

Press release

Münchener Hypothekbank increases earnings despite a difficult market environment

Munich, 21 August 2023 – In the first half of 2023, Münchener Hypothekbank's business performance was affected by economic pressures on real estate markets and a resulting decline in demand for property financing. Nevertheless, the Bank significantly increased its result and reported pro rata temporis net income of EUR 53.5 million, up 66 percent on the prior-year period.

On the one hand, this result reflects a further increase in net interest income together with other effects, in particular the merger with Warburg Hypothekbank. On the other hand, Münchener Hypothekbank increased its loan loss provisions against the backdrop of a difficult market environment.

Münchener Hypothekbank's Chairman of the Board of Management, Dr Holger Horn, sums up: "In the first half of the year, we coped well with the massive change in the markets. Despite the decline in new business and higher loan loss provisions, we were able to further increase our earnings thanks to the continuous expansion of our loan book in recent years. To this we can add the first successful acquisition of another institution in our Bank's history."

Earnings continue to develop positively – reserves significantly strengthened

Net interest income rose by 11 percent to EUR 241.1 million (30 June 2022: EUR 216.7 million). Reasons for this included sharply rising interest rates and stable growth of the mortgage loan portfolio, which totalled EUR 46.1 billion as at 30 June 2023.

Negative net commission income decreased by 44 percent to EUR minus 33.1 million (30 June 2022: EUR minus 58.8 million). This is mainly the result of declining brokerage volume owing to significantly lower demand for private property financing.

As a result, net interest and commission income increased by 32 percent to EUR 208.0 million (30 June 2022: EUR 157.8 million).



Administrative expenses increased by 6 percent to EUR 83.5 million (30 June 2022: EUR 78.8 million). Expenses for the bank levy and contributions to the cooperative protection scheme were largely responsible for this.

Net loan loss provisions at mid-year amounted to EUR 50.1 million (30 June 2022: EUR 21.5 million). Alongside valuation adjustments, Münchener Hypothekenbank thus made provisions for possible risks in light of the economic situation.

At the end of June, Warburg Hypothekenbank was successfully merged with Münchener Hypothekenbank with retrospective effect from 1 January 2023. Through this transaction, Münchener Hypothekenbank acquired a well-diversified loan portfolio and achieved positive economic effects.

It thus recorded extraordinary income of EUR 79.1 million due to the takeover of Warburg Hypothekenbank and other factors. The Bank strengthened its reserves through a substantial allocation to the fund for general banking risks in the amount of EUR 59 million.

After deduction of tax expenses in the amount of EUR 40.8 million, pro rata net income for the year was EUR 53.5 million (30 June 2022: EUR 32.2 million).

Total assets slightly lower – solid capitalisation

Total assets declined by EUR 1.0 billion compared with year-end 2022 to EUR 53.2 billion. The decrease was due to the early and complete repayment of funds raised through the ECB's TLTRO III tender.

The bank's capitalisation remains very solid and comfortably exceeds legal and regulatory requirements. Own funds in accordance with the CRR (Capital Requirements Regulation) rose by 15 percent to EUR 2.2 billion. As at 30 June 2023 the Common Equity Tier 1 capital ratio stood at 17.7 percent (31 December 2022: 19.0 percent). The Tier 1 capital ratio was 19.9 percent (31 December 2022: 21.2 percent) and the total capital ratio 22.3 percent (31 December 2022: 21.9 percent).

New business impacted by a difficult market situation

The sharp rise in interest rates and construction costs significantly dampened demand for financing of residential and commercial property. This also had an impact on Münchener Hypothekbank's new business, which fell by 62 percent in the first half of the year compared with the prior-year period to EUR 1.3 billion, of which EUR 0.7 billion was attributable to private residential property financing and EUR 0.6 billion to commercial property financing.

The property financing portfolio taken over from Warburg Hypothekbank amounts to EUR 1.5 billion. Münchener Hypothekbank thus strengthened its mortgage loan portfolio in the face of weak demand.

Successful Pfandbrief issues

Münchener Hypothekbank continued to obtain funding on capital markets at very good terms, issuing three large-volume Mortgage Pfandbriefe which met with strong demand: a Jumbo Pfandbrief with a volume of EUR 1 billion, a benchmark Pfandbrief with a volume of EUR 750 million and a Green Mortgage Pfandbrief with a volume of EUR 500 million. It also issued a green Tier 2 bond in the amount of CHF 115 million.

Outlook

Münchener Hypothekbank does not expect a trend reversal on property markets in the further course of the year. Some sub-segments are not expected to recover before 2024. It therefore assumes that its new business will not pick up significantly in the remaining months. Against the backdrop of economic uncertainties and resulting pressures on property markets, it also anticipates a further increase in loan loss provisions. Despite a persistently challenging environment, however, it is confident it will be able to further expand net interest income and achieve significantly higher net income for the year.

Münchener Hypothekbank is releasing its financial report for the first half of 2023 today.



MünchenerHyp

For additional information please contact:

Dr Phil Zundel
Head of Central Services
Münchener Hypothekenbank eG
Karl-Scharnagl-Ring 10 | 80539 Munich
Tel. + 49 89 5387-2000
phil.zundel@muenchenerhyp.de

Dr Benno-Eide Siebs
Press Spokesperson
Head of Communication and Marketing Department
Central Services
Münchener Hypothekenbank eG
Karl-Scharnagl-Ring 10 | 80539 Munich
Tel. + 49 89 5387-2020
benno-eide.siebs@muenchenerhyp.de