

Press Release

## **MünchenerHyp expands residential property financing business and increases earnings power**

- New mortgage business almost at previous year's level with a total of € 6.4 billion
- Mortgage portfolio grows by 8 percent to € 38.4 billion, of which private residential property financing accounted for € 26.2 billion and commercial property financing for € 12.2 billion (plus 9 percent)
- Net interest income and net commission income increased by 16.5 percent to € 238.3 million
- Equity capital basis strengthened: Common Equity Tier 1 capital ratio at 20.6 percent (plus 0.8 percentage points)

Munich, 19 April 2021 – Münchener Hypothekenbank eG (MünchenerHyp) significantly increased its earnings during the 2020 financial year as its net interest income rose by 16 percent to € 347.8 million. The increase was primarily driven by new mortgage business, which the property bank had greatly expanded in previous years. Despite the recession caused by the COVID-19 pandemic, MünchenerHyp made new loan commitments of € 6.4 billion and almost achieved the record results posted in the 2019 financial year. “We are pleased that we were able to achieve good results and further strengthen our market position in such an extraordinary year“, said Dr. Louis Hagen, Chairman of MünchenerHyp's Board of Management.

### **New business at a high level – strong demand for residential property financing**

For the first time ever MünchenerHyp made more than € 4 billion in new financing commitments in its private residential property area of business – an 8 percent increase over the previous year's figure. This increase was primarily due to the unbroken high demand for residential property in Germany in addition to the expansion of the brokerage business with banks in the Cooperative Financial Network. As in the previous year, the share of sustainable ecological and socially oriented loans – Green Loans and Family Loans – represented 20 percent of new residential property loans.

New business brokered by the Volksbanken and Raiffeisenbanken rose by 10 percent to € 3.1 billion. Sales of residential property financing originated by independent providers of financial services totalled € 670 million, or 2 percent higher than in the previous year. The Bank's



collaboration with Swiss PostFinance generated € 278 million in brokered loans, which was similar to the previous year's figure of € 290 million.

The impact of the COVID-19 pandemic was already visible in area of commercial property financing where the Bank's volume of new business fell by 14 percent to € 2.4 billion. Despite the decline the Bank is satisfied with these results as it was able to achieve higher margins.

### **Pfandbriefe prove their value as a refinancing instrument**

Refinancing took place at good conditions over the entire year, even during the first lockdown in spring 2020. MünchenerHyp issued Mortgage Pfandbriefe with a total volume of € 4.9 billion in 2020. Uncovered refinancing amounted to € 2.6 billion. MünchenerHyp issued sustainable securities with a volume of about € 500 million in the form of ESG Pfandbriefe, green bonds, commercial paper and term deposits.

Very strong demand was seen from investors for two long-dated benchmark mortgage Pfandbriefe worth € 500 million each. The issues with terms of 15 and 20 years serve to refinance the lending business in private property financing at matching maturities. The Bank was also active as an issuer on the Swiss capital market. The focus here was on uncovered bonds. MünchenerHyp launched two premiere securities in the Swiss capital market with the issue of two large-volume uncovered green bonds. The Bank was the first issuer of a green senior non-preferred bond (CHF 240 million) and a green senior preferred bond (CHF 200 million).

### **Mortgage portfolio substantially expanded - risk situation remains satisfactory - equity capital strengthened**

Total assets rose by 13 percent to € 48.6 billion on 31 December 2020, while the Bank's portfolio of mortgage loans increased by 8 percent to about € 38.4 billion. The greatest portion of the increase was generated by € 1.8 billion in private residential property financing in Germany, thereby increasing the portfolio in this area of business to € 26.2 billion. The portfolio of commercial property loans totalled € 12.2 billion at the end of 2020. The portfolio of loans to public sector borrowers and banks declined in accordance with MünchenerHyp's business and risk strategy to € 3.7 billion (previous year € 4.1 billion).

The expansion of the new business brokered during the year led to an 11 percent rise in commission expenses to € 122.5 million, which was more than offset by the strong increase in net interest income. Net interest income and net commission income rose by 16.5 percent to €



238.3 million. The Bank was able to slightly decrease its administrative expenses by 2 percent to € 128.4 million, while costs and fees incurred for regulatory requirements increased yet again.

The credit risk situation was satisfactory despite the COVID-19 pandemic. Thus far the economic effects of the pandemic have been hardly visible in the Bank's loan portfolio. This is also due to the fact that the particularly affected segments of the commercial property market only represent a small share of the MünchenerHyp's total loan portfolio with loans for apartments and offices holding a 79 percent share of the commercial property loan portfolio. Dr. Louis Hagen noted that, "We comprehensively analysed our entire portfolio of commercial property loans last year. To date we have not uncovered any material risks".

Results from ordinary business activities increased by 29 percent to € 95.3 million. After allocations to the fund for general banking risks of € 20 million and taxes of € 37.6 million, net income for the financial year amounted to € 37.7 million.

European Central Bank requirements permit MünchenerHyp to pay a maximum dividend of 1.25 percent per share. The Supervisory Board and the Board of Management proposed this to the Delegates Meeting, which approved a dividend in this amount Saturday, 17 April 2021.

The Bank's equity capital base has increased. MünchenerHyp's members' capital contributions rose by € 80.6 million to € 1,153.1 million. At the end of 2020 MünchenerHyp's Common Equity Tier 1 ratio was 20.6 percent (previous year 19.8 percent). The Tier 1 capital ratio was 22.2 percent (previous year 21.4 percent) on the same date, while the total capital ratio was 22.8 percent (previous year 22.1). These figures show that the ratios are far higher than the legal and supervisory requirements. The leverage ratio was 3.6 percent at the end of 2020.

## **Outlook**

MünchenerHyp anticipates that 2021 will see continued good demand and especially for residential property. Developments in the commercial property sector will depend more heavily on the further course of the COVID-19 pandemic, but overall the bank expects stable demand. MünchenerHyp thus plans to slightly expand its total new business, which will be supported by the unchanging low level of interest rates.

The 2020 Annual Report is available at [www.muenchenerhyp.de/en](http://www.muenchenerhyp.de/en).



MünchenerHyp

**For additional information please contact:**

Dr Phil Zundel  
Head of Central Services  
Münchener Hypothekenbank eG  
Karl-Scharnagl-Ring 10, 80539 Munich  
Telephone +49 89 5387-2000  
E-mail: [Phil.Zundel@muenchenerhyp.de](mailto:Phil.Zundel@muenchenerhyp.de)

Dr Benno-Eide Siebs  
Press spokesman  
Head of Communications and Marketing  
Central Services  
Münchener Hypothekenbank eG  
Karl-Scharnagl-Ring 10, 80539 Munich  
Telephone +49 89 5387-2020  
E-mail: [Benno-Eide.Siebs@muenchenerhyp.de](mailto:Benno-Eide.Siebs@muenchenerhyp.de)

<b>Business development*</b>	<b>2020</b>	<b>2019</b>	<b>Change.</b>
	€ million	€ million	%
Lending business	6,492	6,523	0
- Mortgage loans	6,395	6,478	-1
- Loans to public sector and banks	97	45	116
Refinancing funds obtained	7,473	5,998	25
<b>Balance sheet*</b>			
Total assets	48,558	42,872	13
Mortgage loans	38,411	35,498	8
Loans to public sector and banks	3,704	4,075	-9
Pfandbriefe and other bonds	39,576	36,398	9
Equity capital	1,676	1,573	7
<b>Income statement*</b>			
Net interest income and net commission income	238	205	17
Administrative expenses	128	131	-2
Results from operations before deducting provisions for risks	106	69	54
Results from ordinary business activities	95	74	29
Net income	38	36	6
<b>Employees</b>			
	Number	Number	
Average number of employees per year	611	573	7
Apprentices	15	15	0

\* Amounts have been rounded.