had 630 employees [10] (previous year: 624) 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 50 percent in the year under review. At Board of Management level, the proportion stood at 0 percent, while the proportion at the first management level below the Board was 18 percent, at the second level 19 percent and at the third level 29 percent. The proportion of women on the Supervisory Board was 17 percent in 2022. Münchener Hypothekenbank has set itself the goal of increasing the proportion of women in leadership positions. 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, in early retirement or in 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. Münchener Hypothekenbank's Board of Management as a whole 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. The Risk Committee also receives numerous detailed reports from internal management.

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.

When analysing and presenting the existing risks, a distinction is made between counterparty risks, market price risks, credit spread risks, liquidity risks, migration risks, investment risks, model risks, property risks and operational risks. Additional risks, such as the placement risk, reputational risk, business risk and ESG etc. 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

The counterparty risk (credit risk) is of major importance for Münchener Hypothekenbank. The counterparty risk is 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 the 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 risks 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 DSCR and LTV. The current loan-to-value ratios break down as follows:

TOTAL PORTFOLIO OF MORTGAGE AND OTHER LOANS

	31 December 2022		31 December 2021	
Loan-to-value ratio	€	Relative	€	Relative
Up to 60%	18,450,179,319.36	39.3%	17,712,207,741.73	39.5%
> 60% and ≤ 70%	6,896,647,556.85	14.7%	6,840,677,939.84	15.3%
> 70% and ≤ 80%	7,898,331,218.38	16.8%	7,817,675,352.88	17.4%
> 80% and ≤ 90%	4,400,454,401.52	9.4%	4,114,483,751.81	9.2%
> 90% and ≤ 100%	4,022,835,568.79	8.6%	3,513,107,035.49	7.8%
Over 100%	5,295,250,958.09	11.3%	4,826,847,133.62	10.8%
Without	2,618,630.23	0.0%	1,656,656.42	0.0%
Total	**46,966,317,653.22**	**100.0%**	**44,826,655,611.79**	**100.0%**

The regional breakdown within Germany and internationally is summarised below:

TOTAL PORTFOLIO OF MORTGAGE AND OTHER LOANS

Region	31 December 2022		31 December 2021	
	€	Relative	€	Relative
Baden-Württemberg	4,010,063,304.61	8.5%	3,756,142,446.13	8.4%
Bavaria	8,822,458,827.26	18.8%	8,474,865,821.42	18.9%
Berlin	2,485,848,753.78	5.3%	2,275,822,809.98	5.1%
Brandenburg	827,421,460.83	1.8%	764,316,946.44	1.7%
Bremen	151,347,035.71	0.3%	146,032,821.18	0.3%
Hamburg	1,227,295,063.51	2.6%	1,216,985,454.59	2.7%
Hesse	3,370,033,196.40	7.2%	3,276,664,075.86	7.3%
Mecklenburg-West Pomerania	587,840,864.78	1.3%	595,844,836.17	1.3%
Lower Saxony	3,356,204,347.00	7.1%	3,196,387,918.79	7.1%
North Rhine-Westphalia	5,743,181,146.40	12.2%	5,609,760,400.35	12.5%
Rhineland-Palatinate	1,839,349,385.35	3.9%	1,813,885,036.53	4.0%
Saarland	423,200,795.08	0.9%	431,112,825.77	1.0%
Saxony	1,215,349,407.71	2.6%	1,113,316,958.79	2.5%
Saxony-Anhalt	813,642,843.04	1.7%	695,276,822.37	1.6%
Schleswig-Holstein	2,049,672,294.47	4.4%	2,052,971,928.16	4.6%
Thuringia	438,961,353.66	0.9%	355,371,130.18	0.8%
Total domestic	**37,361,870,079.59**	**79.6%**	**35,774,758,232.71**	**79.8%**
Austria	235,491,553.53	0.5%	224,186,194.19	0.5%
Belgium	105,492,104.98	0.2%	105,544,541.73	0.2%
France	455,318,820.72	1.0%	472,425,600.20	1.1%
Luxembourg	152,668,656.25	0.3%	105,094,688.44	0.2%
Netherlands	989,984,062.14	2.1%	868,016,719.22	1.9%
Spain	707,255,450.32	1.5%	659,341,232.09	1.5%
Switzerland	5,339,498,930.27	11.4%	5,224,247,514.15	11.7%
United Kingdom	479,712,176.14	1.0%	541,450,654.06	1.2%
USA	1,139,025,819.28	2.4%	851,590,235.00	1.9%
Total foreign	**9,604,447,573.63**	**20.4%**	**9,051,897,379.08**	**20.2%**
Total domestic and foreign	**46,966,317,653.22**	**100.0%**	**44,826,655,611.79**	**100.0%**

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 low credit risk. Our lending business with public sector borrowers and banks is 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.

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:

TOTAL PORTFOLIO OF MORTGAGE AND OTHER LOANS

Rating category	31 December 2022		31 December 2021	
	€	Relative	€	Relative
0a to 0b	0.00	0.0%	0.00	0.0%
0c to 0e	10,386,907,954.46	22.1%	10,321,572,171.81	23.0%
1a to 1c	23,302,010,446.37	49.6%	22,541,286,450.37	50.3%
1d to 2a	10,144,438,199.25	21.6%	9,367,647,410.66	20.9%
2b to 2c	1,453,992,753.39	3.1%	1,183,501,713.56	2.6%
2d to 2e	267,095,148.10	0.6%	374,436,327.41	0.8%
3a to 3b	657,308,115.98	1.4%	567,687,876.18	1.3%
3c to 3d	535,178,813.93	1.1%	212,184,459.98	0.5%
3e	32,123,225.73	0.1%	36,082,435.09	0.1%
4a to 4e	186,909,346.16	0.4%	221,905,737.35	0.5%
no rating	353,649.85	0.0%	351,029.38	0.0%
Total	**46,966,317,653.22**	**100.0%**	**44,826,655,611.79**	**100.0%**

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.

As property markets have largely remained very stable despite the war in Ukraine, individual impairment allowances continue to be created at a very low level for both the residential property financing business and the commercial property financing business.

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).

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	34.6	22.9	–4.3	–0.4	–1.0	51.8
Collective impairment allowances[1]	21.0	28.0	0.0	0.0	0.0	49.0

[1] Including a provision for irrevocable loan commitments in the amount of EUR 2.0 million.

Market price risks

Market price risks include the risks to the value of positions due to changes in market parameters, including interest rates, volatility and exchange rates. They are quantified as a potential present value loss using a present value model. This distinguishes between interest rate, option and currency risks.

In the case of the interest rate risk, a distinction is made between general and specific interest rate risks. The 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.

The specific interest rate risk, also known as the credit spread risk, is likewise included under the 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 the volatility risk (vega: the risk that the value of a derivative instrument will change due to increasing or decreasing volatility), the time risk (theta: the risk that the value of a derivative instrument will change over time), the rho risk (the risk of a change in the value of the option if the risk-free interest rate changes) and the 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 contracted for the purposes of speculation. All option positions arise implicitly as a result of borrower's option rights (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.

The 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 risks; only the margins included in interest payments are not hedged.

The share price risk for Münchener Hypothekenbank is low 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 risks, the present value of all Münchener Hypothekenbank transactions is determined on a daily basis. All transactions are valued using the Summit IT program. The interest rate risk is managed on the basis of the BPV vector (Base 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 interest rate curve and changes to the base spread and volatilities are also determined.

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 with less frequency) 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.
- Sensitivities:
  - 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.
- Historic simulation:
  - 2008 financial market crisis: changes in interest rates between 12 September 2008 (the last banking day before the collapse of 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).

In the year under review, the maximum VaR of the entire portfolio (interest, currencies and volatilities) at a confidence level of 99 percent with a ten-day holding period was EUR 46 million. The average figure was approximately EUR 30 million.

Although Münchener Hypothekenbank is a trading book institution (for futures only), it has not concluded any trading transactions since 2012.

In order to manage credit spread risks, the present value of asset-side capital market transactions of Münchener Hypothekenbank is calculated and the credit spread risks are determined on a daily basis. 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 this 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.
- 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 stood at a maximum of EUR 210 million in the year under review, while the average figure was about EUR 178 million.

Liquidity risk

The liquidity risk includes 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). Current supervisory requirements (MaRisk and CRD IV) regarding banks' 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) Base case: 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. In all cases, 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 if 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.

In order to diversify its funding sources, the Bank has built up a modest deposit business. At the end of 2022, the portfolio volume was EUR 303 million.

Münchener Hypothekenbank does not have any illiquid bonds such as mortgage-backed securities (MBS) or similar securities in its portfolio.

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 for strategic reasons in companies of the Cooperative Financial Network and, to a small extent, positions within its special mixed fund.

Operational risks

Operational risks are 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 risks by using skilled staff, transparent processes, automated standard workflows, written work instructions, comprehensive IT system function tests, appropriate 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 risks

These describe 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.

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 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.

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 prefer to 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, the new product and new structure processes 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 ratios calculated in the Bank's financial reporting process.

Corporate planning

Münchener Hypothekenbank regularly analyses its business model with an eye on the challenges that the Bank will face in future, and refines its business and risk strategy on this basis. In order to achieve its strategic objectives, numerous measures have been defined across various areas of activity, some of which have already been implemented and which we will continue to implement consistently in the years ahead. The MaRisk-compliant strategic process plays a crucial role in this. The starting point for the annual strategy cycle is a strategic review comprising a review of the implementation and impact of the adopted measures. As part of the annual planning that follows the strategy process, sales targets and centralised and decentralised components of administrative expenses are reconciled with the projected rolling multi-year income statement. 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 matters relating to capital adequacy.

Outlook – opportunities and risks

Economic development and financial markets

The global economy is expected to cool further in 2023, with experts believing that factors which have so far provided support, such as private consumption and high order backlogs in industry, will have less of an impact. In particular, inflation and high financing costs are expected to put a dampener on investment and consumption.

The predictions are associated with great uncertainty, not least due to the ongoing war in Ukraine. Nevertheless, the IMF is forecasting that global growth will come in at 2.9 percent. It bases this assessment on the fact that in many countries the economy has proved to be more resilient than expected. By contrast, the World Bank is expecting growth of just 1.7 percent, since it is concerned about a recession in many countries. There is agreement that economic growth will once again weaken considerably in what are known as advanced economies. The eurozone, for instance, is expected to stagnate in 2023 or post only slight GDP growth. In addition, inflation is forecast to remain high or decline only gently.

Weak momentum in the world economy will also have an impact on the German economy. At the start of 2023, however, economists were less pessimistic about economic prospects. This is mainly due to the fact that the feared energy supply crisis has so far failed to materialise, energy prices and inflation abated somewhat at the end of the year, and the German government's aid package attenuated the adverse effects on private households and companies. In its annual economic report, the German government therefore raised its GDP growth forecast to 0.2 percent. It anticipates growth of 1.8 percent for 2024. In terms of construction investment, economists expect a decline for 2023 due to a drop in incoming orders and a rise in cancellations. Inflation will remain high, but no longer reach the level of 2022. The labour market is predicted to develop robustly, with rising wages.

Higher interest rates mean that central banks will continue to maintain restrictive monetary policies. Benchmark interest rates are expected to rise further. The Fed will likely adopt smaller rate hikes of 0.25 percentage points up to a level of 5.0 percent. It enacted its first interest rate increase of 0.25 percentage points on 1 February 2023. One day later, the ECB raised its main refinancing operations rate by 0.5 percentage points to 3.0 percent. In view of high inflation, a further interest rate increase to 3.5 percent is expected in the spring of 2023.

The ECB has announced that the asset purchase programme (APP) portfolio will be reduced by about EUR 15 billion each month from the beginning of March. This will be done by not reinvesting all of the principal payments from maturing securities. In the second half of the year, the ECB will decide whether to further curtail the reinvestment of principal payments from maturing securities and thus to start reducing the portfolio more rapidly.

On the foreign exchange market, the euro is expected to trend in a slightly positive direction against the US dollar, since the Fed has announced that interest rates will be raised more slowly and the ECB is expected to raise them more sharply. The British pound may again perform rather more weakly against the euro given that already modest economic prospects are being further impacted by the lasting effects of Brexit. As far as the Swiss franc is concerned, we expect only slight fluctuations in 2023 and a gentle decline in the exchange rate against the euro.

Funding spreads for banks are likely to come under pressure due to the faster repayment of TLTRO tenders and the ECB's curtailing of securities purchases and its portfolio reduction. Over-liquidity on the money market should shrink considerably in 2023 and could result in somewhat firmer market rates.

The covered bond markets are forecast to see brisk issuing activity again, particularly because there will be repayments of TLTRO tenders. Covered bonds, which were previously funded in part via the ECB's low-cost tender programme, will thus increasingly be issued through public deals once more. It is therefore possible that spreads will widen further. Demand for covered bonds will also be further boosted by the CBPP 3 purchase programme, although to a lesser extent than in previous years, as only maturing instruments will be reinvested by the ECB. New issues of benchmark covered bonds denominated in euros are forecast to reach EUR 175 billion for 2023.

Property markets and property financing markets

In 2023, higher interest rates and weaker economic growth will once again shape the overall conditions on the property markets and influence the behaviour of clients and investors. The resulting uncertainties on the investment markets will be reflected in pricing processes that remain difficult. Thus, the transaction volume for both residential and commercial properties is expected to be lower than in the previous year. Transaction activity will not pick up until mid-2023 at the earliest. This is contingent on buyers as well as sellers being able to calculate financing costs and margins more reliably again.

With investors focussing even more strongly on energy-efficient buildings, price trends are expected to differ depending on the quality of the property. This means that price declines will mainly affect energy-intensive residential and commercial properties.

The residential property markets in our target countries of Germany, Switzerland and Austria continue to be characterised by scarcity of supply. This will lead to further substantial prices rises on the rental housing markets. The situation will be aggravated by a decline in new construction activity, along with new regulatory requirements. Stricter minimum requirements concerning equity and the debt service-to-income ratio in the case of lending in Austria, as well as the countercyclical capital buffer and the sectoral systemic risk buffer for residential property financing which have been in effect in Germany since February 2023, will make it more difficult for many households to purchase property.

There is disagreement among experts with regard to the further trend in purchase prices in the case of owner-occupied housing and multi-family houses. A clear trend is not expected to emerge until the second half of 2023 at the earliest, meaning that even demand from institutional investors is likely to remain modest until then.

In light of economic weaknesses compared to previous years, assessments of the prospects on the commercial property markets are somewhat more restrained on the whole. This will also affect the office property market. Take-up, for instance, is forecast to be somewhat lower for the first half of 2023 compared to the previous year. In all the countries considered here, this assessment excludes prime properties in very good office locations, where it is assumed that rents will remain stable or even rise. Away from these locations, high vacancy rates are expected, which will increase the pressure on rents. For institutional investors, office properties remain the most attractive asset class.

The situation for bricks-and-mortar retailing will again be challenging in 2023. Firstly, a persistent, real loss of purchasing power among private households will limit the ability to improve sales. Secondly, higher energy prices will increase costs. In addition, online retail is continuing to gain market share because the shopping habits developed during the pandemic have permanently changed. Accordingly, companies will rethink their locations and space requirements, which will likely lead multi-channel companies to scale back considerably on floor space. Against this backdrop, investors will continue to be highly selective when it comes to retail properties.

Development of business at Münchener Hypothekenbank

Our targets for new business in 2023 are conservative since, as described, the prospects for the property markets and property financing markets are restrained. In the first quarter of 2023 particularly, higher interest rates, but also weak construction activity, will continue to act as a brake on demand for property financing, since private customers and investors alike will wait for better general conditions. If general conditions stabilise in the further course of the year, we believe that demand for residential and commercial financing will gradually pick up. Under these conditions, we may return to the level of new business volume that we posted in 2022.

Lower demand from customers, coupled with continued broad supply, will intensify competition in private property financing. For that reason, we will optimise our products, sales campaigns and processes further in order to differentiate ourselves even more distinctly from competitors and to strengthen the partnership with the banks in the Cooperative Financial Network and with our collaboration partners in Germany, Switzerland and Austria. In Switzerland, moreover, we intend to expand the share of our sustainable mortgage loans. Overall, we expect new business in private property financing to be below the previous year's level.

We plan in principle to expand commercial property financing further. Since it is our assessment that the transaction market will come back to life in the second half of the year at the earliest, and with it the demand for purchase financing, our objective is to maintain new business volume at the 2022 level.

In addition, we will continue to assess and monitor economic risks in a conservative, forward-looking manner. Developments in the war in Ukraine and the impact on the energy section are critical factors in this regard. By contrast, the adverse effects of the COVID-19 pandemic on our business will continue to abate.

In view of sharply higher interest rates, we believe that a more stable interest rate level may slowly emerge. Although alternative asset classes have become more attractive again in light of higher interest rates, we consider the capital flow of investors into the property asset class to be stable, meaning that financing opportunities will continue to arise for Münchener Hypothekenbank.

We expect modest transaction activity for the national and international syndication market, since the decisions made by central banks about interest rates have caused investors to become reluctant to purchase properties, with the result that fewer transactions are currently taking place. We therefore anticipate that the volume of Münchener Hypothekenbank's participation in financing will be slightly lower compared with the previous year. Demand for underwriting transactions in direct business is expected to increase. Here, Münchener Hypothekenbank provides the overall financing and subsequently surrenders portions of the financing to other banks or institutional investors.

Once the acquisition of Warburg Hypothekenbank is concluded, we will acquire a low-risk loan portfolio that is a very good fit for Münchener Hypothekenbank. At the same time, positive economic effects can be achieved with this transaction.

For 2023, we are budgeting for a funding requirement of between EUR 8.0 billion and EUR 9.5 billion, EUR 6.5 billion to EUR 7.0 billion of which is expected to be raised on the capital market, the remainder on the money market. We plan to launch three to four large-scale issues, which is similar to last year. Given its partnership with PostFinance in Switzerland, Münchener Hypothekenbank will continue to have a funding requirement in Swiss francs.

Three large-volume Pfandbriefe will mature and fall due for repayment in 2023: a Mortgage Pfandbrief with a volume of EUR 0.75 billion in June and two Mortgage Pfandbriefe of EUR 0.5 billion each in September and December.

We also intend to attract additional deposits from private customers in 2023.

In 2023, we will continue to work on implementing our sustainability strategy, along with 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.

We expect net interest income to be slightly above the previous year's level. Due to the decline in new business, net commission income will decrease slightly. Administrative expenses will be above those of the previous year.

We expect loan loss provisions to remain at the same level as 2022. This is due to the increased portfolios and, in particular, the macroeconomic uncertainties described above.

In the current market environment, we are nevertheless confident that we will attain our targets for the financial year 2023, and we anticipate that net income will come in at the level of the previous year.

Disclaimer regarding forward-looking statements

This annual 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

3

BALANCE SHEET

31 December 2022

ASSETS
IN €

		31 Dec. 2022	€ 000 31 Dec. 2021
1. Cash reserve			
a) Cash on hand	0.00		9
b) Balances with central banks	39,245,223.44		574,567
of which: with Deutsche Bundesbank € 39,245,223.44			
		39,245,223.44	**574,576**
2. Claims on banks			
a) Mortgage loans	170,670.94		201
b) Public-sector loans	25,109,612.50		100,619
c) Other claims	1,502,674,404.31		1,538,332
of which: payable on demand € 1,204,113,085.25			
		1,527,954,687.75	**1,639,152**
3. Claims on customers			
a) Mortgage loans	44,187,378,043.31		41,555,682
b) Public-sector loans	1,199,491,726.83		1,351,009
c) Other claims	49,624,912.35		139,173
		45,436,494,682.49	**43,045,864**
4. Bonds and other fixed-income securities			
a) Bonds and notes	2,263,362,557.32		2,213,811
aa) Public-sector issuers € 1,632,941,586.94			(1,591,894)
of which: eligible as collateral for Deutsche Bundesbank advance € 1,595,761,958.00			
ab) Other issuers € 630,420,970.38			(621,917)
of which: eligible as collateral for Deutsche Bundesbank advance € 488,133,139.15			
b) Own bonds and notes	2,560,526,377.77		4,500,102
Nominal value € 2,550,000,000			
		4,823,888,935.09	**6,713,913**
Carried forward:		**51,827,583,528.77**	**51,973,505**

ASSETS
IN €

		31 Dec. 2022	€ 000 31 Dec. 2021
Brought forward:		**51,827,583,528.77**	**51,973,505**
5. Equities and other variable-yield securities		**144,423,738.46**	**147,000**
6. Participations and shares in cooperatives			
a) Participations	102,723,767.61		102,726
of which: credit institutions € 29,412,172.14			
b) Shares in cooperatives	18,500.00		19
of which: in credit cooperatives € 15,500.00			
		102,742,267.61	**102,745**
7. Shares in affiliated companies		**11,751,601.64**	**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	182,873.14		1,361
		182,873.14	**1,361**
9. Tangible assets		**65,186,015.17**	**65,924**
10. Other assets		**143,817,694.71**	**139,905**
11. Deferred items			
a) From issuing and lending business	107,806,380.06		95,482
b) Other	2,039,438.16		556
		109,845,818.22	**96,038**
Total assets		**52,405,533,537.72**	**52,538,230**

LIABILITIES, CAPITAL AND RESERVES

IN €

		31 Dec. 2022	€ 000 31 Dec. 2021
1. Liabilities to banks			
a) Registered Mortgage Pfandbriefe issued	844,256,193.08		700,885
b) Registered Public Pfandbriefe issued	68,883,948.99		84,267
c) Other liabilities	5,550,025,089.16		7,288,049
of which: payable on demand € 1,469,154,748.58			
		6,463,165,231.23	**8,073,201**
2. Liabilities to customers			
a) Registered Mortgage Pfandbriefe issued	9,440,097,720.29		9,068,509
b) Registered Public Pfandbriefe issued	1,228,771,335.82		1,339,300
c) Other liabilities	4,976,986,199.48		4,458,803
of which: payable on demand € 31,788,064.28			
		15,645,855,255.59	**14,866,612**
3. Certificated liabilities			
a) Bonds issued	27,686,591,580.39		26,718,553
aa) Mortgage Pfandbriefe € 21,618,274,944.29			(20,706,066)
ab) Public Pfandbriefe € 41,054,124.17			(66,081)
ac) Other bonds and fixed-income securities € 6,027,262,511.93			(5,946,406)
b) Other certificated liabilities	339,177,118.34		657,136
of which: money market paper € 339,177,118.34			
		28,025,768,698.73	**27,375,689**
4. Other liabilities		**143,520,291.35**	**165,643**
Carried forward		**50,278,309,476.90**	**50,481,145**

LIABILITIES, CAPITAL AND RESERVES

IN €

		31 Dec. 2022	€ 000 31 Dec. 2021
Brought forward:		**50,278,309,476.90**	**50,481,145**
5. Deferred items from issuing and lending business	**64,145,174.26**		77,456
		64,145,174.26	**77,456**
6. Provisions			
a) Provisions for pensions and similar obligations	35,903,134.00		36,182
b) Provisions for taxes	360,000.00		14,450
c) Other provisions	46,272,892.00		51,173
		82,536,026.00	**101,805**
7. Subordinated liabilities		**0.00**	**19,500**
8. Instruments of the additional regulatory core capital		**203,107,545.45**	**120,995**
9. Fund for general banking risks		**55,000,000.00**	**55,000**
10. Capital and reserves			
a) Subscribed capital	1,272,002,690.00		1,243,221
aa) Members´ capital contributions € 1,272,002,690.00			(1,243,221)
b) Revenue reserves	412,000,000.00		372,000
ba) Legal reserve € 406,000,000.00			(366,000)
bb) Other revenue reserves € 6,000,000.00			(6,000)
c) Unappropriated profit	38,432,625.11		67,108
		1,722,435,315.11	**1,682,329**
Total liabilities, capital and reserves		**52,405,533,537.72**	**52,538,230**
1. Contingent liabilities			
Contingent liability on guarantees and indemnities		766.94	1
2. Other commitments			
Irrevocable loan commitments		4,334,874,732.10	5,126,314

INCOME STATEMENT

For the year ended 31 December 2022

INCOME STATEMENT
IN €

			1 Jan. to 31 Dec. 2022	€ 000 1 Jan. to 31 Dec. 2021
1. Interest income from			**971,326,029.30**	**940,668**
a) Lending and money market operations		906,902,920.56		893,615
of which: negative interest on financial assets	6,370,026.45			5,623
b) Fixed-income securities and government debt register claims		64,423,108.74		47,053
2. Interest expenses			**542,977,203.58**	**541,705**
of which: positive interest on financial liabilities	47,599,820.88			49,763
3. Current income from			**3,406,316.39**	**3,570**
a) Shares and other non-fixed income securities		0.00		0
b) Participating interests and shares in cooperatives		2,906,316.39		2,470
c) Investments in affiliated companies		500,000.00		1,100
4. Income from profit-pooling, profit transfer or partial profit transfer agreements			**0.00**	**69**
5. Commission received			**12,627,864.65**	**12,047**
6. Commission paid			**122,319,821.47**	**142,200**
7. Other operating income			**1,676,287.75**	**2,860**
8. General administrative expenses			**142,615,371.05**	**126,729**
a) Personnel expenses		65,674,674.53		63,044
aa) Wages and salaries	55,432,985.05			53,161
ab) Social security contributions and cost of pensions and other benefits	10,241,689.48			9,883
of which: for pensions 2,176,485.26				1,978
b) Other administrative expenses		76,940,696.52		63,685
9. Depreciation, amortisation and write-downs of intangible and tangible assets			**4,476,711.11**	**6,210**
10. Other operating expenses			**4,381,526.05**	**6,122**
11. Write-downs on and valuation allowances of loans and advances and specific securities, as well as additions to loan loss provisions			**45,467,137.62**	**27,018**
12. Depreciation, amortisation and write-downs of participating interests, shares in affiliated companies and securities treated as fixed assets			**5,476,109.39**	**3,493**
13. Expenses from loss transfer			**198.34**	**0**
14. Results from ordinary business activities			**132,274,638.26**	**112,723**
15. Taxes on revenue and income			**64,188,651.68**	**53,652**
16. Allocation to fund for general banking risks			**0.00**	**0**
17. Net income			**68,085,986.58**	**59,071**
18. Retained earnings brought forward from previous year			**346,638.53**	**33,037**
19. Allocation to revenue reserves			**30,000,000.00**	**25,000**
a) Legal reserve		30,000,000.00		25,000
b) Other revenue reserves		0.00		0
20. Unappropriated profit			**38,432,625.11**	**67,108**

STATEMENT OF DEVELOPMENT IN EQUITY CAPITAL AND CASH FLOW STATEMENT

STATEMENT OF DEVELOPMENT IN EQUITY CAPITAL FOR 2022

IN € 000

	Subscribed capital				
	Members capital contributions	Silent participations	Revenue reserves	Unappropriated profit	Total capital and reserves
Capital and reserves as of 1 Jan. 2021	1,153,051		347,000	46,705	1,546,756
Net change in capital	90,170				90,170
Dividends paid				13,668	13,668
Net income			25,000	34,071	59,071
Capital and reserves as of 31 Dec. 2021	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

CASH FLOW STATEMENT
IN € MILLION

	31 Dec. 2022
1. Profit for the period	68.1
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	59.7
3. Increase / decrease in provisions	–19.3
4. Other non-cash expenses / income	–0.4
5. Gain / loss on disposal of fixed assets	0.0
6. Other adjustments (net)	0.0
7. Increase / decrease in receivables from credit institutions	82.5
8. Increase / decrease in receivables from customers	–2,479.3
9. Increase / decrease in securities (unless classified long-term financial assets)	1,950.0
10. Increase / decrease in other assets relating to operating activities	98.7
11. Increase / decrease in liabilities to credit institutions	–1,547.6
12. Increase / decrease in liabilities to customers	777.3
13. Increase / decrease in securitised liabilities	623.3
14. Increase / decrease in other liabilities relating operating activities	–433.3
15. Interest expense / interest income	–159.2
16. Income tax expense / income	–0.1
17. Interest and dividend payments received	647.6
18. Interest paid	–56.7
19. Income taxes paid	–64.1
20. Cash flows from operating activities (total of lines 1 to 19)	**–452.9**
21. Proceeds from disposal of long-term financial assets	491.8
22. Payments to acquire long-term financial assets	–543.7
23. Proceeds from disposal of tangible fixed assets	0.0
24. Payments to acquire tangible fixed assets	–2.1
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)	**–54.5**
28. Proceeds from capital contributions	28.8
29. Dividends paid to shareholders	–56.8
30. Changes in cash funds relating to other capital (net)	0.0
31. Cash flows from financing activities (total of lines 28 to 30)	**–28.0**
32. Net change in cash funds	–535.4
33. Effect on cash funds of exchange rate movements and remeasurements	0.0
34. Cash funds at beginning of period	574.6
35. Cash funds at end of period (total of lines 32 to 34)	**39.2**

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 (HGB), in conjunction with the accounting regulation for banks and financial service institutions (RechKredV), and in accordance with the rules contained in the Cooperatives Act (GenG) and the Pfandbrief Act (PfandBG).

All claims are stated at nominal amounts in accordance with Section 340e (2) of the German Commercial Code. The difference between the amounts disbursed and the nominal amount is shown under deferred items. All identifiable individual credit risks are covered by specific value adjustments and provisions set up against claims for repayment of principal and payment of interest. 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 German Commercial Code's (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.

In addition, contingency reserves were formed pursuant to Section 340f of the German Commercial Code.

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

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

Borrowed securities do not appear on the balance sheet.

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

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.

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 guideline tables 2018 G" prepared by Klaus Heubeck. In accordance with the terms of Section 253 (2) of the German Commercial Code the average market rate of interest of the last 10 business years is used for discount purposes with an assumed remaining term to maturity of 15 years.

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

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

NOTES TO THE BALANCE SHEET INCOME STATEMENT

Maturity analysis by residual term

ASSETS
IN € 000

	31 Dec. 2022	31 Dec. 2021
Claims on banks	**1,527,955**	**1,639,153**
– Three months	1,502,788	1,538,396
– Three months – one year	11	16
– One year – five years	59	55
– Five years	25,098	100,686
Claims on customers	**45,436,495**	**43,045,864**
– Three months	1,117,737	758,232
– Three months – one year	2,124,318	1,936,432
– One year – five years	14,096,011	12,446,834
– Five years	28,098,429	27,904,366
Bonds and other fixed-income securities ≤ one year	**63,668**	**242,615**

LIABILITIES, CAPITAL AND RESERVES
IN € 000

	31 Dec. 2022	31 Dec. 2021
Liabilities to banks	**6,463,165**	**8,073,201**
– Three months	1,753,708	1,441,538
– Three months – one year	1,708,662	320,505
– One year – five years	1,509,849	4,908,741
– Five years	1,490,946	1,402,417
Liabilities to customers	**15,645,855**	**14,866,612**
– Three months	1,135,897	917,821
– Three months – one year	1,457,049	1,329,639
– One year – five years	1,328,896	1,263,893
– Five years	11,724,013	11,355,259
Certificated liabilities	**28,025,769**	**27,375,689**
Bonds issued		
– Three months	273,723	523,286
– Three months – one year	2,382,303	1,938,249
– One year – five years	11,671,628	11,265,756
– Five years	13,358,938	12,991,262
Other certificated liabilities		
– Three months	69,802	331,905
– Three months – one year	269,375	325,231

Claims on | Liabilities

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

	Affiliated companies 31 Dec. 22		Companies in which participating interests are held 31 Dec. 22		Affiliated companies 31 Dec. 21		Companies in which participating interests are held 31 Dec. 21	
	certificated	non-certificated	certificated	non-certificated	certificated	non-certificated	certificated	non-certificated
Claims on banks	0	0	0	236,011	0	0	0	669,230
Claims on customers	0	0	0	0	0	0	0	0
Bonds and other fixed-income securities	0	0	92,076	0	0	0	92,076	0
Liabilities to banks	0	0	0	1,683,790	0	0	0	554,447
Liabilities to customers	0	2,027	0	0	0	3,492	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. 22		31. Dec. 21	
Asset category	Listed	Unlisted	Listed	Unlisted
Bonds and other fixed-income securities	2,075,057	169,163	1,985,441	209,463
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	144,424	0	0

SUBORDINATED ASSETS
IN € 000

	31 Dec. 22	31 Dec. 21
Bonds and other fixed-income securities	92,076	92,076

Trading book
As of 31 December 2022, 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. 2022	Net book value on 31 Dec. 2021
Bonds and other fixed-income securities	2,213,811	+49,552	2,263,363	2,213,811
Shares and other non fixed-income securities	0	0	0	0
Participations and shares in cooperatives	102,745	–3	102,742	102,745
Shares in affiliated companies	11,751		11,751	11,751

	Acquisition and production costs at start of business year	Additions during business year	Disposals during business year	Transfers during business year	Acquisition and production costs at end of business year	Accumulated depreciation at start of business year	Depreciation during business year	Additions during business year	Changes in legal depreciation taken related to: Additions	Changes in legal depreciation taken related to: Disposals	Changes in legal depreciation taken related to: Transfers	Accumulated depreciation at end of business year	Net book value on 31 Dec. 2022	Net book value on 31 Dec. 2021
Intangible assets	41,149	515	22,341		19,323	39,788	1,693			22,341		19,140	183	1,361
a) Internally generated commercial property rights and similar rights and assets	5,241		5,241			5,241				5,241			0	0
b) Concessions acquired for consideration, commercial rights and similar rights and values, as well as licenses to these rights and values	35,908	515	17,100		19,323	34,547	1,693			17,100		19,140	183	1,361
Tangible assets	100,816	2,064	1,039		101,841	34,892	2,783			1,021		36,655	65,186	65,924

[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.

No information was available on the other participations on the balance sheet date that the present value of the Bank's participations and capital holdings at cooperatives, holdings in affiliated companies, as well as the value of shares and other non-fixed-income securities was less than their book values.

The item "Bonds and other fixed-income securities" includes securities with a book value of € 605,189 thousand (previous year: € 808,327 thousand) exceeding the present value of € 574,978 thousand (previous year: € 799,074 thousand). To the extent that these securities are associated with a swap transaction, they are valued together with the transaction as a single item.

Securities held as fixed assets, which are separately identified in the portfolio management system and are not expected to be subject to a permanent impairment in value, are valued in accordance with the moderated lower of cost or market principle. In light of our intention to hold these securities until they mature, we generally assume that market price-related decreases in value will not become effective and that these securities will be repaid in full at their nominal value at maturity. Of the securities that are valued in accordance with the moderated lower of cost or market principle € 2,244,220 thousand (previous year: € 2,194,904 thousand) are marketable securities.

Shareholdings

SHAREHOLDINGS
IN € 000

	Percentage of capital held	Equity	Profit/loss
M-Wert GmbH, Munich [1]	100.00	953	680
Immobilienservice GmbH der Münchener Hypothekenbank eG, Munich (profit transfer agreement) [2]	100.00	509	0
Nußbaumstraße GmbH & Co. KG, Munich [2]	100.00	11,438	362
M-4tec GmbH, Munich [1]	100.00	624	–611

[1] Annual financial statements 2021.
[2] Annual financial statements 2022.

Tangible assets

The portion of the total value attributable to the land and buildings used by the Bank is € 53,026 thousand (previous year: € 53,983 thousand), and of plant and office equipment € 3,324 thousand (previous year: € 2,914 thousand).

Other assets

The item "Other assets" includes deferred items of € 50,498 thousand related to the derivative business, and € 65,529 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. 2022	31 Dec. 2021
Assets side 11.		
Discount from liabilities	87,811	71,983
Premium from claims	2,907	3,827
Other deferred charges	19,128	20,228
Liabilities side 5.		
Premium from liabilities	46,337	58,079
Discount from claims	1,388	1,274
Other deferred income	16,420	18,104

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

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

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

Assets pledged to secure liabilities

Within the framework of open market deals with the European Central Bank, securities valued at € 2,292,000 thousand (previous year: € 4,292,000 thousand) were pledged as collateral to secure the same amount of liabilities. The book value of the pledged assets (genuine repurchase agreements) was € 0 (previous year: € 0). Within the framework of security arrangements for derivative transactions, cash collateral of € 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 € 632,437 thousand (previous year: € 548,451 thousand) were assigned to secure loans obtained from credit institutions.

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

Other liabilities

The item "Other liabilities" consists of € 113,712 thousand for deferred items and adjustment items for valuation of foreign currency items, and € 21,137 thousand related to derivative transactions, as well as interest deferrals for an Additional Tier 1 (AT1) bond of € 4,846 thousand.

Subordinated liabilities

Subordinated liabilities incurred interest expenses of € 738 thousand (previous year: € 1,508 thousand). There were no subordinated liabilities in the portfolio as of December 31, 2022.

Additional Tier 1 capital instruments

Additional Tier 1 (AT1) capital with a total nominal value of CHF 200 million, or a book value of € 203 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 € 6,457 thousand on the balance sheet date, of which € 4,846 thousand was attributable to accrued interest.

As of 31 December 2022, there were two 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	02.12.2027	4.945

Both bonds were issued in denominations of CHF 50,000 and are perpetual bonds. Each of them is callable by Münchener Hypothekenbank for the first time after 5.5 years. The interest rate will be adjusted to the current 5-year CHF mid-swap rate on the interest rate adjustment date. 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 bond will be written down in the event MünchenerHyp's Common Equity Tier 1 capital ratio (CET1 ratio) falls below a minimum level of 7 percent. A write-up of the bond is at the full discretion of the issuer and requires sufficient net income for the year and may not contravene any statutory or official prohibition on distribution.

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

Members capital contributions

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

MEMBERS CAPITAL CONTRIBUTIONS
IN €

	31 Dec. 2022	31 Dec. 2021
Capital contributions	1,272,002,690.00	1,243,221,000.00
a) of remaining members	1,264,006,170.00	1,231,501,180.00
b) of former members	7,293,020.00	10,128,160.00
c) in respect of shares under notice	703,500.00	1,591,660.00
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. 2022	366,000	6,000
Transfer from 2021 retained earnings	10,000	0
Transfer from 2022 net income	30,000	0
31 Dec. 2022	406,000	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 € 1,520 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. 2022	31 Dec. 2021
Assets side	6,976,033	6,603,665
Liabilities side	5,987,279	5,723,114
Contingent liabilities and other obligations	170,961	364,131

Other commitments

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

Interest expenses

This item includes the premium for targeted longer-term refinancing operations (TLTRO II program and TLTRO III program) shown as a negative interest expense of € 33,303 thousand (previous year: € 39,058 thousand). The amount attributable to the previous year 2021 is EUR 11,398 thousand (previous year: EUR 9,019 thousand).

Commission paid

This item includes expenses from provisions for current agent commissions in the amount of € 5,750 thousand (previous year: €0.00 thousand). The portion attributable to previous years amounts to € 3,780 thousand (previous year: € 0.00 thousand).

Other operating expenses

This item contains expenses arising from adding interest effects of € 1,122 thousand (previous year: € 3,127 thousand) for established provisions.

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 EUR 45,467 thousand (previous year: minus EUR 27,018 thousand). The net result of changes in loan loss provisions (including direct depreciation) amounted to minus EUR 17,610 thousand (previous year: minus EUR 5,894 thousand). The calculation of general loan loss provisions for the lending business in accordance with IDW RS BFA 7 resulted in an addition of EUR 28,000 thousand (previous year: EUR 8,050 thousand), of which EUR 1,000 thousand (previous year: EUR 1,000 thousand) was in the form of a provision for latent default risks for commitments.

Taxes on revenue and income

This item includes expenses of € 6,674 thousand relating to other periods (previous year: € 408 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	10,159	25,814	58,652	94,625	518
Interest rate options					
– Calls	8	288	610	906	19
– Puts	10	229	50	289	–27
Other interest rate contracts	101	50	2,188	2,339	189
Currency-related transactions					
Cross-currency swaps	1,311	2,758	250	4,319	–158
Currency swaps	456	0	0	456	9

[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 € 38.6 million (previous year: € 38.7 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 € 255.2 million (previous year: € 284.0 million) and "Liabilities to banks" with € 224.4 million (previous year: € 288.8 million) or "Claims on customers", which amounted to € 7.7 million (previous year: € 10.3 million) while "Liabilities to customers" were € 12.3 million (previous year: € 15.2 million). The accrual of compensatory payments made is entered under "Other assets" with €11.9 million (previous year: € 10.6 million); the accrual of compensatory payments received is entered under "Other liabilities" with € 21.1 million (previous year: € 29.9 million).

Compensatory items in the amount of € 113.7 million (previous year: € 112.9 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, € 2,075 million (previous year: € 986 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 € 204 million.

Interest-based finance instruments carried in the banking book are valued without losses within the framework of an overall valuation, whereby the interest rate driven present values are compared to the book values and then deducted from the positive surplus of the risk and portfolio management expenses. In the event of a negative result a provision for contingent risks has to be made.

A related provision did not have to be made based on the results of the calculation made on 31 December 2022.

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

Cover statement for Pfandbriefe

A. MORTGAGE PFANDBRIEFE
IN € 000

	31 Dec. 2022	31 Dec. 2021
Ordinary cover assets	33,795,563	31,558,599
1. Claims on banks (mortgage loans)	168	195
2. Claims on customers (mortgage loans)	33,742,931	31,505,940
3. Tangible assets (charges on land owned by the Bank)	52,464	52,464
Substitute cover assets	581,414	615,414
1. Cash reserves	1,000	0
2. Other claims on banks	0	0
3. Bonds and other fixed-income securities	580,414	615,414
Total cover	34,376,977	32,174,013
Total Mortgage Pfandbriefe requiring cover	31,693,890	30,297,713
Surplus cover	2,683,087	1,876,300

B. PUBLIC PFANDBRIEFE
IN € 000

	31 Dec. 2022	31 Dec. 2021
Ordinary cover assets	1,406,984	1,480,866
1. Claims on banks (public-sector loans)	25,000	25,000
2. on customers (public-sector loans)	1,171,984	1,320,866
3. Bonds and other fixed-income securities	210,000	135,000
Substitute cover assets	50,000	0
1. Other claims on banks	0	0
2. Bonds and other fixed-income securities	50,000	0
Total cover	1,456,984	1,480,866
Total public-sector Pfandbriefe requiring cover	1,308,390	1,456,322
Surplus cover	148,594	24,544

PUBLICATION IN ACCORDANCE WITH SECTION 28 PFANDBRIEF ACT

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

Pfandbriefe outstanding and their cover

Q4 2022

PFANDBRIEFE OUTSTANDING AND THEIR COVER
IN € MILLION

	nominal value		net present value		risk-adjusted net present value [1]	
	Q4 2022	Q4 2021	Q4 2022	Q4 2021	Q4 2022	Q4 2021
Outstanding total Mortgage Pfandbriefe	**31,693.9**	**30,297.7**	**28,407.9**	**32,742.1**	**21,197.3**	**30,715.0**
of which derivatives	–	–	–	–	–	–
Cover pool	34,377.0	32,174.0	32,304.3	36,715.1	24,490.0	34,255.1
of which derivatives	–	–	–	–	–	–
Over-collateralisation (OC)	2,683.1	1,876.3	3,896.4	3,972.9	3,292.7	3,540.1
OC in % of Pfandbriefe outstanding	8.5	6.2	13.7	12.1	15.5	11.5
Statutory OC [2, 3]	1,148.8	–	1,162.0	–		
Contractual OC [2, 4]	–	–	–	–		
Voluntary OC [2, 5]	1,534.3	–	2,734.3	–		
"Over-collateralization in consideration of vdp credit quality differentiation model"	2,683.1	1,876.3	3,896.4	3,972.9		
OC in % of Pfandbriefe outstanding	8.5	6.2	13.7	12.1		

[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] In accordance with Section 55 of the Pfandbrief Act (Pfandbriefgesetz), the previous year's data will not be published until Q3 2023.
[3] 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
[4] Contractual over-collateralisation
[5] 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 2022	Q4 2021	Q4 2022	Q4 2021	Q4 2022	Q4 2021
Outstanding total Mortgage Pfandbriefe	**1,308.4**	**1,456.3**	**1,401.9**	**1,910.9**	**993.8**	**1,783.2**
of which derivatives	–	–	–	–	–	–
Cover pool	1,457.0	1,480.9	1,552.6	2,109.0	1,041.4	1,882.2
of which derivatives	–	–	12.0	36.4	–15.8	27.7
Over-collateralization (OC)	148.6	24.5	150.7	198.1	47.7	99.0
OC in % of Pfandbriefe outstanding	11.4	1.7	10.7	10.4	4.8	5.6
Statutory OC[2,3]	51.1	–	55.9	–		
Contractual OC[2,4]	–	–	–	–		
Voluntary OC[2,5]	97.5	–	94.8	–		
Over-collateralization in consideration of vdp credit quality differentiation model	148.6	24.5	150.7	198.1		
OC in % of Pfandbriefe outstanding	11.4	1.7	10.7	10.4		

[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] In accordance with Section 55 of the Pfandbrief Act (Pfandbriefgesetz), the previous year's data will not be published until Q3 2023.
[3] According to nominal value: sum of the nominal statutory over-collateralization pursuant to Section 4 (2) PfandBG and the nominal value of the net present value statutory over-collateralization pursuant to Section 4 (1) PfandBG
[4] Contractual over-collateralization
[5] Residual, depending on the statutory and contractual over-collateralization; net present value includes the net present value of the nominal statutory over-collateralization pursuant to Section 4 (2) PfandBG
Note: The release of the over-collateralization with a view to the vdp-credit quality differentiation model is voluntary.

PUBLICATION ACCORDING TO SECTION 28 (1) SENTENCE 2, NOS. 4, 5 PFANDBRIEF ACT

Maturity structure of Pfandbriefe outstanding and their respective cover pools

Q4 2022

MORTGAGE PFANDBRIEFE

IN € MILLION

	Q4 2022		Q4 2021		Q4 2022 Mat-Ex (12 months)[1]	Q4 2021 Mat-Ex (12 months)[2]
Maturity:	Pfandbriefe outstanding	Cover pool	Pfandbriefe outstanding	Cover pool	Pfandbriefe outstanding	Pfandbriefe outstanding
<= 0.5 years	1,280.9	1,414.7	1,251.8	989.8	–	–
> 0.5 years and <= 1 year	1,613.0	1,603.7	691.7	1,324.1	–	–
> 1 year and <= 1.5 years	731.9	1,399.8	1,174.2	1,336.7	1,280.9	–
> 1.5 years and <= 2 years	885.6	1,192.9	1,170.4	1,308.9	1,613.0	–
> 2 years and <= 3 years	1,186.6	3,229.2	1,435.0	3,024.5	1,617.4	–
> 3 years and <= 4 years	2,723.1	2,800.0	1,362.5	2,761.4	1,186.6	–
> 4 years and <= 5 years	3,197.7	2,916.4	3,345.0	2,604.3	2,723.1	–
> 5 years and <= 10 years	9,446.0	10,078.2	7,477.7	9,273.5	10,954.7	–
> 10 years	10,629.2	9,741.9	12,389.3	9,550.7	12,318.2	–

PUBLIC PFANDBRIEFE

IN € MILLION

	Q4 2022		Q4 2021		Q4 2022 Mat-Ex (12 months)[1]	Q4 2021 Mat-Ex (12 months)[2]
Maturity:	Pfandbriefe outstanding	Cover pool	Pfandbriefe outstanding	Cover pool	Pfandbriefe outstanding	Pfandbriefe outstanding
<= 0.5 years	36.7	24.9	21.3	20.4	–	–
> 0.5 years and <= 1 year	48.0	24.9	12.0	28.2	–	–
> 1 year and <= 1.5 years	53.9	26.4	35.5	12.4	36.7	–
> 1.5 years and <= 2 years	46.8	28.0	55.4	8.6	48.0	–
> 2 years and <= 3 years	77.9	128.6	102.1	9.9	100.6	–
> 3 years and <= 4 years	129.6	134.6	86.7	6.8	77.9	–
> 4 years and <= 5 years	5.4	12.4	116.4	219.7	129.6	–
> 5 years and <= 10 years	402.4	210.6	332.9	159.4	324.1	–
> 10 years	507.9	866.5	694.0	1,015.6	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.
[2] In accordance with Section 55 of the Pfandbrief Act (Pfandbriefgesetz), the previous year's data will not be published until Q3 2023.

INFORMATIONS ON THE MATURITY EXTENSION OF THE PFANDBRIEFE

	Q4 2022	Q4 2021 [1]
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, Section 30a (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 (2b) Pfandbrief Act are met. The administrator shall determine the period of the extension of the maturity, which may not exceed a period of twelve 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 favour of such a extension of the maturity, the existence of the prerequisites pursuant to Section 30 (2b) Pfandbrief Act shall be irrefutably presumed. Such an extension shall be taken into account within the maximum extension period of twelve months. The cover pool administrator may only exercise his authority uniformly for all Pfandbriefe of an issue. In this connection, the maturities may be extended 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, Section 30 (2a and 2b) Pfandbrief Act.	

[1] In accordance with Section 55 of the Pfandbrief Act (Pfandbriefgesetz), the previous year's data will not be published until Q3 2023.

PUBLICATION ACCORDING TO SECTION 28 (2) NO. 1 A PFANDBRIEF ACT, SECTION 28 (3) NO. 1 NO. 1 PFANDBRIEF ACT AND SECTION 28 (4) NO. 1A PFANDBRIEF ACT

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

Q4 2022

COVER ASSETS
IN € MILLION

	Q4 2022	Q4 2021
Up to EUR 300,000	19,684.7	18,947.6
Between EUR 300,000 and EUR 1 million	4,962.8	4,033.2
Between EUR 1 million and EUR 10 million	2,286.7	2,347.5
Over EUR 10 million	6,861.3	6,230.3
Total	**33,795.6**	**31,558.6**

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

Q4 2022

COVER ASSETS
IN € MILLION

	Q4 2022	Q4 2021
Up to EUR 10 million	51.9	90.6
Between EUR 10 million and EUR 100 million	430.0	370.2
Over EUR 100 million	975.1	1,020.1
Total	**1,457.0**	**1,480.9**

PUBLICATION ACCORDING TO SECTION 28 (2) NO. 1 B, C AND NO. 2 PFANDBRIEF ACT

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 2022

MORTGAGE BONDS COVER
IN € MILLION

ACCORDING TO GROUP OF BORROWERS AND REGIONS
IN € MILLION

		Cover assets	thereof														
			Residential						Commercial								
				thereof						thereof							
State	Q4	Total	Total	Apart-ments	Single-and two-family houses	Multiple-family houses	Buildings under construc-tion	Build-ing land	Total	Office buildings	Retail buildings	Industrial buildings	Other commer-cially used buildings	Buildings under con-struction	Build-ing land	Total amount of payments in arrears for at least 90 days	Total amount of these claims inas-much as the respec-tive amount in arrears is at least 5% of the claim
Total – all states	**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**
	year 2021	31,558.6	25,969.9	4,599.8	16,326.0	5,034.0	9.6	0.6	5,588.7	3,544.1	1,701.5	8.0	335.1	–	–	9.9	11.1
Germany	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
	year 2021	25,044.0	21,569.1	3,140.9	13,786.3	4,631.7	9.6	0.6	3,474.9	2,249.6	981.1	8.0	236.2	–	–	9.9	11.1
Belgium	year 2022	71.6	–	–	–	–	–	–	71.6	71.6	–	–	–	–	–		
	year 2021	29.6	–	–	–	–	–	–	29.6	29.6	–	–	–	–	–		
France	year 2022	259.2	–	–	–	–	–	–	259.2	201.2	58.0	–	–	–	–		
	year 2021	254.2	–	–	–	–	–	–	254.2	193.0	61.2	–	–	–	–		
Great Britain	year 2022	281.9	–	–	–	–	–	–	281.9	231.2	27.6	–	23.0	–	–		
	year 2021	332.9	–	–	–	–	–	–	332.9	291.8	16.8	–	24.3	–	–		
Luxembourg	year 2022	90.9	–	–	–	–	–	–	90.9	90.9	–	–	–	–	–		
	year 2021	90.9	–	–	–	–	–	–	90.9	90.9	–	–	–	–	–		
Netherlands	year 2022	716.6	299.6	–	–	299.6	–	–	417.0	175.2	241.8	–	–	–	–		
	year 2021	631.9	284.8	–	–	284.8	–	–	347.0	142.0	200.9	–	4.1	–	–		
Austria	year 2022	173.7	45.4	14.2	30.9	0.3	–	–	128.3	36.2	92.1	–	–	–	–	–	–
	year 2021	157.4	17.7	5.8	11.7	0.1	–	–	139.6	36.2	103.4	–	–	–	–	–	–
Spain	year 2022	469.0	8.5	–	–	8.5	–	–	460.5	132.0	328.5	–	–	–	–		
	year 2021	443.6	8.5	–	–	8.5	–	–	435.1	118.4	316.6	–	–	–	–		
Switzerland	year 2022	4,253.5	4,253.5	1,597.1	2,656.5	–	–	–	–	–	–	–	–	–	–		
	year 2021	3,980.9	3,980.9	1,453.0	2,527.9	–	–	–	–	–	–	–	–	–	–		
USA	year 2022	796.5	326.6	–	–	326.6	–	–	469.9	423.0	22.8	–	24.0	–	–		
	year 2021	593.2	108.8	–	–	108.8	–	–	484.4	392.5	21.5	–	70.4	–	–		

PUBLICATION ACCORDING TO SECTION 28 (3) NO. 2 PFANDBRIEF ACT

Volume of claims used to cover Public Pfandbriefe

Q4 2022

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 2022**	**1,457.0**	**–**	**120.0**	**1,200.1**	**51.9**	**85.0**	**–**	**–**	**–**	**–**
	year 2021	1,480.9	–	120.0	1,185.1	94.2	75.0	–	–	6.6	–
Germany	year 2022	1,302.0	–	–	1,165.1	51.9	85.0	–	–	–	–
	year 2021	1,325.9	–	–	1,150.1	94.2	75.0	–	–	6.6	–
Austria	year 2022	155.0	–	120.0	35.0	–	–	–	–	–	–
	year 2021	155.0	–	120.0	35.0	–	–	–	–	–	–

PUBLICATION ACCORDING TO SECTION 28 (3) NO. 3 PFANDBRIEF ACT

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 2022

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 2022**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	year 2021	–	–	–	–	–	–	–	–	–	–
Germany	year 2022	–	–	–	–	–	–	–	–	–	–
	year 2021	–	–	–	–	–	–	–	–	–	–
Belgium	year 2022	–	–	–	–	–	–	–	–	–	–
	year 2021	–	–	–	–	–	–	–	–	–	–
Bulgaria	year 2022	–	–	–	–	–	–	–	–	–	–
	year 2021	–	–	–	–	–	–	–	–	–	–
Denmark	year 2022	–	–	–	–	–	–	–	–	–	–
	year 2021	–	–	–	–	–	–	–	–	–	–
Estonia	year 2022	–	–	–	–	–	–	–	–	–	–
	year 2021	–	–	–	–	–	–	–	–	–	–
Finland	year 2022	–	–	–	–	–	–	–	–	–	–
	year 2021	–	–	–	–	–	–	–	–	–	–
France	year 2022	–	–	–	–	–	–	–	–	–	–
	year 2021	–	–	–	–	–	–	–	–	–	–
Greece	year 2022	–	–	–	–	–	–	–	–	–	–
	year 2021	–	–	–	–	–	–	–	–	–	–

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
Great Britain	year 2022	–	–	–	–	–	–	–	–	–	–
	year 2021	–	–	–	–	–	–	–	–	–	–
Ireland	year 2022	–	–	–	–	–	–	–	–	–	–
	year 2021	–	–	–	–	–	–	–	–	–	–
Italy	year 2022	–	–	–	–	–	–	–	–	–	–
	year 2021	–	–	–	–	–	–	–	–	–	–
Croatia	year 2022	–	–	–	–	–	–	–	–	–	–
	year 2021	–	–	–	–	–	–	–	–	–	–
Latvia	year 2022	–	–	–	–	–	–	–	–	–	–
	year 2021	–	–	–	–	–	–	–	–	–	–
Lithuania	year 2022	–	–	–	–	–	–	–	–	–	–
	year 2021	–	–	–	–	–	–	–	–	–	–
Luxembourg	year 2022	–	–	–	–	–	–	–	–	–	–
	year 2021	–	–	–	–	–	–	–	–	–	–
Malta	year 2022	–	–	–	–	–	–	–	–	–	–
	year 2021	–	–	–	–	–	–	–	–	–	–
Netherlands	year 2022	–	–	–	–	–	–	–	–	–	–
	year 2021	–	–	–	–	–	–	–	–	–	–
Austria	year 2022	–	–	–	–	–	–	–	–	–	–
	year 2021	–	–	–	–	–	–	–	–	–	–
Poland	year 2022	–	–	–	–	–	–	–	–	–	–
	year 2021	–	–	–	–	–	–	–	–	–	–
Portugal	year 2022	–	–	–	–	–	–	–	–	–	–
	year 2021	–	–	–	–	–	–	–	–	–	–
Romania	year 2022	–	–	–	–	–	–	–	–	–	–
	year 2021	–	–	–	–	–	–	–	–	–	–
Sweden	year 2022	–	–	–	–	–	–	–	–	–	–

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
	year 2021	–	–	–	–	–	–	–	–	–	–
Slovakia	year 2022	–	–	–	–	–	–	–	–	–	–
	year 2021	–	–	–	–	–	–	–	–	–	–
Slovenia	year 2022	–	–	–	–	–	–	–	–	–	–
	year 2021	–	–	–	–	–	–	–	–	–	–
Spain	year 2022	–	–	–	–	–	–	–	–	–	–
	year 2021	–	–	–	–	–	–	–	–	–	–
Czech Republic	year 2022	–	–	–	–	–	–	–	–	–	–
	year 2021	–	–	–	–	–	–	–	–	–	–
Hungary	year 2022	–	–	–	–	–	–	–	–	–	–
	year 2021	–	–	–	–	–	–	–	–	–	–
Cyprus	year 2022	–	–	–	–	–	–	–	–	–	–
	year 2021	–	–	–	–	–	–	–	–	–	–
Iceland	year 2022	–	–	–	–	–	–	–	–	–	–
	year 2021	–	–	–	–	–	–	–	–	–	–
Liechtenstein	year 2022	–	–	–	–	–	–	–	–	–	–
	year 2021	–	–	–	–	–	–	–	–	–	–
Norway	year 2022	–	–	–	–	–	–	–	–	–	–
	year 2021	–	–	–	–	–	–	–	–	–	–
Switzerland	year 2022	–	–	–	–	–	–	–	–	–	–
	year 2021	–	–	–	–	–	–	–	–	–	–
Japan	year 2022	–	–	–	–	–	–	–	–	–	–
	year 2021	–	–	–	–	–	–	–	–	–	–
Canada	year 2022	–	–	–	–	–	–	–	–	–	–
	year 2021	–	–	–	–	–	–	–	–	–	–
USA	year 2022	–	–	–	–	–	–	–	–	–	–
	year 2021	–	–	–	–	–	–	–	–	–	–

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
Other OECD states	year 2022	–	–	–	–	–	–	–	–	–	–
	year 2021	–	–	–	–	–	–	–	–	–	–
EU institutions	year 2022	–	–	–	–	–	–	–	–	–	–
	year 2021	–	–	–	–	–	–	–	–	–	–
Other states/ institutions	year 2022	–	–	–	–	–	–	–	–	–	–
	year 2021	–	–	–	–	–	–	–	–	–	–

PUBLICATION ACCORDING TO SECTION 28 (1) SENTENCE 1 NOS. 8, 9, 10

Further cover assets – in detail for Mortgage Pfandbriefe

Q4 2022

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[1]					
			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 Article 129 Regulation (EU) No 575/2013	Overall	Covered bonds according Article 129 Regulation (EU) No 575/2013	Claims according to Section 19 (1) No. 4
Total – all states	**year 2022**	**581.4**	**–**	**–**	**1.0**	**–**	**580.4**
	year 2021	–	–	–	–	–	–
Germany	year 2022	571.0	–	–	1.0	–	570.0
	year 2021	–	–	–	–	–	–
Austria	year 2022	10.4	–	–	–	–	10.4
	year 2021	–	–	–	–	–	–

[1] In accordance with Section 55 of the Pfandbrief Act (Pfandbriefgesetz), the previous year's data will not be published until Q3 2023.

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

Key figures about outstanding Pfandbriefe and cover pool

Q4 2022

MORTGAGE PFANDBRIEFE

		Q4 2022	Q4 2021
Outstanding Pfandbriefe	(€ mn.)	31,693.9	30,297.7
thereof percentage share of fixed-rate Pfandbriefe Section 28 (1) 13	%	91.0	84.0
Cover pool	(€ mn.)	34,377.0	32,174.0
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 [1] Section 28 (1) No. 12	(€ mn.)	–	–
Claims which exceed the limits laid down in Section 19 (1) No. 3 [1] Section 28 (1) No. 12	(€ mn.)	–	–
Claims which exceed the limits laid down in Section 19 (1) No. 4 [1] Section 28 (1) No. 12	(€ mn.)	–	–
thereof percentage share of fixed-rate cover assets Section 28 (1) No. 13	%	96.0	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	795.2	910.3
	CZK	–	–
	DKK	–	–
	GBP	– 120.4	–70.7
	HKD	–	–
	JPY	–	–
	NOK	–	–
	SEK	–	–
	USD	450.3	101.0
	AUD	–	–

MORTGAGE PFANDBRIEFE

		Q4 2022	Q4 2021
Volume-weighted average of the maturity that has passed since the loan was granted (seasoning) Section 28 (2) No. 4	Years	5.0	5.0
Average loan-to-value ratio, weighted using the mortgage lending value Section 28 (2) No. 3	%	52.0	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.)	82.2	–
Day on which the largest negative sum results	Day (1–180)	166	–
Total amount of cover assets meeting the requirements of Section 4 (1a) sentence 3 Pfandbrief Act	(€ mn.)	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.	%	0.3	–

[1] In accordance with Section 55 of the Pfandbrief Act (Pfandbriefgesetz), the previous year's data will not be published until Q3 2023.

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

Key figures about outstanding Pfandbriefe and cover pool

Q4 2022

PUBLIC PFANDBRIEFE

		Q4 2022	Q4 2021
Outstanding Pfandbriefe	(€ mn.)	1,308.4	1,456.3
thereof percentage share of fixed-rate Pfandbriefe Section 20 (1) No. 13	%	92.0	91.0
Cover pool	(€ mn.)	1,457.0	1,480.9
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 [1] Section 20 (1) No. 12	(€ mn.)	–	–
Claims which exceed the limits laid down in Section 20 (2) No. 3 [1] Section 20 (2) No. 12		–	
thereof percentage share of fixed-rate cover assets Section 28 (1) No. 13	%	91.0	95.0
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	–	–

PUBLIC PFANDBRIEFE

		Q4 2022	Q4 2021
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.)	19.3	–
Day on which the largest negative sum results	Day (1–180)	111	–
Total amount of cover assets meeting the requirements of Section 4 (1a) sentence 3 Pfandbrief Act	(€ mn.)	225.9	–
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)	%	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.	%	–	–

[1] In accordance with Section 55 of the Pfandbrief Act (Pfandbriefgesetz), the previous year's data will not be published until Q3 2023.

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

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

Q4 2022

MORTGAGE PFANDBRIEFE

	Q4 2022	Q4 2021 [1]
ISIN	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	-

[1] In accordance with Section 55 of the Pfandbrief Act (Pfandbriefgesetz), the previous year's data will not be published until Q3 2023.

PUBLIC PFANDBRIEFE

	Q4 2022	Q4 2021 [1]
ISIN	DE000MHB3349	–

[1] In accordance with Section 55 of the Pfandbrief Act (Pfandbriefgesetz), the previous year's data will not be published until Q3 2023.

Overdue interest

COVERING MORTGAGES WITH OVERDUE INTEREST
IN € 000

	Total		Thereof residential		Thereof commercial	
	2022	2021	2022	2021	2022	2021
Overdue interest	293	237	292	231	1	5

Foreclosures and receiverships of mortgages used as cover

FORECLOSURES AND RECEIVERSHIPS

	Total		Thereof residential		Thereof commercial	
Pending on balance sheet date	2022	2021	2022	2021	2022	2021
– Foreclosure proceedings	64	53	62	50	2	3
– Receivership proceedings	12	17	10	16	2	1
	11 [1]	17 [1]	10 [1]	16 [1]	1 [1]	1 [1]
Foreclosures completed during business year	14	21	14	21	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	63,213
Additions in 2022	621
Reductions in 2022	3,487
End of 2022	60,347

	€
Increase in remaining members capital contributions	31,573,500.00
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	291	177	468
Part-time employees	34	128	162
Total number of employees	325	305	630
These figures do not include:			
Apprenticed trainees	5	9	14
Employees participating in parental leave, early retirement, partial retirement (non-working phase), or employees suspended with pay	12	31	43

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 0.1299 percent.

Proposed appropriation of distributable income

Net income for the year comes to EUR 68,085,986.58. These annual financial statements show an advance allocation of EUR 30,000,000.

A dividend distribution of 3.00 percent will be proposed at the Delegates Meeting. The remaining unappropriated profit for the year – including profit carried forward from the previous year – amounting to € 38,432,625.11 should therefore be allocated as follows:

3.00% dividend	EUR 38,160,500.00
Carried forward to new year	EUR 272,125.11

Events after the balance sheet date

In early November 2022, Münchener Hypothekenbank signed a contract to acquire all shares in M.M.Warburg & CO Hypothekenbank AG (Warburg Hypothekenbank). The current owners are M.M.Warburg & CO (AG & Co.) Kommanditgesellschaft auf Aktien and Landeskrankenhilfe V.V.a.G. The planned closing on the purchase of the shares is still subject to required official approvals. This includes, in particular, the regulatory holder control procedure, which had not yet been completed when this report was drafted. Once the acquisition is concluded, the plan is to integrate Warburg Hypothekenbank by way of a merger before the end of 2023.

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
Chairman of the Board of Management
VR Bank Bamberg-Forchheim eG (until 31.01.2022)
President and Chairman of the Board of
Genossenschaftsverband Bayern e.V. (as of 01.02.2022)
Deputy Chairman of the Supervisory Board

HRH Anna Duchess in Bavaria
Entrepreneur

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

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. Louis Hagen
Chairman of the Board of Management (until 31.12.2022)

Dr. Holger Horn
Deputy Chairman of the Board of Management
(until 31.12.2022)
Chairman of the Board of Management (as of 01.01.2023)

Ulrich Scheer
Member of the Board of Management

Markus Wirsen
Member of the Board of Management (as of 01.04.2022)

Mandates

Dr. Louis Hagen
KfW
Member of the Board of Supervisory Directors
(until 31.12.2022)

LBBW Asset Management
Member of the Supervisory Board
(as of 03.06.2022)

Dr. Holger Horn
FMS Wertmanagement AöR (until 31.01.2023)
Member of the Board of Supervisory Directors

As of the balance sheet date loans to members of the Supervisory Board amounted to € 546 thousand (previous year: € 647 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 € 19,782 thousand (previous year: € 20,117 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 € 2,907 thousand (previous year: € 2,021 thousand), for members of the Supervisory Board € 476 thousand (previous year: € 503 thousand). Total compensation received by the members of the Advisory Committee amounted to € 46 thousand (previous year: € 35 thousand). Total compensation received by former members of the Board of Management and their surviving dependants amounted to € 1,515 thousand (previous year: € 1,505 thousand).

AUDITING ASSOCIATION

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

The total fee charged by the auditor was € 647 thousand (previous year € 648 thousand) excluding value-added tax. The individual charges are as follows:

TOTAL AUDITOR FEE
IN € 000

	31 Dec. 2022	31 Dec. 2021
For audit services [1]	616	620
Other assurance services	31	28
Tax advisory services	0	0
Other services	0	0

[1] of which reversal of provisions from 2021 of EUR 73 thousand

OTHER FINANCIAL OBLIGATIONS

Pursuant to Section 12 (5) of the Restructuring Fund Act (Restrukturierungsfondsgesetz – RStruktFG) irrevocable payment obligations of € 22,634 thousand were recorded at the balance sheet date.

CONTINGENT LIABILITY

Our Bank is a member of the protection scheme of the National Association of German Cooperative Banks (Sicherungseinrichtung des Bundesverbandes der Deutschen Volksbanken und Raiffeisenbanken e.V.). Per the statutes of the protection scheme we have issued a guarantee to the National Association of German Cooperative Banks. As a result, we have a contingent liability of € 28,442 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, 7 February 2023

Münchener Hypothekenbank eG

The Board of Management

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

INDEPENDENT AUDITOR'S REPORT

To Münchener Hypothekenbank eG, Munich

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

Audit opinions

We have audited the annual financial statements of Münchener Hypothekenbank eG, Munich (the 'Cooperative'), comprising the balance sheet as at 31 December 2022, the income statement, cash flow statement and statement of changes in equity for the financial year from 1 January 2022 to 31 December 2022, as well as the notes to the annual financial statements, including the presentation of the accounting policies. In addition, we audited the management report of the Cooperative for the financial year from 1 January 2022 to 31 December 2022. In accordance with the German legal requirements, we did not audit the content of the components of the management report referred to in the section entitled 'Other information'.

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

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to credit cooperatives with publicly traded debt instruments and give a true and fair view of the assets, liabilities and financial position of the Cooperative as at 31 December 2022 and of its financial performance for the financial year from 1 January 2022 to 31 December 2022 in compliance with German proper accounting principles, and
- the accompanying management report as a whole provides an appropriate view of the Cooperative's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and accurately presents the opportunities and risks of future development. Our audit opinion on the management report does not cover the content of the components of the management report referred to in the section entitled 'Other information'.

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

Basis for the audit opinions

We conducted our audit of the annual financial statements and the management report in accordance with Section 53(2) of the German Cooperatives Act (Genossenschaftsgesetz – GenG), Sections 340k and 317 of the HGB, and the EU Statutory Audit Regulation (No. 537/2014), and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany – IDW). Our responsibilities under those requirements and principles are further described in the 'Auditor's responsibilities for the audit of the annual financial statements and the management report' section of our auditor's report. We are independent of the Cooperative in compliance with the requirements of European law and German commercial law and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with point (f) of Article 10(2) of the EU Statutory Audit Regulation in conjunction with Sections 55(2) and 38(1a) of the GenG, we declare that none of the persons employed by us who could influence the results of our audit provided any non-audit services prohibited under Article 5(1) of the EU Statutory Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and the management report.

Key audit matters in the audit of the annual financial statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual financial statements for the financial year from

1 January 2022 to 31 December 2022. These matters were addressed in the context of our audit of the annual financial statements as a whole and, in forming audit opinion thereon, we do not provide a separate audit opinion on these matters.

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

Recoverability of loans and advances to customers

We have structured our presentation of these key audit matters as follows:
a) Matter and issue
b) Audit approach and findings
c) Reference to further information

a) Loans and advances to customers of EUR 45.4 billion are reported in the annual financial statements of Münchener Hypothekenbank eG as at 31 December 2022. Most of these loans and advances are secured by mortgages. Total loan loss allowances (specific valuation allowances and global valuation allowances) of EUR 98.7 million were recognised as at 31 December 2022.

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

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

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

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

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

Based on our audit, the assumptions made by Münchener Hypothekenbank eG in reviewing the recoverability of the loans and advances are appropriate, taking into account the available information.

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

Other information

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

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

The other information also comprises

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

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

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

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

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

The Board of Management of the Cooperative is responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to credit cooperatives with publicly traded debt instruments, and for ensuring that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Cooperative in compliance with German proper accounting principles. In addition, the Board of Management is responsible for such internal control as it, in accordance with German proper accounting principles, has determined necessary to enable the preparation of annual financial statements that are free from material misstatement due to fraud (i.e. fraudulent financial reporting and 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 also has the responsibility for disclosing, as applicable, matters relating to going concern. In addition, it is responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict with this.

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

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

Auditor's Responsibilities for the Audit of the Annual Financial Statements and the Management Report

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

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

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

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

- conclude on the appropriateness of the Board of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and the management report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Cooperative to cease to be able to continue as a going concern.
- evaluate the presentation, structure and content of the annual financial statements overall, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Cooperative in compliance with German proper accounting principles.
- evaluate the consistency of the management report with the annual financial statements, its conformity with German law and the view of the Cooperative's position it provides.
- perform audit procedures on the prospective information presented by the Board of Management in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the Board of Management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

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

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

OTHER LEGAL AND REGULATORY REQUIREMENTS

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

Reasonable assurance conclusion

We have performed an assurance engagement in accordance with Section 53(4) of the GenG and Section 317(3a) of the HGB to obtain reasonable assurance about whether the reproduction of the annual financial statements and of the management report contained in the electronic file provided muenchenerhyp_geschaeftsbericht_2022_esef.xhtml and prepared for publication purposes (the 'ESEF documents') complies, in all material respects, with the requirements of Section 328(1) of the HGB for the electronic reporting format ('ESEF format'). In accordance with German legal requirements, this assurance engagement only extends to the conversion of the information contained in the annual financial statements and the management report into the ESEF format and therefore relates neither to the information contained within this reproduction nor to any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the annual financial statements and the management report contained in the above-mentioned electronic file provided and prepared for publication purposes complies, in all material respects, with the requirements of Section 328(1) of the HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned electronic file, beyond this reasonable assurance conclusion and our audit opinion on the accompanying annual financial statements and the accompanying management report for the financial year from 1 January 2022 to 31 December 2022 contained in the 'Report on the audit of the annual financial statements and of the management report' above.

Basis for the reasonable assurance conclusion

We conducted our assurance engagement on the reproduction of the annual financial statements and the management report contained in the above-mentioned electronic file provided in accordance with Section 317(3a) of the HGB and IDW Assurance Standard: Assurance in accordance with Section 317(3a) of the HGB on the electronic reproduction of financial statements and management reports prepared for publication purposes (IDW AsS 410 (6.2022)). Accordingly, our responsibilities are further described below in the section entitled 'Auditor's responsibilities for the assurance engagement on the ESEF documents'. Our auditing association has applied the IDW Standard on Quality Management: Requirements for quality management in the audit firm (IDW QS 1).

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

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

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

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

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

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

- identify and assess the risks of material non-compliance with the requirements of Section 328(1) of the HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance conclusion.
- obtain an understanding of internal control relevant to the assurance engagement on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance conclusion on the effectiveness of these controls.
- evaluate the technical validity of the ESEF documents, i.e. whether the electronic file provided containing the ESEF documents meets the requirements of Delegated Regulation (EU) 2019/815, in the version applicable as at the reporting date, governing the technical specification for this electronic file.
- evaluate whether the ESEF documents enable a XHTML reproduction whose content is identical to the audited annual financial statements and the management report.

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

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

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

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

- other assurance services for banking supervision
- other assurance services in connection with the deposit guarantee scheme
- review of the condensed half-yearly financial statements and of the interim management report
- review of the separate non-financial report
- issuance of comfort letters.

OTHER MATTER – USE OF THE AUDITOR'S REPORT

Our auditor's report must always be read together with the audited financial statements, the audited management report, and the ESEF documents we examined. 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 assurance opinion contained therein must only be used in conjunction with the ESEF documents made available in electronic form that we examined.

German public auditor responsible for the engagement

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

Bonn, 13 March 2023

DGRV – Deutscher Genossenschafts- und Raiffeisenverband e.V.

Peter Krüper
Wirtschaftsprüfer
(German Public Auditor)

Dorothee Mende
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, 7 February 2023

Münchener Hypothekenbank eG

The Board of Management

Dr. Holger Horn	**Ulrich Scheer**	**Markus Wirsen**
CEO	CFO	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 2022 ("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 2022 were € 323,739 thousand.

The number of full-time equivalent salaried employees is 578.64.

Profit before tax amounts to € 132,275 thousand.

Taxes on income amount to € 64,189 thousand.

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 two further meetings 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, business and risk strategy, the risk situation, the ESG strategy and measures, regulatory issues, the development and operationalisation of the IT/digitalisation strategy, governance issues, and long-term succession planning for the Board of Management and Supervisory Board. At its meetings, the Supervisory Board also received regular reports from the Board of Management on the acquisition of M.M. Warburg & CO Hypothekenbank AG, discussed the risks and opportunities together with the Board of Management, and adopted resolutions relating to the transaction.

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 and 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 2021 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 2022 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.

Three 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. It likewise assisted with the onboarding of a new member of the Board of Management and the onboarding of the future Chairman of the Board of Management.

The **Audit Committee** held three meetings, during which it discussed the results of the audit of the annual financial statements and of the management report. Other topics included the Bank's internal control system, reports prepared by the Internal Audit department and by the Compliance Officers, 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 **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 effects of the war in Ukraine on lending business were also tracked, and the results of the ESG stress test 2022 were likewise discussed.

The Committee also reviewed the sales report, the outsourcing report and the report prepared by the Chief Information Security Officer (CISO).

The three 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

The DGRV – Deutscher Genossenschafts- und Raiffeisenverband e. V., Berlin, as the statutory auditing association, audited the accounting records, the annual financial statements and the management report for the financial year 2022, 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 Cooperatives Act (Genossenschaftsgesetz – GenG) including the audit of Münchener Hypothekenbank eG's financial statements for 2022 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 2022 – as explained – and endorse the Board of Management's proposal for the allocation of net income. The proposal complies with the provisions of the Bank's Articles of Association.

CHANGES TO THE SUPERVISORY BOARD AND BOARD OF MANAGEMENT

In April 2022, the Delegates Meeting re-elected Josef Hodrus, Spokesman of the Board of Management of Volksbank Allgäu-Oberschwaben eG, and Kai Schubert, a member of the Board of Management of Raiffeisenbank Südstormarn Mölln eG, for a further term of office on the Supervisory Board of Münchener Hypothekenbank.

At the end of 2022, Dr Louis Hagen was succeeded as Chairman of the Board of Management of Münchener Hypothekenbank by Dr Holger Horn with effect on 1 January 2023. His retirement marked the end of 13 years as head of the Bank.

The Supervisory Board would like to thank Dr Hagen for his extraordinary commitment and his many years of successful work, during which he put Münchener Hypothekenbank on a sustainable path of growth and fashioned it into an international real estate bank.

The Supervisory Board appointed Markus Wirsen to the Board of Management of Münchener Hypothekenbank with effect on 1 April 2022.

DEVELOPMENT OF MÜNCHENER HYPOTHEKENBANK DURING THE YEAR UNDER REVIEW

The significant changes in the market environment resulted in a softening of demand for property financing, which had an increasing impact on business development at Münchener Hypothekenbank. Despite the drop in new business, the Bank was able to post solid earnings, demonstrating that its long-term strategy pays off even when markets are in flux. The Bank particularly captured the attention of the capital markets with its large-volume Pfandbrief issues, which enabled it to obtain funding on attractive terms.

We would like to thank the Board of Management and the Delegates of Münchener Hypothekenbank for their constructive collaboration. We also would like to express our thanks to the employees for their great commitment during a challenging financial year.

Munich, April 2023

Münchener Hypothekenbank eG

Dr. Hermann Starnecker
Chairman of the Supervisory Board

FURTHER INFORMATION

Agenda – General (Delegates) Meeting

22 APRIL 2023 AT 10.30 AM

1. **Report of the Board of Management about the 2022 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 resolution regarding the extent of disclosure of the auditor's report**

5. **Resolutions to ratify**
   a) approval of the annual financial statements as of 31 December 2022 and the management report for the 2022 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 2022 financial year

6. **Approval of the merger with M.M. Warburg & CO Hypothekenbank Aktiengesellschaft**

7. **Amendments to the Articles of Association**

8. **Elections to the Supervisory Board**
   Re-election of Jürgen Hölscher,
   Rainer Jenniches

9. **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

Herbert Kellner »
VR-Bank Ismaning Hallbergmoos Neufahrn eG
Chairman

Friedhelm Beuse »
Volksbank Münsterland Nord eG
Deputy Chairman

Hans-Jörg Meier »
Volksbank Bühl eG
Deputy Chairman

Manfred Asenbauer »
VR-Bank Passau eG

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 »
Volksbank Brenztal eG

Bernhard Failer »
Raiffeisen-Volksbank Ebersberg eG

Josef Frauenlob »
Volksbank Raiffeisenbank Oberbayern Südost eG

Steffen Fromm »
VR-Bank Neu-Ulm eG

Josef Geserer »
Raiffeisenbank Oberpfalz Süd eG

Ralf Gottschalk »
Volksbank Herrenberg-Nagold-Rottenburg eG

Herbert Hermes »
Volksbank Vechta eG

Carsten Jung »
Berliner Volksbank eG

Thomas Lange »
Volksbank Raiffeisenbank Bayern Mitte 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 »
Volksbank Brilon-Büren-Salzkotten eG

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