

Press release

Stable earnings power for Münchener Hypothekenbank

Munich, 17 November 2023 – Münchener Hypothekenbank has reported positive earnings as at 30 September 2023. The Bank's pro rata net income for the year increased to EUR 82.1 million (30 September 2022: EUR 45.2 million) despite the continued difficult market environment and subdued demand for property financing.

Higher interest rates have caused an increase in net interest income, in particular, while new business has remained below that of the previous year. Commitment volume stabilised in the third quarter, however, at EUR 0.9 billion.

“Our strong and diversified portfolio is also providing earnings stability in the current market environment. And we plan to further develop our core business,” said CEO of Münchener Hypothekenbank Dr Holger Horn.

Increase in net interest and commission income

Net interest income rose to EUR 375.7 million (30 September 2022: EUR 316.4 million). The increase was attributable to the Bank's diversified loan portfolio which has been significantly expanded in recent years, with higher interest rates another contributing factor.

The reduced demand for property financing – particularly private residential property financing in Germany – caused a decline in brokerage volume. Negative net commission income declined to minus EUR 50.1 million (30 September 2022: minus EUR 86.5 million).

Net interest and commission income therefore increased to EUR 325.6 million in total (30 September 2022: EUR 229.9 million).

Administrative expenses amounted to EUR 125.8 million (30 September 2022: EUR 118.5 million). This increase was primarily due to the bank levy and contributions to the cooperative protection scheme.

Given the market environment, the Bank increased loan loss provisions to a total of EUR 90.0 million as at 30 September 2023 (30 September 2022: EUR 30.4 million).



After deduction of tax expenses in the amount of EUR 47.4 million, pro rata net income for the year was EUR 82.1 million (30 September 2022: EUR 45.2 million).

Portfolio expanded

Total assets amounted to EUR 54.3 billion as at 30 September 2023 (31 December 2022: EUR 54.2 billion), showing stable development in the year to date despite the ECB's third targeted longer-term refinancing operations programme (TLTRO III). The overall portfolio increased to EUR 51.8 billion (31 December 2022: EUR 49.5 billion).

The Bank's capitalisation remains very solid and comfortably exceeds legal and regulatory requirements. Own funds in accordance with the CRR (Capital Requirements Regulation) have risen to EUR 2.1 billion since the beginning of the year (31 December 2022: EUR 2.0 billion). As at 30 September 2023 the total capital ratio stood at 19.6 percent (31 December 2022: 21.9 percent).

New business stabilised

New business in private and commercial property financing continued to be affected by the caution among investors and owner-occupiers, and amounted to EUR 2.2 billion as of the end of the third quarter (30 September 2022: EUR 4.3 billion). EUR 1.0 billion of this was attributable to private residential property financing, and EUR 1.2 billion to commercial property financing. Commitment volume was on a par with that of new business in the prior-year period, at EUR 0.9 billion in the third quarter of 2023.

The Bank expanded its public and liquid investment business, increasing the portfolio to EUR 2.1 billion (30 September 2022: EUR 0.5 billion).

The volume of new business, including the loan portfolio of Warburg Hypothekbank acquired when it merged with Münchener Hypothekbank in June of this year, amounted to EUR 5.9 billion as at 30 September 2023 (30 September 2022: EUR 4.8 billion).

Successful Pfandbrief issues

Münchener Hypothekbank issued its fourth benchmark Mortgage Pfandbrief this year at favourable terms. The Pfandbrief has a volume of EUR 500 million and met with very high demand from investors in a challenging market environment.



The bank also issued a green Mortgage Pfandbrief with a benchmark volume of EUR 500 million this week. Investor interest was exceptionally high, with the order book closing at over EUR 1.5 billion.

Outlook

Münchener Hypothekenbank still does not expect a revival in the property and property financing markets by the end of this year. Demand will remain subdued due to the interest rate situation, the differing expectations of buyers and sellers, and geopolitical tensions. Against this backdrop, the Bank expects new business to remain restrained in the fourth quarter, but positive performance overall in net interest income and thus also in net income for the year.

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