

**DR. LOUIS HAGEN**  
Chairman of the Board  
of Management

**DR. HOLGER HORN**  
Member of the Board  
of Management



# Letter from the Board of Management

*Dear Shareholders and Business Associates,*

2020 was marked by two crises triggered by the COVID-19 pandemic: an international health emergency and a global economic crisis. In particular, the measures taken to combat the pandemic had a huge impact on society and business, and thus also to some extent on MünchenerHyp.

When the first lockdown was imposed back in March 2020, we focused our efforts on two goals: first of all, protecting the health of our employees and second, maintaining business operations that were as close to normal as possible despite all of the restrictions required to contain the virus.

To this end, we put extensive measures in place to ensure the safety of our employees, adapted our business plans and lending criteria to reflect the situation caused by the pandemic and took flexible action in response to ever-changing challenges. Thanks to these measures, overall we got through well through the COVID-19 pandemic in financial year 2020. So far, only a handful of our colleagues have contracted COVID-19 – all of them were infected outside the Bank and have since recovered. Business-wise, 2020 was a satisfactory year despite all of the adversities we faced.

## Strong new business – further growth in residential property financing

With new mortgage business of EUR 6.4 billion, we only just fell short, by around EUR 100 million, of the record result achieved in the previous year.

New private residential property financing business rose by 8 percent to over EUR 4 billion. On the one hand, this development was thanks to a very stable German residential property market, which is still considered a safe haven during the crisis, especially among professional investors. On the other, the sustained low interest rates bolstered demand for residential properties. New business brokered by banks in the Cooperative Financial Network rose by 10 percent to EUR 3.1 billion. We are also satisfied with the development of new business in our partnerships with independent financial service providers and PostFinance in Switzerland.

By contrast, the economic consequences of the COVID-19 pandemic left their mark on the commercial property financing business. New business fell by 14 percent to EUR 2.4 billion. This is slightly less pronounced than the drop in transaction volume on the German commercial property market, but also

shows that we were not able to escape the overall developments unscathed. Nevertheless, we consider this to be a positive result, as we were able to exceed our new business target, which had been adjusted to reflect the economic uncertainty.

All in all, we were able to expand our mortgage portfolios again. Thanks to the encouraging level of new business, they grew by 8 percent to EUR 38.4 billion.

## Risk situation remains moderate

Our mortgage portfolios have remained largely untouched so far by the economic implications of the COVID-19 pandemic. Very few of our customers have made use of the statutory moratorium on debt repayments for private individuals. The same applies to the voluntary amortisation moratorium for commercial property financing developed by the Association of German Pfandbrief Banks (vdp). Those segments of the commercial property market that have been hit particularly hard, such as hotels, only account for a very small share of our overall portfolio. We have analysed our entire portfolio of commercial property financing without identifying any significant risks from today's perspective.

## Higher earnings – dividend for financial year 2020

Net interest income improved by 16 percent to EUR 347.8 million, allowing us to continue the successful performance seen over the last few years. This means that net interest income has trebled within the last ten years, largely due to the steady increase in new business. In line with the successful brokered new business, commission paid rose again in the year under review, although this was more than offset by the stronger growth in net interest income. As a result, net interest and commission income increased by 16.5 percent to EUR 238.3 million. We were able to reduce administrative expenses by 2 percent to EUR 128.4 million despite a renewed increase in regulatory costs and levies. This results in income from ordinary business activities of EUR 95.3 million, up by 29 percent year-on-year.

With a Common Equity Tier 1 ratio of 20.6 percent, the Bank continues to have good capital resources. It is very encouraging to see that members' capital contributions grew by EUR 80.6 million and totalled EUR 1,153.1 million at the end of the year. This valuable vote of confidence by our members is to be appreciated all the more given that we were unfortunately not allowed to pay a dividend for the 2019 financial year in the year under review in line with ECB stipulations.

The 2020 Delegates Meeting therefore decided to carry forward the retained earnings for 2019 of approximately EUR 24 million to the 2020 financial year. This year, the ECB is now allowing limited dividend payments to be made for the 2020 financial year. At MünchenerHyp, the limit has been calculated at 1.25 percent per share. The Supervisory Board and the Board of Management have proposed a corresponding resolution regarding the appropriation of distributable income to the Delegates Meeting.

## Pfandbrief proves its value yet again during the crisis

The Pfandbrief once again proved itself to be a crisis-proof funding instrument in the environment created by the pandemic. Although the issue volume on the primary market fell significantly and investors also adopted a more cautious stance, we were still able to raise funding at good conditions throughout the year. Demand was exceptionally strong for our two issues of benchmark Mortgage Pfandbriefe with a volume of EUR 500 million each and long maturities of 15 and 20 years. This allowed us to ensure that long loan terms in private residential property financing could be refinanced with matching maturities. On the Swiss capital market, we were very successful in issuing several large-volume uncovered bonds.

## Success through solidarity

The business success stories written in the reporting year are based to an even greater degree than usual on cooperation with our partners, customers and investors based on trust. In the face of the stresses resulting from the COVID-19 pandemic, our members showed considerable solidarity, in line with the very spirit of the cooperative banking system, and helped MünchenerHyp to stay on track. We would like to thank our employees for the tremendous commitment and high degree of flexibility they have shown despite the pressures and concerns facing them outside of work. This allowed us to maintain business operations that were as close to normal as possible, even under stringent lockdown conditions.

Looking ahead to the 2021 financial year, we have set ourselves the objective of expanding our new business to the extent that the pandemic allows. We will also continue to focus on boosting the efficiency and customer centricity of our processes in order to increase both the Bank's profitability and levels of satisfaction among our business partners and customers.

Yours sincerely,



**Dr. Louis Hagen**  
Chairman of the Board  
of Management



**Dr. Holger Horn**  
Member of the Board  
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