

Author: Henning Walten, CIAA

Ratings

	Rating	Outlook
Fitch	AA-	Negative
Moody's	Aa3	Negative
S&P	-	-

Homepage

www.muenchenerhyp.de

Münchener Hypothekbank eG (MünchenerHyp), founded in 1896, is one of the few mortgage banks that operates in the legal form of a registered cooperative (approximately 66,000 members per FY/2019). It has a broad ownership structure and is a member of the cooperative FinanzGruppe, one of the largest banking groups in Germany. As an independent real estate bank, the institution focuses on long-term real estate financing. Its core business areas include the financing of residential and commercial real estate (loan portfolio per FY/2019: 81.2% private; 18.8% commercial). As of June 30, 2020, the institution had around 210,000 individual loans with a volume of EUR 37.1 billion. Germany accounted for around 79 % of the loans, followed by Switzerland with 12.9 %. MünchenerHyp's main source of refinancing is Mortgage Pfandbriefe. For refinancing, the bank can draw on unsecured funding within the Cooperative Financial Group. The bank benefits from the security system of the Federal Association of German Volks- and Raiffeisenbanken (deposit/institution protection). MünchenerHyp is classified as a significant credit institution and is subject to direct supervision by the ECB. The asset quality is very good, as also shown by the low NPL ratio of 0.48 % (FY/2019). The hard core capital ratio was 18.57 % as of the second quarter of 2020, clearly exceeding the SREP requirement (8.52 %). The liquidity ratios LCR (220 %) and NSFR (102.5 %) also met the regulatory minimum requirement as of June 30, 2020, as did the leverage ratio (3.4 %).

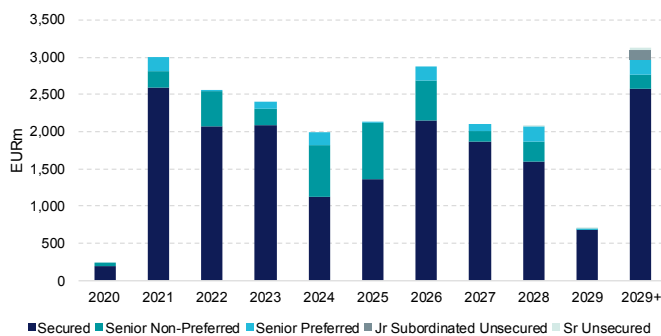
Balance Sheet

(EURm)	2017FY	2018FY	2019FY
Net Loans to Customers	32,441	34,285	37,627
Total Securities	3,437	3,613	2,793
Total Deposits	14,428	15,238	15,725
Tier 1 Common Capital	1,316	1,370	1,407
Total Assets	38,905	40,391	42,872
Total Risk-weighted Assets	5,524	6,301	7,115

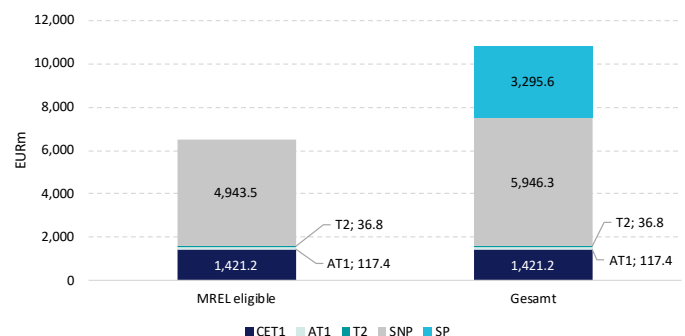
Income Statement

(EURm)	2017FY	2018FY	2019FY
Net Interest Income	256	280	300
Net Fee & Commission Inc.	-75	-73	-95
Net Trading Income	-	-	-
Operating Expense	105	122	137
Credit Commit. Impairment	-1	13	-5
Pre-tax Profit	80	76	74

Redemption Profile



Structur of liabilities as of 30/06/2020



Company Ratios

	2017FY	2018FY	2019FY		2017FY	2018FY	2019FY
Net Interest Margin	0.67	0.71	0.73	Liquidity Coverage Ratio	285.70	765.50	480.40
ROAE	3.41	3.48	2.47	IFRS Tier 1 Leverage Ratio	-	-	-
Cost-to-Income	57.28	57.96	66.60	NPL/ Loans at Amortised Cost	0.44	0.34	-
Core Tier 1 Ratio	23.82	21.74	19.77	Reserves/Loans at Amort. Cost	0.18	0.16	0.09

Source: Bloomberg, S&P Global Market Intelligence, NORD/LB Markets Strategy & Floor Research; as of: 26.10.2020

Strengths / Opportunities

- Exceptional capitalisation
- Outstanding credit quality in the domestic market
- High likelihood of support from FinanzGruppe

Risks / Weaknesses

- Cyclical nature of commercial property markets
- Relatively high leverage
- Dependency on wholesale funding

Covered Bonds

Author: Henning Walten, CIIA

Programs for mortgage and public-sector Pfandbriefe

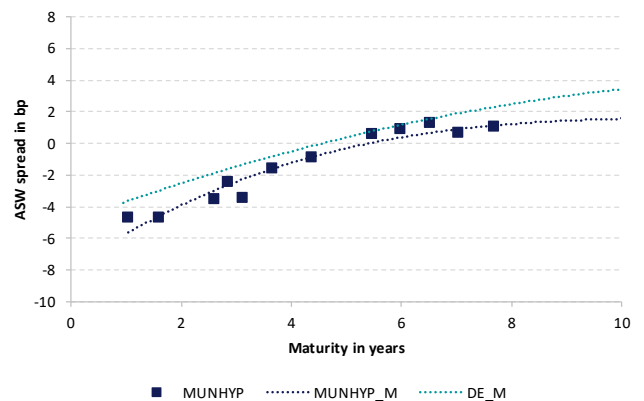
Münchener Hypothekbank has both a program for issuing mortgage bonds and a corresponding program for placing public-sector bonds. With a cover pool volume of EUR 29.8bn, the mortgage cover pool dominates. As of September 30, 2020, Pfandbriefe with a volume of EUR 29.0bn were outstanding under this cover pool, resulting in overcollateralization of 2.7%. By contrast, the volume of the cover pool for public sector Pfandbriefe amounted to only around EUR 2.1bn as of the same date. This compares with public sector Pfandbriefe in the amount of EUR 1.98bn, resulting in an overcollateralization ratio of 4.2%. Münchener Hypothekbank is represented in the iBoxx EUR Covered in its October composition with 14 mortgage Pfandbriefe with a total volume of EUR 9.63bn.

Programme data

30 September 2020	Public Sector	Mortgage
Covered bonds outstanding	EUR 1.975bn	EUR 29.034bn
Cover pool volume	EUR 2.058bn	EUR 29.803bn
Current OC (nominal / legal)	4.2% / 2.0%	2.7% / 2.0%
Type	78.7% Regional authorities	82.3% Residential
Main countries	92.5% Germany 7.5% Austria	79.9% Germany 12.6% Switzerland 1.8% US
Largest maturity bucket (Pool)	>10y (66.9%)	5y < x ≤ 10y (30.2%)
Largest maturity bucket (Bonds)	>10y (51.3%)	>10y (37.5%)
Largest amount bucket (Pool)	>EUR 100m (70.7%)	≤EUR 0.3m (60.8%)
Fixed interest (Pool / Bonds)	93% / 91%	96% / 87%
CB Rating (Fitch / Moody's / S&P)	- / - / -	- / Aaa / -

Source: Issuer, Rating agencies, Bloomberg, NORD/LB Markets Strategy & Floor Research

Spread overview – Germany



High proportion of German cover assets

The mortgage cover pool is characterized by a residential character. A total of 82.3% of the primary cover is accounted for by residential assets, 62.6% of which in turn is accounted for by single and two-family homes. A further 23.4% is also attributable to the category of multi-family houses. Of the 17.7% commercial assets, office buildings account for the largest share (66.2%). Geographically, the cover pool is concentrated in Germany with 79.9%. A further 12.6% is also located in Switzerland. At 36.3%, the share of foreign commercial assets is significantly higher than that of residential cover assets (16.6%). With a share of 60.8% in the lowest size category (≤EUR 300,000) in terms of the amount of receivables, the cover pool also includes a large number of low-volume loans.

Rating and regulatory treatment

While the Mortgage Pfandbrief program is rated Aaa by the rating agency Moody's, the program for issuing public-sector Pfandbriefe has no rating. In our opinion, the EUR benchmark transactions in the institution's Mortgage Pfandbrief format are therefore suitable as Level 1 assets in the context of LCR management and benefit from a preferred risk weighting of 10% in accordance with the CRR. Münchener Hypothekbank's Pfandbriefe are also eligible for CBPP3, PEPP and ECB repo transactions.

Appendix

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Time of going to press and last update of all market data: Monday, 26 October 2020 (16:27h)