Factsheet

IFRS Group Result 2020
April 1, 2021

About us

Hamburg Commercial Bank is a private commercial bank that resolutely looks at things from the perspective of its mostly medium-sized corporate clients. Its specialists are experienced and pragmatic while being courteous and dealing with you at eye level. For our Bank, an attentive relationship with the client is a much-prized value in itself, and it provides our clients with efficient solutions to complex challenges. The roots of our Bank are in the north; the institution is also represented in the German metropolitan regions and in select markets of Europe.

Key credit strengths

- Robust and resilient capitalization, well above regulatory requirements and peers
- Substantially de-risked and simplified asset portfolio underpinned by legacy disposals and conservative new business with prudent risk appetite and improving diversification, amid macroeconomic uncertainty
- Strong coverage of credit risks
- Progress towards diversifying the funding base, extending the maturity profile & maintaining substantial liquidity buffer
- Demonstrated expertise of owners drives best practices

Ownership Structure

Several funds initiated by **Cerberus Capital Management, L.P.**			One fund advised by **J.C. Flowers & Co. LLC**	One fund initiated by **GoldenTree Asset Management LP**	**Centaurus Capital LP**	**BAWAG P.S.K.** *Bank für Arbeit und Wirtschaft und Österreichische Postsparkasse Aktiengesellschaft*	**HCOB** Current and former Management Board Members *(who are or were in office from November 2018)*
Promontoria Holding 221 B.V. 9,88%	Promontoria Holding 231 B.V. 13,88%	Promontoria Holding 233 B.V. 18,72%	JCF IV Neptun Holdings S.à r.l.	GoldenTree Asset Management Lux S.à r.l.	Chi Centauri LLC		
42,48%			**34,98%**	**12,49%**	**7,5%**	**2,5%**	**0,05%**

Business Segments

Real Estate

- Structuring competence for tailor-made financing
- Risk-conscious business orientation regarding the development of domestic real estate market
- New business under consideration of appropriate risk/return requirements
- Selective expansion of international business in neighbouring European countries

Total assets: € 9.5bn

GNB[1]: € 0.8bn

Shipping

- Strategic partner based on long-term expertise
- New business under strict margin and risk conditions
- Focus on diversification of portfolio through domestic and international counterparties with good credit ratings to generate sustainably viable business

Total assets: € 3.3bn

GNB[1]: € 0.9bn

Corporate & Structured Finance

- Integrated Corporate Finance/Advisory Solutions for German MidCap companies combined with high competence in Working Capital/Factoring and Cash & Trade
- Project Finance – Renewable Energy & Infrastructure: Exploit potential in domestic and European markets, selectively non-European markets, generally under high standards of sustainability

Total assets: € 9.4bn

GNB[1]: € 0.6bn

Diversified Lending & Markets

- Newly established for international Corporates business as well as for "Special Solutions" in form of opportunistic business in Europe and the United States
- Capital Markets: Strategic investments
- Treasury Operation: Steering liquidity and market price risks, funding activities

Total assets: € 10.7bn

GNB[1]: € 0.6bn

1) Gross New Business

Hamburg Commercial Bank

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Highlights 2020[1]

- Core Income[2] increased by +19% to € 560mn due to lower funding costs and pricing discipline
- NIM[3] strongly improved from 75bp to 117bp, above German market level, evolving to EU levels
- CIR[4] improved from 69% to 42%, due to € 48mn lower costs and one-off effects
- LLP of net € -188mn (PY: € 11mn net releases), conservative provisioning to be prepared for potential additional Covid-19 challenges
- PBT of € 257mn driven by expanding NIM, lower costs and supported by net positive one-offs, more than offsetting higher LLPs
- Total Assets reduced by 29% (€ 13.9bn) to € 33.8bn as part of the de-risking strategy and repositioning of the B/S
- NPE ratio kept stable at 1.8%, despite Covid-19 situation and significantly lower B/S
- CET1 ratio[5] improved significantly from 18.6% to 27.0%, driven by € 5.5bn lower RWA from de-risking and lower new business
- Transformation well advanced and delivering on cost savings, improving balance sheet efficiency, building capital, and increasing recurring profitability
- Well-positioned for **BdB entry** and accompanying successful completion of the transformation
- Moody's Issuer Credit Rating (Long-Term) improved to Baa2 positive outlook

Transformation – Development and Outlook 2022 of Key Financials

(Figures in €)		2020	2022	
Increase Profitability & Returns	**Core Income[2]** (mn)	560	>520	• Core income supported by NIM expansion to >150bp & improving asset mix with increased share of productive assets on smaller B/S • Benefits of cost restructuring realized in run rate • Strengthening recurring profitability…business model designed to cover cost of capital
	Net Income[4,6](mn)	102	>200	
	NIM[3] (bp)	117	>150	
	Return on Equity[4,7] (%)	4.0	>9.0	
Reduce Expenses	**OPEX[8]** (mn)	365	~240	• Sharp drop in expenses since start of transformation driven by employee restructuring (~60% workforce reduction), 40mn+ savings from IT transformation, and over 8mn savings from reduced facility footprint • Target CIR in line with best-in-class peers
	Headcount (FTEs)	1,122	~700	
	Cost-Income Ratio[4] (%)	42	40-45	
De-risk & Build Capital	**Total Assets** (bn)	33.8	~30	• Strict return thresholds…build/grow SVA positive asset classes…exit lower performing segments • RWA increase due to change in rating model landscape and selective new business, Basel 4 expected to be slightly favorable • Stable asset quality & resilient capital levels • Strong capital & recurring earnings support go-forward dividend capacity
	RWA (bn)	15.5	<19	
	NPE Ratio (%)	1.8	<2.0	
	CET1 Ratio[9] (%)	27.0	>20	

Rating

Ratings Overview[10]	Moody's	S&P
Deposit Rating	Baa2	–
Issuer Credit Rating (Long-Term)	Baa2 / positive	BBB / negative
Short-term Debt	P-2	A-2
Stand-alone Rating	ba2	bbb-
"Preferred" Senior Unsecured Debt	Baa2	–
"Non-Preferred" Senior Unsecured Debt	Baa3	–
Subordinated Debt (Tier 2)	Ba3	–
Mortgage Covered Bonds	Aa2	–
Ship Covered Bonds	A3	–

	2019	2020
ISS ESG	CCC	BB
Sustainalytics	28	14
imug	C-	C-

1) Comparative values refer to FY 2019 I 2) Core Income as part of total income I 3) Net Interest Margin: Core NII / avg. B/S I 4) Including one-off effects I 5) CET1 ratios same-period, PY not in-period of 18.5% I 6) After taxes I 7) RoE after taxes at 14% CET1 I 8) OPEX divided in 'Run-the-bank' (RTB) and 'Change-the-bank' (CTB) costs I 9) CET1 ratio same-period I 10) See also latest publications by the rating agencies on the Hamburg Commercial Bank's website: https://www.hcob-bank.de/en/investoren/rating/rating/