

Press Release

MünchenerHyp Releases 2019 Annual Report – New Business Further Expanded

- New mortgage business rises by 15 percent to € 6.5 billion
- Mortgage portfolio expands by 11 percent to € 35.5 billion, of which private residential property financing accounted for € 24.4 billion (plus 8 percent), and commercial property financing € 11.1 billion (plus 17 percent)
- Net interest income and net commission income figure € 204.5 million slightly below last year's level
- Equity capital base strengthened by issue of Additional Tier 1 Capital (AT1) bond denominated in Swiss francs

Munich, 30 April 2020 – Münchener Hypothekenbank eG (MünchenerHyp) continued on its course of growth during its 2019 business year. The cooperative property bank set a new record volume of € 6.5 billion for new lending commitments made during the year. Against the background of a property market that has been booming for many years, MünchenerHyp also used the favourable developments to strengthen its reserves.

New business expands notably – Market entry in Austria

MünchenerHyp expanded its new business results by 15 percent in 2019 to € 6.5 billion and posted significant gains in its two primary areas of business of private and commercial property financing. New business increased by 18 percent in the private residential property financing segment to € 3.7 billion. Banks in the Cooperative Financial Network were the Bank's most important brokering partners as they generated € 2.8 billion in new loan commitments. They also contributed the most to the increase in new business. Sales of residential property financing generated by independent financial service providers rose by 30 percent to € 0.7 billion. MünchenerHyp's collaboration with Swiss PostFinance resulted in a 3 percent increase in new business, which rose to € 290 million. The Bank has also been offering residential property financing in Austria in cooperation with independent financial service providers since mid-2019. The first transactions were completed during the initial market launch phase. "We want to continuously expand our financing business in Austria in the coming years and aim to generate



a significant contribution to our earnings“, said Dr. Louis Hagen, Chairman of MünchenerHyp’s Board of Management.

New business increased in the commercial property financing area of business by 11 percent to € 2.8 billion, of which commercial property deals in Germany accounted for € 1.9 billion, or 40 percent more than in the previous year. Dr. Louis Hagen further noted that, “We continuously strengthened our market position over the past years and built up a good reputation in the commercial property financing business. In the interim, MünchenerHyp has joined the ranks of Germany’s most important financiers”.

Strong demand for Pfandbriefe – Equity capital base strengthened

Pfandbriefe were MünchenerHyp’s the most important refinancing instrument in 2019 as the Bank issued € 4.8 billion in Mortgage Pfandbriefe during the year. These included three benchmark issues, which were very well received by investors: a 20-year Mortgage Pfandbrief with a volume of € 500 million, in April; a Mortgage Pfandbrief with a volume of USD 600 million and a term of three years and four months in July; and an additional Mortgage Pfandbrief with a notably negative yield in August and a volume of € 500 million and a term of four years. The Bank also expanded its Swiss franc-denominated issues. With a total volume of CHF 1.9 billion in new issues, MünchenerHyp was the biggest foreign issuer of Mortgage Pfandbriefe in Switzerland last year.

In November MünchenerHyp was the first foreign issuer to place an AT1 bond in Switzerland. The bond had a volume of CHF 125 million and a coupon of 3.125 percent. This issue backs the Bank’s growing loan portfolio and, in addition, optimises its equity capital structure. “Our bank has earned a high reputation in the Swiss capital market, which enabled this issue to be substantially oversubscribed and a great success”, said Dr. Louis Hagen.

The Bank’s equity capital situation remained very stable. MünchenerHyp’s members’ subscribed capital increased by € 39.9 million to € 1,072.5 million. At the end of 2019 MünchenerHyp’s Common Equity Tier 1 ratio was 19.8 percent (previous year 21.7 percent), the Tier 1 capital ratio was 21.4 percent (previous year 21.7 percent) on the same date, while the total capital ratio was 22.1 percent (previous year 22.9 percent). The leverage ratio was 3.6 percent at the end of 2019.

Mortgage portfolio expands notably – very satisfactory risk situation

Total assets rose by € 2.5 billion to € 42.9 billion on 31 December 2019, while the Bank's portfolio of mortgage loans increased by € 3.5 billion, or 11 percent to about € 35.5 billion. The largest portion of the increase was generated by € 1.9 billion in private residential property financing in Germany, thereby increasing the portfolio in this area of business to € 24.4 billion. Including the € 4.4 billion portfolio of commercial residential mortgages, residential properties thus account for 81 percent of MünchenerHyp's total mortgage portfolio. The portfolio of commercial property loans totalled € 11.1 billion at the end of 2019. The portfolio of loans to public sector borrowers and banks declined in accordance with MünchenerHyp's business and risk strategy to € 4.1 billion (previous year € 4.5 billion).

Net interest income rose by 7 percent to € 299.8 million. The Bank's very successful new business activities led to a 35 percent increase in commission paid to € 110.7 million, which in turn resulted in a slight decline in the Bank's net interest income and net commission income figure of € 204.5 million (previous year € 207.6 million). As the Bank retained its conservative approach to financing, new provisions made for lending risks once again remained at a very low level. The Bank's good risk situation allowed it to use income from the reversal of a specific loan loss provision created for a loan to significantly strengthen the Bank's reserves. Results from ordinary business activities totalled € 73.6 million. After tax expenses of € 37.9 million, net income for the year was to € 35.7 million.

Outlook

The unbroken good situation in the market seen at the beginning of 2020 led to a continuation of the dynamic development of the Bank's new business performance. However, the outbreak of the corona virus throughout Europe halted the favourable sentiment seen in the markets and led to increasing uncertainty about the effects of the pandemic on the economy and thus on the property and property financing markets. As it is very likely that the restrictions on economic and public life will extend into the second half of the year, it is impossible to foresee how seriously and sustainably the property and property financing markets will be affected by the economic consequences of the pandemic.

This will also influence MünchenerHyp's business over the short and mid-term. It is likely that new business generated in the residential and commercial property financing areas of business will decline in the current business year. Due to its conservative business policy and the high share of residential property loans in Germany and Switzerland in the loan portfolio, the Bank anticipates that its risk situation will remain manageable. It also expects that the economy will



pick up again in Germany and internationally by the end of this year. Together with the continuing phase of low interest rates, the Bank expects more favourable overall conditions for property financing in 2021.

The complete 2019 Annual Report is available at www.muenchenerhyp.com.

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Business development*	2019	2018	Change
	€ million	€ million	%
Lending business	6,523	5,647	16
- Mortgage loans	6,478	5,640	15
- Loans to public sector and banks	45	7	543
Refinancing funds obtained	5,998	4,258	41

Balance sheet *

Total assets	42,872	40,391	6
Mortgage loans	35,498	31,956	11
Loans to public sector and banks	4,075	4,540	-10
Pfandbriefe and other bonds	36,398	34,704	5
Equity capital	1,573	1,442	9

Income statement*

Net interest income and net commission income	205	208	-1
Administrative expenses	131	114	16
Results from operations before deducting provisions for risks	69	88	-22
Results from ordinary business activities	74	76	-3
Net income	36	49	-27

Employees

	Number	Number	
Average number of employees per year	573	550	4
Apprenticed trainees	15	12	25

* Amounts have been rounded.