MOODY'S RATINGS

CREDIT OPINION
7 July 2025

Update

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RATINGS

Muenchener Hypothekenbank eG

Domicile	Munich, Germany
Long Term CRR	Aa2
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	Aa2
Type	Senior Unsecured - Fgn Curr
Outlook	Stable
Long Term Deposit	Aa2
Type	LT Bank Deposits - Fgn Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Muenchener Hypothekenbank eG

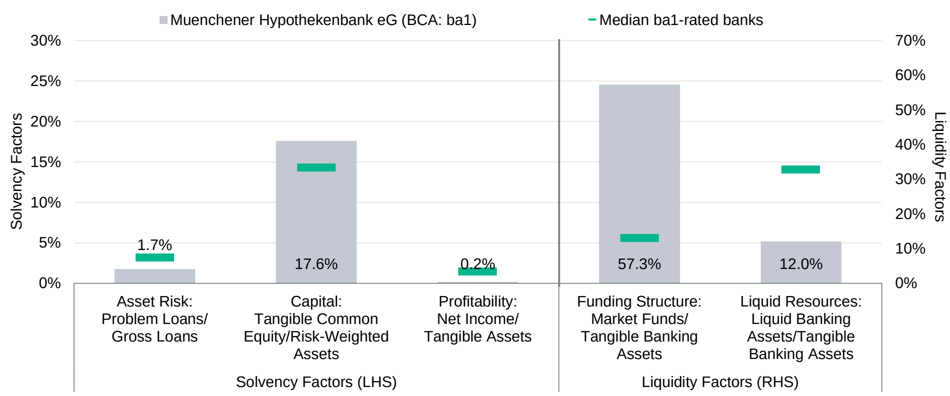
Update to credit analysis

Summary

Muenchener Hypothekenbank eG's (Muenchener Hyp) Aa2 deposit and senior unsecured debt ratings reflect the bank's ba1 Baseline Credit Assessment (BCA); a four-notch rating uplift based on the expected cross-sector support from the German cooperative banking association (Genossenschaftliche FinanzGruppe [G-Finanzgruppe]); three notches of uplift from our Advanced Loss Given Failure (LGF) analysis, which incorporates the relative loss severity of a liability class; and an additional one-notch government support uplift because of the bank's membership in the systemically relevant G-Finanzgruppe.

Muenchener Hyp's ba1 BCA reflects the bank's solid asset quality, despite headwinds in commercial real estate (CRE); its balanced capitalisation with a strong risk-weighted capitalisation but some leverage ratio weakness; and its improved profitability and unchanged satisfactory funding profile, where a very high market funding dependence is mitigated by the bank's well-established access to member banks of the G-Finanzgruppe. The BCA further reflects Muenchener Hyp's extremely focused business model as a real estate lending specialist, which exposes the bank to considerable concentration risks.

Exhibit 1
Rating Scorecard - Key financial ratios



Source: Moody's Ratings

Credit strengths

- Creditors benefit from the bank's membership in the institutional protection scheme of G-Finanzgruppe, which is highly likely to support its members.
- Muenchener Hyp has solid asset quality, supported by the high granularity of the bank's large residential mortgage portfolios in Germany (Aaa stable) and Switzerland (Aaa stable).
- Well-matched asset-liability profile and access to sector funds from G-Finanzgruppe to obtain longer-term funding reduces dependency on confidence-sensitive funding.

Credit challenges

- Focused business model as a real estate lender, which exposes the bank to considerable concentration risks and results in lack of business diversification.
- Vulnerability to the cyclical pressures in CRE, which resulted to an ongoing built-up in problem loans since 2023.
- Weakened risk-weighted capital metrics with somewhat high balance-sheet leverage which implies vulnerability to an extended downturn or market stress.

Outlook

- The stable rating outlook reflects our expectation that G-Finanzgruppe's financial profile remains highly resilient despite the ongoing anemic economic activity in Germany and that Muenchener Hyp's intrinsic strength and liability structure will remain broadly stable over the next 12-18 months.

Factors that could lead to an upgrade

- Muenchener Hyp's long-term ratings could be upgraded following an improvement in the cooperative sector's financial strength, or an upgrade of Muenchener Hyp's BCA.
- The junior senior unsecured debt instruments could receive additional rating uplift from our Advanced LGF analysis if the bank massively increases the volume of its capital instruments (subordinated debt and Additional Tier 1 [AT1]), translating into a lower loss severity for this debt class.
- Muenchener Hyp's BCA could be upgraded as a result of a combined improvement in the bank's solvency and liquidity metrics. However, an upgrade of the BCA could be offset by a reduction in the rating uplift from affiliate support.

Factors that could lead to a downgrade

- Muenchener Hyp's ratings could be downgraded following a downgrade of the Adjusted BCA, in case the cooperative sector's financial strength deteriorates or in case of developments that indicate a reduced likelihood of support from G-Finanzgruppe.
- The ratings could be downgraded if the outcome of the Advanced LGF analysis results in higher loss severity for Muenchener Hyp's respective debt classes.
- Muenchener Hyp's BCA could be downgraded as a result of material deterioration in the bank's asset quality or a decline in its capital buffers or a further increase in its dependence on market funding or a decline in its liquidity buffer. A downgrade of Muenchener Hyp's BCA could be offset by higher affiliate support uplift.

Key indicators

Exhibit 2
Muenchener Hypothekenbank eG (Consolidated Financials) [1]

	12-24[2]	12-23[2]	12-22[2]	12-21[2]	12-20[2]	CAGR/Avg.[3]
Total Assets (EUR Billion)	54.0	53.6	49.8	48.0	44.9	4.7[4]
Total Assets (USD Billion)	55.9	59.2	53.2	54.4	54.9	0.5[4]
Tangible Common Equity (EUR Billion)	2.0	1.9	1.8	1.7	1.7	4.2[4]
Tangible Common Equity (USD Billion)	2.0	2.1	1.9	2.0	2.0	(0.1)[4]
Problem Loans / Gross Loans (%)	1.7	1.5	0.5	0.5	0.5	1.0[5]
Tangible Common Equity / Risk Weighted Assets (%)	17.6	17.8	19.9	21.8	22.7	20.0[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	35.9	34.6	11.9	12.3	11.8	21.3[5]
Net Interest Margin (%)	1.0	1.0	0.9	0.9	0.8	0.9[5]
PPI / Average RWA (%)	2.8	2.9	2.0	1.7	1.4	2.2[6]
Net Income / Tangible Assets (%)	0.2	0.2	0.1	0.1	0.1	0.2[5]
Cost / Income Ratio (%)	33.2	37.0	47.3	51.2	56.2	45.0[5]
Market Funds / Tangible Banking Assets (%)	57.3	56.7	60.9	63.4	62.6	60.2[5]
Liquid Banking Assets / Tangible Banking Assets (%)	12.0	10.2	7.7	9.2	8.9	9.6[5]
Gross Loans / Due to Customers (%)	2302.7	2164.2	2430.5	2656.5	3833.0	2677.4[5]

[-] Further to the publication of our revised methodology in July 2021, only ratios from annual 2020 onwards included in this report reflect the change in analytical treatment of the "high-trigger" Additional Tier 1 instruments. [1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel III - fully loaded or transitional phase-in; LOCAL GAAP. [3] May include rounding differences because of the scale of reported amounts. [4] Compound annual growth rate (%) based on the periods for the latest accounting regime. [5] Simple average of periods for the latest accounting regime. [6] Simple average of Basel III periods.
Sources: Moody's Ratings and company filings

Profile

With a reported asset base of €54.5 billion as of year-end 2024, Muenchener Hyp is a medium-sized mortgage lender in Germany. The bank operates largely in its home market Germany, where it has a well-established market position in real estate finance. The bank provides residential and commercial lending, syndicated loans and mortgage-related capital market services. Muenchener Hyp is headquartered in Munich and has regional offices in 11 German cities, along with cooperation partners in Paris and Madrid. The bank had 664 employees as of year-end 2024.

The bank is a member of G-Finanzgruppe and is collectively owned by the primary banks in the German cooperative banking sector and individual members.

Macro Profile of Strong +

Muenchener Hyp is focused on the German market and is also active in the Swiss residential market. The bank's assigned Strong + weighted macro profile is at the same level as Germany's Strong + macro profile.

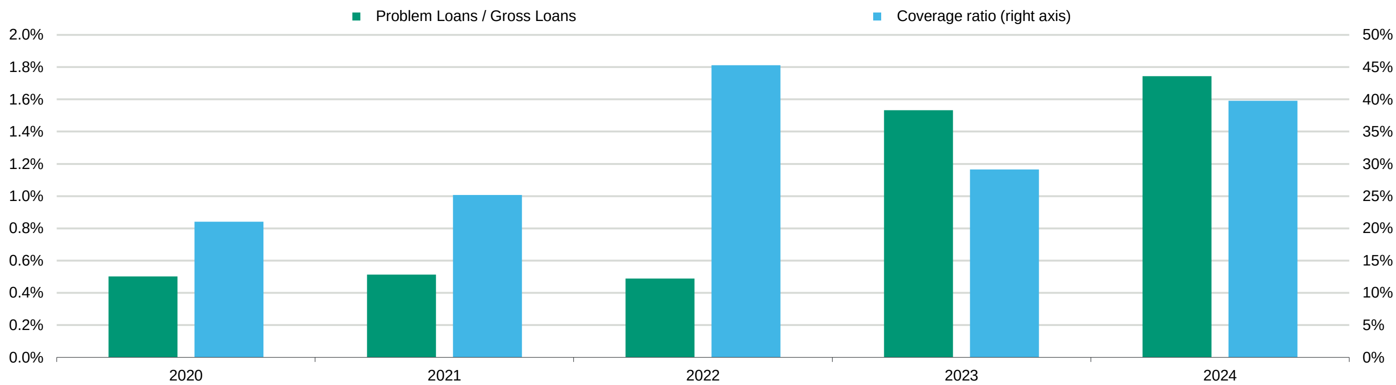
Detailed credit considerations

Asset quality remains supported by residential focus and portfolio granularity; CRE finance poses concentration risks

Muenchener Hyp's baa3 Asset Risk score, five notches below the initial a1 score reflects the bank's high risk concentration in the commercial real estate (CRE) sector, which makes up 7.5x its Tangible Common Equity (TCE) in 2024. The score also reflects the rapid increase in problem loans since 2023, foremost in the US portfolio despite some improvements in the work-out of non-performing loans (NPL) relating to this exposure in 2024. US problem loans declined by 4% in 2024 compared with 2023 while overall problem loans continued to rise. The drivers for the increase in NPLs in 2024 were additions to retail mortgage loans (+44% compared with 2023) and CRE exposure in Germany (+28% compared with 2023). We expect further moderate increases in problem loans over the next 12 to 18 months given the bleak economic outlook in Germany and Europe.

Nevertheless, Muenchener Hyp's overall asset quality is in line with the average NPL ratio for Germany bank of 1.6% at end-2024 (as published by the European Banking Authority, see external link) and better than that of peers with large CRE exposure. Its highly granular, residential mortgage portfolio including multi-family accounted for 77% of its lending portfolio as of year-end 2024 while CRE excluding multi-family accounted for around 21% and public-sector lending for around 2% (see Exhibit 4). The bank's Swiss residential mortgage portfolio (11% of the lending portfolio at end-2024) adds to the stability of the asset quality with a marginal NPL ratio.

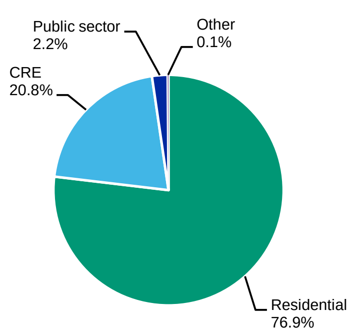
Exhibit 3
Problem loans continue upward movement with loan loss coverage improving again



The problem loan ratio is in accordance with our definition.
Sources: Company reports and Moody's Ratings

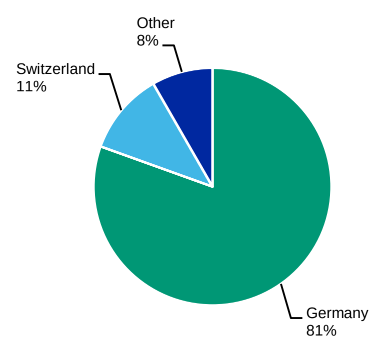
Another supporting factor for asset quality are Muenchener Hypconservative loan-to-value (LTV) ratios; the bank reports average LTV ratios of 54% for residential buildings and 61% for commercial property. However, the average LTV ratio for the exposure to CRE located in the United Kingdom (Aa3 stable) was 106% and that for United States of America (Aa1 stable) exposure 82%, both at year-end 2024. Additionally, valuation swings in an adverse scenario can lead to a rapid changes in LTV ratios.

Exhibit 4
Portfolio composition by sector, based on year-end 2024 data



Source: Company reports

Exhibit 5
Portfolio composition by country, based on year-end 2024 data



All country segments with a share lower than 2% are added to "Other".
Source: Company reports

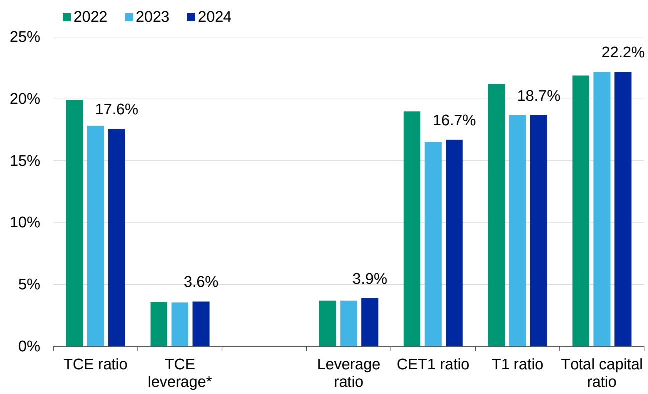
Adequate capitalisation constrained by weak leverage ratio

Muenchener Hyp's baa1 Capital score, which includes substantial negative adjustments to the aa2 initial score, balances the bank's relatively strong regulatory capital ratios with the risk to its capital stemming from its weak absolute capital levels and, therefore, high leverage in relation to the balance sheet. This risk is mitigated by the bank's proven access to capital from its owners within G-Finanzgruppe. In addition, the baa1 score factors in the effect of the planned harmonisation of risk weights under Basel III which includes a gradual introduction of a 72.5% output floor for banks that use an internal ratings-based approach for the calculation of risk-weighted assets (RWA). The introduction of a higher output floor will significantly affect Muenchener Hyp, given the ultralight risk weights assigned to large portions of its lending book.

Muenchener Hyp's tangible common equity (TCE) ratio declined slightly to 17.6% in 2024 from 17.9% in 2023 (see Exhibit 6), driven by a 10% increase in RWA. The bank reported a broadly stable Common Equity Tier 1 (CET1) capital ratio of 16.7% as of year-end 2024 (16.5% in 2023). The bank's regulatory leverage ratio remained stable at 3.9% in 2024. Notwithstanding the regulatory changes ahead, we expect Muenchener Hyp's ratios to remain solid and absorb unexpected weaknesses in its asset performance. The bank has also substantial buffers above the regulatory minimums (see Exhibit 7).

Exhibit 6

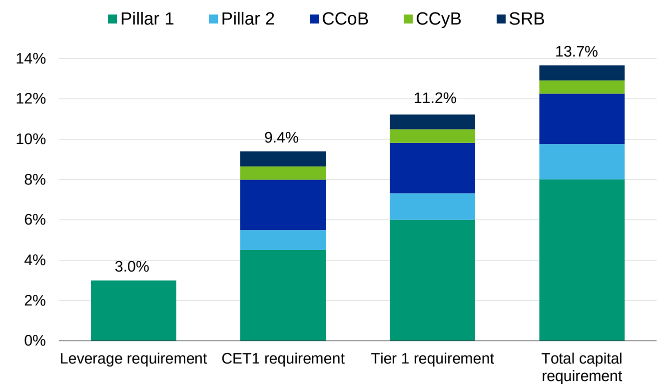
CET1 and TCE ratios broadly stable in 2024 driven by profit retention and moderate RWA increase



TCE = Tangible common equity (our calculation; excludes high-trigger AT1 instruments for all periods). CET1 = Common Equity Tier 1; T1 = Tier 1 capital.
Sources: Company reports and Moody's Ratings

Exhibit 7

Capital substantially exceed regulatory requirements (capital requirements as of year-end 2024)



CCoB = Capital conservation buffer; CCyB = Countercyclical capital buffer; SIIB = Systemically important institutions buffer; SRB = Systemic risk buffer.
Source: Company reports

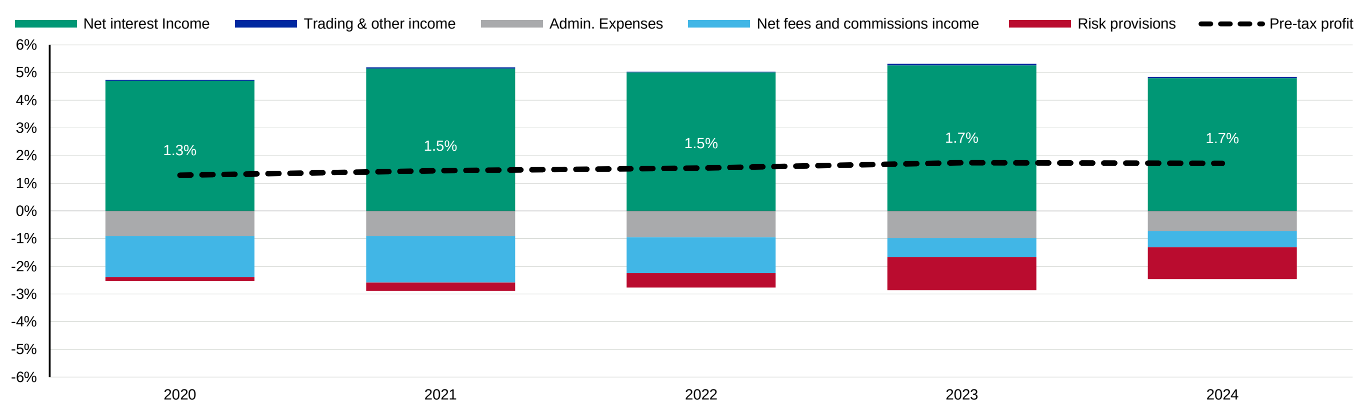
Improved profitability supported by higher interest income and lower regulatory costs

Muenchener Hyp's b1 Profitability score, in line with the initial b1 score, reflects the bank's improved profitability since 2023, supported on the one hand by increased interest income and on the other hand by lower regulatory costs.

Historically, the bank's profitability has been low, displaying a return on assets of just 0.1% during 2019-22, which principally reflects its main business focus on low-yielding residential mortgages and its specific cooperative business model since the bank pays commission fees to its cooperative distribution partners. In 2024, the return on assets remained at 0.2% (same as in 2023) and thus higher than in the three preceding years. We expect Muenchener Hyp to be able to maintain the current profitability level in 2025.

Exhibit 8

Higher interest earnings and reduced regulatory expenses drive pretax profit in 2024



Data as in % of average risk-weighted assets (RWA). Reported revenues are subject to Moody's standard and non-standard adjustments.
Source: Company reports and Moody's Ratings

Funding structure benefits from a well-matched maturity profile and access to sector funds

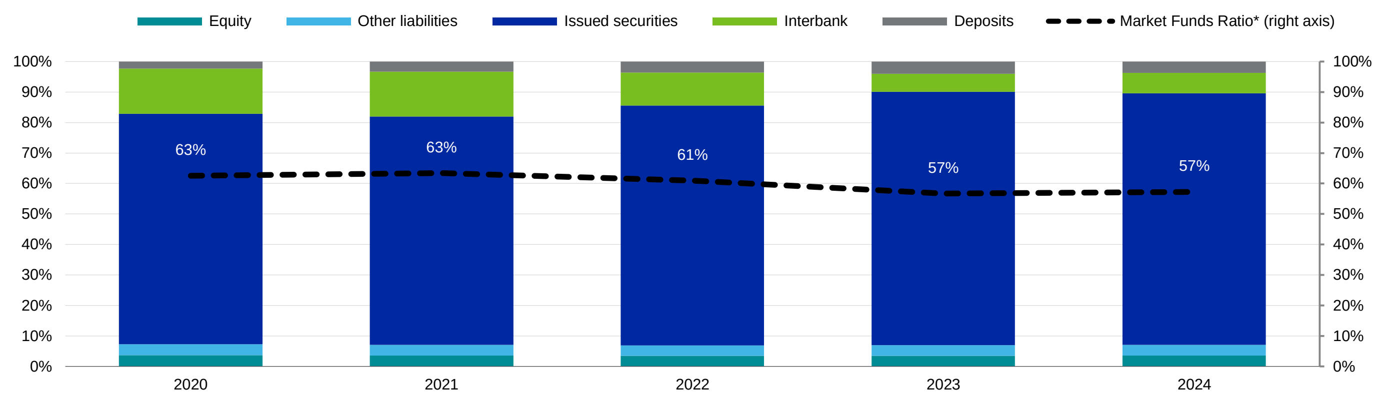
Muenchener Hyp's Funding Structure score of ba1, five notches above the b3 initial score, reflects the bank's access to funds of the German cooperative banking sector for the issuance of its covered bonds and other medium-term notes and it's overall more limited refinancing risk because the maturity profile of its assets is well matched by the maturities of its covered bond programmes.

Most of Muenchener Hyp's funding (nearly 72% in 2024) is raised through mortgage and public covered bonds. The remainder is covered by senior unsecured liabilities and junior senior unsecured liabilities, which are also partially placed within the G-Finanzgruppe. Muenchener Hyp started to build a retail deposit franchise in March 2018 to diversify its funding sources, but the share of deposits within its funding profile remains very limited to date. In the absence of a fully developed deposit franchise, Muenchener Hyp mainly depends on the availability of the aforementioned market funding. However, in light of Muenchener Hyp's firm integration in the German cooperative sector, the continuous availability of longer-term funds from sector members ensures a higher degree of stability in the bank's funding profile.

Exhibit 9

The bank's market funding risks are mitigated by well-established access to the cooperative banking sector

Composition of market funding sources



*Market funding ratio = Market funds/tangible banking assets.

Sources: Company reports and Moody's Ratings

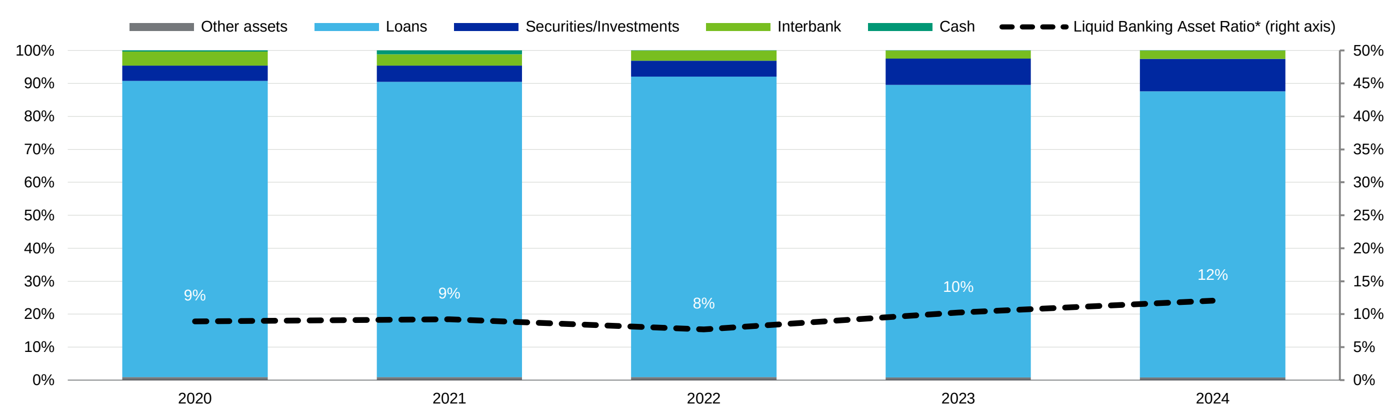
Liquid banking asset ratio improved but composition changed toward liquid securities

Muenchener Hyp's Liquid Resources score is ba1, in line with the initial ba1 score. The score reflects the fact that some assets are encumbered assets in Muenchener Hyp's liquidity reserve, but also takes into account the bank's ability to generate additional liquidity through its covered bond programmes.

Exhibit 10

Liquid resources ratio

Composition of liquid assets



*Liquid banking assets ratio = Liquid assets/tangible banking assets.

Sources: Company reports and Moody's Ratings

As of year-end 2024, Muenchener Hyp's liquid resources comprised a €31 million cash reserve (year-end 2023: €51 million), €1.3 billion due from banks and a €5.3 billion liquid securities portfolio that includes mostly longer-dated securities, which rose substantially in 2024 as the bank increased the volume of its high-quality liquid assets (HQLA) portfolio.

Overall, Muenchener Hyp maintains only modest liquid resources because of its limited liquidity need as a mortgage lender and its well-matched and diversified maturity profile and limited volume of maturing liabilities in the coming years. Furthermore, the bank could quickly generate liquidity through additional issuance of covered bonds, in case of need, given the additional capacity of over €2.3 billion in 2024 to issue additional covered bonds.

Business model-related risks constrain the BCA

We adjust Muenchener Hyp's baa3 Financial Profile score downward by one notch to reflect the bank's low earnings and income diversification outside its residential and commercial mortgage lending businesses, and thus negligible diversification outside it's lending activities. Therefore, we classify it as a monoline entity.

Business diversification is an important gauge of a bank's sensitivity to stress in a single business line. It is related to earnings stability in the sense that earnings diversification across distinct and relatively uncorrelated lines of business increases the reliability of a bank's earnings streams and its potential to absorb shocks affecting a business line.

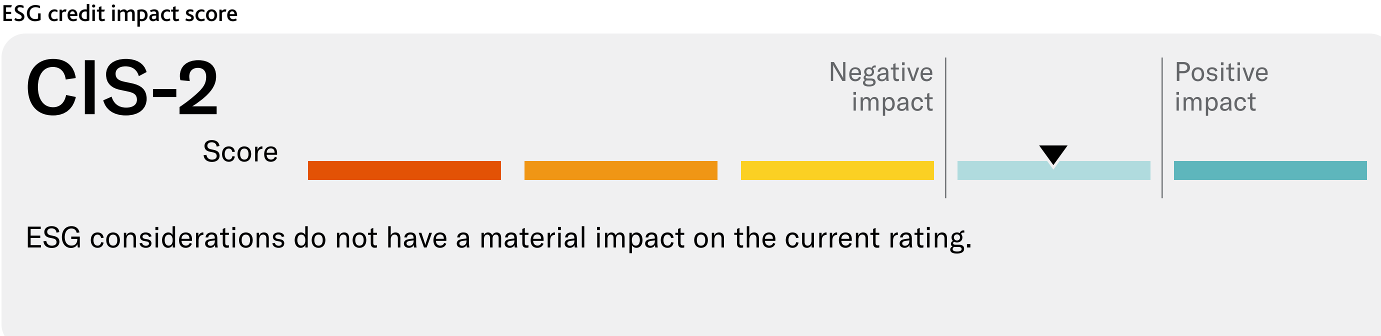
Being a mortgage lending specialist, Muenchener Hyp is exposed to a rather volatile banking business through the cycle. Specifically, we consider the bank's exposure to CRE as high-risk sector exposure. The specialist mortgage lender status benefits the bank's sector-specific risk management know-how but naturally limits the chances for earnings diversification within the bank to balance the potential losses from its higher-risk exposures.

ESG considerations

Muenchener Hypothekenbank eG's ESG credit impact score is CIS-2

Exhibit 11

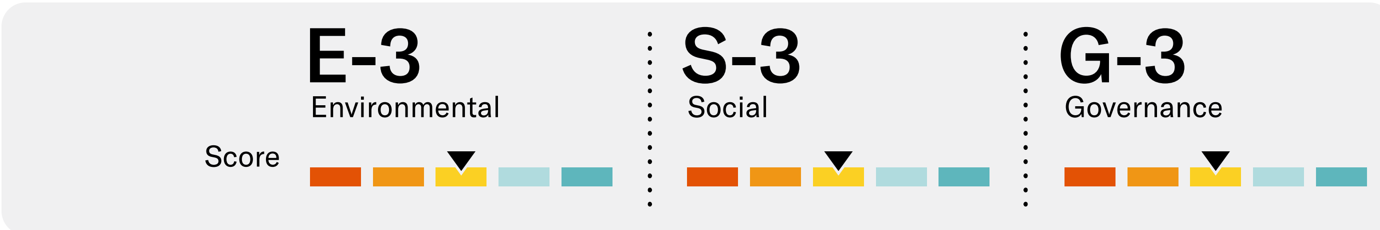
ESG credit impact score



Source: Moody's Ratings

Muenchener Hypothekenbank's Credit Impact Score is **CIS-2** and indicates that ESG considerations do not have a material impact on the current ratings. It aslo takes into consideration the mitigating rating impact of affiliate support from Genossenschaftliche FinanzGruppe (G-Finanzgruppe) over its ESG risk profile. Environmental and social factors have a limited credit impact on the rating to date. The bank's corporate governance risks stem from its moderate risk appetite as part of its business model as a commercial and residential real estate specialist but are mitigated by sound control mechanisms.

Exhibit 12
ESG issuer profile scores



Source: Moody's Ratings

Environmental

Muenchener Hypothekenbank' faces moderate exposure to environmental risks, primarily because of its portfolio exposure to carbon transition risk as a large commercial real estate lender. In line with its peers, Muenchener Hypothekenbank is facing mounting business risks and stakeholder pressure to meet broader carbon transition goals. In response, Muenchener Hypothekenbank is engaging in transforming its lending book towards less carbon-intensive assets and is part of cooperative group-wide initiatives to further develop its comprehensive risk management and climate risk reporting frameworks.

Social

Muenchener Hypothekenbank faces moderate social risks related to customer relations and associated regulatory risks, litigation costs and high compliance standards, and from demographic and societal trends. Risks related to the distribution of financial products are mitigated by the bank's developed policies and procedures; cyber and personal data risks are mitigated by the bank's IT framework and cyber security, and by continued investment in digitalization. Banks in Germany face long-term economic and fiscal pressures from adverse demographic trends, impacting demand for certain products, or lowering economic growth. Product diversity as well as an ability to adapt to consumer preferences, regulatory changes and societal trends will help mitigate these risks.

Governance

Muenchener Hypothekenbank governance risks are moderate, given its role as a focused real estate lending specialist within the G-Finanzgruppe network and given its moderate commercial real estate risk appetite. However, the bank's low profitability provides only a limited buffer against potential adverse developments and limits the bank's capital generation capacity. Its organizational structure, reporting policies and risk management and compliance framework are in line with industry practices. Muenchener Hypothekenbank's Supervisory Board composition reflects the group's cooperative owners, with limited independent representation, but this does not result in incremental governance risks because of Germany's developed institutional framework.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Support and structural considerations

Affiliate support

Based on Muenchener Hyp's key service function as a centre of competence for residential real estate and also given it is majority-owned by the sector's primary banks, the bank is highly likely to receive support in case of need. This support significantly reduces the probability of default because the cooperative group's cross-sector support mechanism aims to stabilise its members by avoiding any form of loss participation by creditors or bail-ins. Cross-sector support provides four notches of uplift to the bank's debt and deposit ratings.

Government support considerations

Because of its size, on a consolidated basis, we consider G-Finanzgruppe systemically relevant and assume a moderate probability of support from the German government for all members of the group. This level of government support is in line with the support assumptions for other systemically relevant banking groups in Europe, and results in one notch of uplift for the senior debt and deposit ratings of the cooperative banks incorporated in Germany, including Muenchener Hyp.

Loss Given Failure analysis

Muenchener Hyp is domiciled in Germany and is subject to the EU Bank Recovery and Resolution Directive, which we consider an operational resolution regime (ORR). Thus, we apply our Advanced Loss Given Failure (LGF) analysis, using our standard assumptions.

Our LGF analysis indicates that Muenchener Hyp's deposits and senior unsecured debt are likely to face an extremely low loss given failure resulting in three notches above the bank's a3 Adjusted BCA.

Methodology and scorecard

The principal methodology used in rating Muenchener Hyp was Banks Methodology, published in November 2024.

About Moody's Bank Scorecard

Our scorecard is designed to capture, express and explain in summary form our Rating Committee's judgement. When read in conjunction with our research, a fulsome presentation of our judgement is expressed. As a result, the outcome of our scorecard may significantly differ from that suggested by raw data alone (though it has been calibrated to avoid the frequent need for strong divergence). The scorecard outcome and the individual scores are discussed in Rating Committees and may be adjusted up or down to reflect conditions specific to each rated entity.

Rating methodology and scorecard factors

Exhibit 13
Rating Factors

Macro Factors						
Weighted Macro Profile **Strong +**	**100%**					
Factor	**Historic Ratio**	**Initial Score**	**Expected Trend**	**Assigned Score**	**Key driver #1**	**Key driver #2**
Solvency						
Asset Risk						
Problem Loans / Gross Loans	1.7%	a1	↔	baa3	Sector concentration	Long-run loss performance
Capital						
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)	17.6%	aa2	↑↑	baa1	Nominal leverage	Expected trend
Profitability						
Net Income / Tangible Assets	0.2%	b1	↔	b1	Return on assets	Expected trend
Combined Solvency Score		a2		baa3		
Liquidity						
Funding Structure						
Market Funds / Tangible Banking Assets	57.3%	b3	↔	ba1	Market funding quality	Term structure
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	12.0%	ba1	↔	ba1	Asset encumbrance	Additional liquidity resources
Combined Liquidity Score		b1		ba1		
Financial Profile		baa2		baa3		
Qualitative Adjustments				Adjustment		
Business Diversification				-1		
Opacity and Complexity				0		
Corporate Behavior				0		
Total Qualitative Adjustments				-1		
Sovereign or Affiliate constraint				Aaa		
BCA Scorecard-indicated Outcome - Range				baa3 - ba2		
Assigned BCA				ba1		
Affiliate Support notching				-		
Adjusted BCA				a3		

Balance Sheet is not applicable.

Debt Class	De Jure waterfall		De Facto waterfall		Notching		LGF Notching Guidance vs. Adjusted BCA	Assigned LGF notching	Additional Notching	Preliminary Rating Assessment
	Instrument volume + subordination	Sub-ordination	Instrument volume + subordination	Sub-ordination	De Jure	De Facto				
Counterparty Risk Rating	-	-	-	-	-	-	-	3	0	aa3
Counterparty Risk Assessment	-	-	-	-	-	-	-	3	0	aa3 (cr)
Deposits	-	-	-	-	-	-	-	3	0	aa3
Senior unsecured bank debt	-	-	-	-	-	-	-	3	0	aa3
Junior senior unsecured bank debt	-	-	-	-	-	-	-	2	0	a1
Dated subordinated bank debt	-	-	-	-	-	-	-	-1	0	baa1
Non-cumulative bank preference shares	-	-	-	-	-	-	-	-1	-2	baa3

Instrument Class	Loss Given Failure notching	Additional notching	Preliminary Rating Assessment	Government Support notching	Local Currency Rating	Foreign Currency Rating
Counterparty Risk Rating	3	0	aa3	1	Aa2	Aa2
Counterparty Risk Assessment	3	0	aa3 (cr)	1	Aa2(cr)	
Deposits	3	0	aa3	1	Aa2	Aa2
Senior unsecured bank debt	3	0	aa3	1	Aa2	Aa2
Junior senior unsecured bank debt	2	0	a1	0	A1	A1
Dated subordinated bank debt	-1	0	baa1	0	Baa1	Baa1
Non-cumulative bank preference shares	-1	-2	baa3	0		Baa3 (hyb)

[1] Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.
Source: Moody's Ratings

Ratings

Exhibit 14

Category	Moody's Rating
MUENCHENER HYPOTHEKENBANK EG	
Outlook	Stable
Counterparty Risk Rating	Aa2/P-1
Bank Deposits	Aa2/P-1
Baseline Credit Assessment	ba1
Adjusted Baseline Credit Assessment	a3
Counterparty Risk Assessment	Aa2(cr)/P-1(cr)
Issuer Rating	Aa2
Senior Unsecured	Aa2
Junior Senior Unsecured	A1
Junior Senior Unsecured MTN	(P)A1
Subordinate	Baa1
Pref. Stock Non-cumulative	Baa3 (hyb)
Commercial Paper -Dom Curr	P-1
Other Short Term -Dom Curr	(P)P-1

Source: Moody's Ratings

REPORT NUMBER 1448661

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