

Press Release

MünchenerHyp significantly expands its new property finance business

- New business increases by 12 percent to € 5.6 billion
- Net interest income and net commission income figure rises by about 14 percent to € 207.6 million
- Mortgage portfolio grows by 9 percent to € 32.0 billion
- Net income for the year climbs 5 percent to € 48.7 million

Munich, 8 April 2019 – Münchener Hypothekenbank eG (MünchenerHyp) achieved record results in its new property financing business in its 2018 business year as the volume of new mortgage loan commitments made to finance property climbed by 12 percent to € 5.6 billion. The Bank's good new business performance allowed it to additionally strengthen its earning power and further expand its mortgage portfolio. This is reflected by the 14 percent increase noted for the net interest income and net commission income figure, which rose to € 207.6 million. The Bank's mortgage portfolio exceeded the mark of € 30 billion for the first time rising to € 32.0 billion.

Commercial property financing business expands – successful launch of new product Family Loan

The Bank's increased new business results were primarily driven by its commercial property financing area of business where the volume of new loan commitments surged by 34 percent to about € 2.5 billion. The international business segment, in particular, grew very dynamically to € 1.2 billion, or almost twice the amount recorded in the previous year. MünchenerHyp retained the previous years' high level in its private residential property financing business in Germany and was able to grow the volume of new lending commitments made by 2 percent to about € 2.9 billion. New business recorded in collaboration with Swiss PostFinance declined by 24 percent to € 282 million.

MünchenerHyp launched a new loan product during its 2018 business year: the MünchenerHyp Familiendarlehen (Family Loan), which is specially aimed at middle-income families. Together



with the MünchenerHyp Green Loan, this means that in the meantime one out of eight loans made by the Bank to private customers is a sustainable loan.

“We are very satisfied with the development of our new business. We were able to assert our position in an extremely challenging market environment and notably build upon last year’s results. At the same time, our commercial property finance area of business was able to win deals to finance distinctive and prominent office buildings”, summarised Dr Louis Hagen, Chairman of MünchenerHyp’s Board of Management.

Earning power strengthened

MünchenerHyp’s earning power further improved in 2018 as net interest income rose by 9 percent to € 280.1 million and commission expenses were again at their previous year’s level. Rising commission income led to a 14 percent increase in the Bank’s net interest income and net commission income figure which increased to € 207.6 million. Provisions made for lending risks remained at a very low level reflecting the Bank’s retention of its conservative approach to lending in its new business. Results from normal business operations totalled € 76.0 million. After tax expenses of € 27.3 million, net income for the year was to € 48.7 million.

New term deposit product GenoFestgeld – successful Pfandbrief issues

MünchenerHyp brought its first term deposit product to market in 2018. GenoFestgeld is sold exclusively by MünchenerHyp’s partner banks within the Cooperative Financial Network and has a term of one year. Customers can invest amounts between € 10,000 and € 100,000 on a monthly basis and earn interest at effective rate of interest on the date of deposit.

“GenoFestgeld has enabled us to successfully diversify our refinancing spectrum and at the same time expand the number of banks we do business with in the Cooperative Financial Network”, said Dr Louis Hagen.

MünchenerHyp’s first sustainable, ecological Pfandbrief (ESG Pfandbrief) stands out from the Pfandbriefe issued by the Bank last year. The sustainable Mortgage Pfandbrief was issued in a benchmark format of € 500 million, with a term of five years and one month, and carries a coupon of 0.250 percent. This issue met with very high demand and was primarily bought by investors specialised in green and sustainable investments. MünchenerHyp also placed an additional benchmark issue: a Mortgage Pfandbrief that also had a volume of € 500 million. The issue had a term of nine years and four months as well as a coupon of 0.625 percent. The Swiss franc was the main currency for the Bank’s foreign currency denominated issues with a total volume of CHF 1.1 billion. “This is impressive proof that MünchenerHyp also has earned a good reputation as an issuer outside of Germany”, said Dr Louis Hagen.



Mortgage portfolio at record level – equity capitalisation remains sound

Total assets rose by € 1.5 billion to € 40.4 billion on 31 December 2018, while the Bank's portfolio of mortgage loans increased by € 2.7 billion to about € 32.0 billion. The largest portion of the increase stemmed from € 1.1 billion in private residential property financing in Germany. The portfolio of loans to public sector borrowers and banks declined in accordance with MünchenerHyp's business and risk strategy to € 4.5 billion (previous year € 5.7 billion).

MünchenerHyp's members' paid-up capital increased by € 27.7 million to € 1,032.6 million. At the end of 2018 MünchenerHyp's Common Equity Tier 1 ratio was 21.7 percent (previous year 23.8 percent), the Tier 1 capital ratio was also 21.7 percent (previous year 23.8 percent) on the same date, while the total capital ratio was 22.9 percent (previous year 25.2 percent). The leverage ratio remained unchanged at 3.4 percent at the end of 2018.

Outlook: Strengthen market position

The Bank expects to face increasing competitive challenges in the current business year, as well as higher refinancing costs due to the phasing out of the ECB's asset purchase programme, and additional burdens posed by regulatory requirements. "For these reasons we are primarily aiming to strengthen our position in the market. Furthermore, we also want to use the opportunities offered by digitalisation even more greatly for the benefit our customers and partners. We also plan to further intensify our efforts to develop our markets", said Dr Louis Hagen.

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Business development*	2018 € million	2017 € million	Change %
Lending business	5,647	5,079	11
- Mortgage loans	5,640	5,054	12
- Loans to public sector and banks	7	25	-72
Refinancing funds obtained	4,258	5,573	-24

Balance sheet*

Total assets	40,391	38,905	4
Mortgage loans	31,956	29,227	9
Loans to public sector and banks	4,540	5,736	-21
Pfandbriefe and other promissory notes	34,704	34,087	2
Equity capital	1,442	1,391	4

Income statement*

Net interest income and net commission income	208	182	14
Administrative expenses	114	100	14
Results from operations before deducting provisions for risks	88	79	12
Results from ordinary business activities	76	85	-11
Transfer to the Fund for General Banking Risks	0	-5	-100
Net income	49	46	5

Employees

	Number	Number	
Average number of employees per year	550	509	8
Apprenticed trainees	12	11	9

*Amounts have been rounded.