

Münchener Hypothekbank

Issuer View • 29 August 2023

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Ratings

Münchener

Hypothekbank eG

	Rating	Ausblick
Fitch*	AA-	Stable
Moody's	Aa3	Stable
S&P*	A+	Stable

* Verbundrating

Homepage

www.muenchenerhyp.de

Münchener Hypothekbank eG (MünchenerHyp) is a bank that specialises in financing residential and commercial real estate. It is also part of the cooperative FinanzGruppe, which consists of over 730 banks and other affiliated companies. MünchenerHyp is therefore a member of the deposit protection system and the voluntary institutional protection system. A total of 70.3% of the shareholders in MünchenerHyp are primary banks, followed by private individuals (25.9%) and other FinanzGruppe companies (3.9%). As at FY 2022, the bank employs approximately 630 staff at 12 locations in Germany and has around 60,000 members. Mortgage loans for residential and commercial properties as well as the issuance of mortgage Pfandbriefe constitute the core business areas. A total of 80% of the mortgage portfolio is attributable to Germany (H1/2023), with foreign business accounting for a share of 20%. This includes Switzerland with 11% and other countries with 9%. Within Germany, the majority of the mortgage portfolio is attributable to the following federal states: Bavaria, Baden-Württemberg, Hesse and North Rhine-Westphalia. At the end of 2022, the Bank signed an agreement to acquire M.M.Warburg & CO Hypothekbank AG, which was merged into Münchener Hyp in the first half of 2023. The bank also sources funding via the money markets and customer deposits. MünchenerHyp offers its customers green loans for energy efficient residential and commercial properties. Based on its Green Bond Framework, MünchenerHyp is a regular issuer of green bonds in various asset classes.

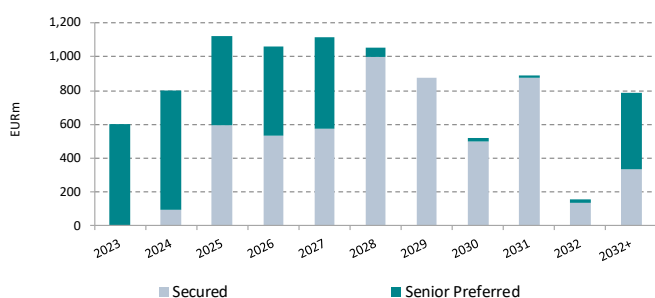
Balance Sheet

(EURm)	2021Y	2022Y	2023H1
Net Loans to Customers	43,046	45,436	47,031
Total Securities	6,861	4,968	3,929
Total Deposits	14,867	15,646	17,342
Tier 1 Common Capital	1,626	1,690	1,738
Total Assets	52,538	52,406	53,209
Total Risk-weighted Assets	7,975	8,916	9,820

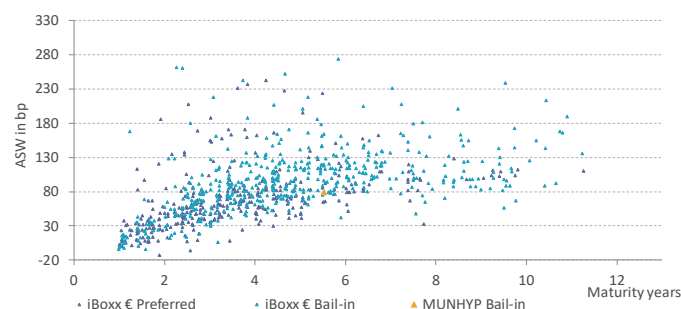
Income Statement

(EURm)	2021Y	2022Y	2023H1
Net Interest Income	403	432	241
Net Fee & Commission Inc.	-130	-110	-33
Net Trading Income	-	-	-
Operating Expense	139	151	86
Credit Commit. Impairment	27	45	50
Pre-tax Profit	113	132	94

Redemption Profile



Senior Unsecured Bonds (EUR BMK)



Company Ratios

	2021Y	2022Y	2023H1	2021Y	2022Y	2023H1	
Net Interest Margin	0.80	0.83	0.92	Liquidity Coverage Ratio	349.00	399.33	-
ROAE	3.49	3.89	5.90	IFRS Tier 1 Leverage Ratio	-	-	-
Cost-to-Income	50.51	46.79	40.77	NPL/ Loans at Amortised Cost	0.52	0.50	-
Core Tier 1 Ratio	20.39	18.96	17.70	Reserves/Loans at Amort. Cost	0.13	0.22	-

As of: 29.08.2023; Source: Bloomberg, S&P Global Market Intelligence, NORD/LB Markets Strategy & Floor Research

Strengths / Opportunities

- Capitalisation
- Loan quality
- Likelihood of support from FinanzGruppe

Risks / Weaknesses

- Cyclical nature of commercial property markets
- Profitability
- Dependency on wholesale funding

Covered Bonds

Author: Melanie Kiene, CIAA

Fourth-largest EUR benchmark covered bond issuer in Germany

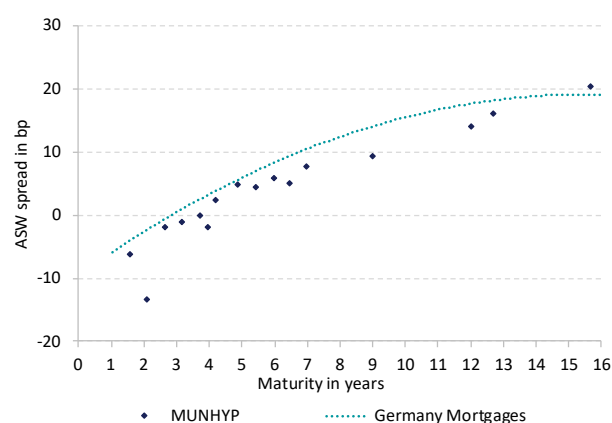
As at the reporting date of 30 June 2023, MünchenerHyp had an outstanding mortgage Pfandbrief volume of EUR 33.46 billion. These were offset by cover assets of EUR 36.47bn, resulting in an excess cover ratio of 9.01%. This is clearly above the statutory minimum requirement. MünchenerHyp is represented in the August composition of the iBoxx EUR Covered benchmark index with a total of 18 issues, which amount to a total volume of EUR 13.93bn. In 2023, MünchenerHyp has already been active in the primary market for EUR benchmarks three times (January: EUR 1.0bn, 2.7y, ms -9bp; April: EUR 750m, 6.3y, ms +6bp and June: EUR 500m [green], 7.2y, ms +8bp). The Issuer's Green Pfandbriefe comply with the ICMA's Green Bond Principles and the vdp's Green Pfandbrief regulations.

Programme data

30 June 2023		Mortgage
Covered bonds outstanding		EUR 33,460m
Cover pool volume		EUR 36,474m
Current OC (nominal / legal)		9.01% / 2.0%
Type		78.1% Residential
Main country		80.4% Germany
Number of loans		199,771 (Residential) / 3,204 (CRE)
Average loan size		EUR 142,500 (Residential) / EUR 2,210,100 (CRE)
Cover Assets / Bonds- Currency		85.7% EUR / 86.9% EUR
NPL		0.2%
Fixed interest (Cover Pool / CBs)		96.0% / 97.0%
WAL (Cover Pool / CBs)		8.4y / 8.7y
CB Rating (Fitch / Moody's / S&P)		- / Aaa / -

Source: issuer, rating agencies, Bloomberg, NORD/LB Markets Strategy & Floor Research

Spread overview (BMK) – Germany



MünchenerHyp's cover pool with majority residential primary cover

As at 30 June 2023, 97.5% of MünchenerHyp's mortgage cover pool is made up of primary cover, 80.1% of which is residential and 19.9% of which is commercial. EUR 5.3bn (14.8%) of the primary cover is multi-family financing. The commercial cover pool share is determined to 65.5% by assets in the office segment and to 30.7% in the retail segment. Geographically, 80.4% of the real estate financing is located in Germany (85.7% in the EU), followed by Switzerland with 11.8% and the USA with 1.9%. The refinancing structure is almost identical: 86.9% of the covered bonds are denominated in EUR, 10.6% in CHF and 1.2% in USD. The maturities of the cover assets (0-5y: 42.3%; 5-10y: 29.2%; 10y+: 28.5%) are similarly congruent. 43.1% of the covered bonds have a remaining maturity of 0-5y, 25.7% of 5-10y and 31.2% of ten years and longer as of the reporting date. The granularity of the cover pool is reflected by the low share of the ten largest exposures in the cover assets (1.8%) as well as the number of mortgage loans (202,975 to 178,403 borrowers).

Rating and regulatory

Münchener Hypothekenbank's mortgage Pfandbriefe are rated Aaa by the rating agency Moody's and also benefit from a preferred risk weighting of 10% in accordance with CRR. In our opinion, the respective EUR benchmarks can be used as Level 1 assets within the scope of LCR management. MünchenerHyp's covered bonds are also eligible for purchase in the context of the PEPP and are suitable as collateral in the context of the ECB Collateral Framework.

Appendix

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