Hamburg Commercial Bank

Investor Presentation

IFRS Group Result as at 31 December 2020

and Update on Outlook 2021 & Objectives 2022

11th May 2021

Agenda

Note regarding the Update on Outlook 2021 and Objectives 2022

The transformation progress is of high importance for HCOB and its future positioning in the market.

Based on the recent developments, the progress of the transformation and the management accounts relating to the first quarter 2021[1], Hamburg Commercial Bank AG provides an update on the Outlook 2021 and the Objectives 2022 in section "4. Outlook 2021 and strategic positioning". All other financials / numbers included in this presentation reflect the results as at 31 December 2020 as published on 1 April 2021.

1) The Q1 2021 results will not be published. Next publication on financial results will be provided on the half year 2021 result, to be published in August 2021

Highlights 2020 – Increase in core earnings, excellent capital position and sound asset quality

Improving Earnings, Prudent Provisioning & Strict Cost Control

- ✓ **Core Income**[1] increased by +19% to € 560mn due to lower funding costs and pricing discipline
- ✓ **NIM**[2] strongly improved from 75bp to 117bp, above German market level, evolving to EU levels
- ✓ **CIR**[3] 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

Proactive De-Risking, Solid Credit Quality & Strong Capital

- ✓ **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**[4] improved significantly from 18.6% to 27.0%, driven by € 5.5bn lower **RWA** from de-risking and lower new business

Comprehensive Transformation

- ✓ **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

Comparative values refer to FY 2019
1) Core Income as part of total income, pls see also page 4
2) NIM: Core NII / avg. B/S
3) Including one-off effects
4) CET1 ratios same-period, PY not in-period of 18.5%

Overview P&L and B/S – Further improved KPIs

P&L overview (in € mn, IFRS)	2020	2019	Change in %
Core Net interest income	478	386	24
Core NCI and Core NTI	82	86	-5
Core revenues	**560**	**472**	**19**
Non-Core Income / Revenues	96	-9	>100
Total income	**656**	**463**	**42**
Loan loss provisions	-188	11	>100
Total income after LLP	468	474	-1
OPEX	-365	-413	-12
Other operating result	205	133	54
Regulatory expenses	-32	-51	-37
Profit before restructuring & transformation	**276**	**143**	**93**
Result from restructuring & transformation	-19	-66	71
Profit before taxes	**257**	**77**	**>100**
Income tax expenses	-155	-65	>100
Group net result	**102**	**12**	**>100**

Balance sheet (in € mn, IFRS)	2020	2019	Change in %
Total assets / liabilities	**33,815**	**47,712**	**-29**
Cash reserve	1,741	4,850	-64
Loans and advances to customers	22,478	30,708	-27
Loans and advances to banks	1,558	2,521	-38
Financial investments	5,459	6,100	-11
Liabilities to customers	13,104	23,966	-45
Liabilities to banks	7,478	5,066	48
Securitised liabilities	5,670	7,845	-28
Subordinated capital	940	1,349	-30
Equity	4,344	4,350	0

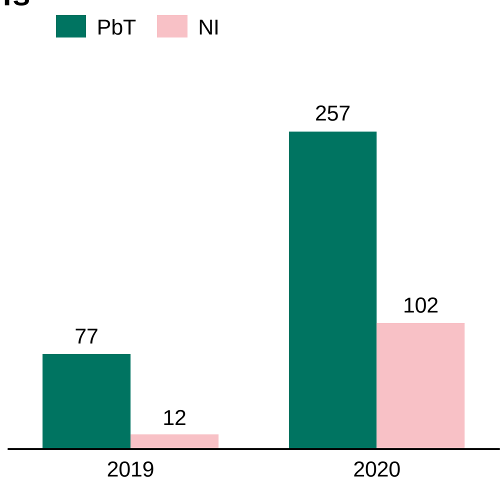
Key ratios / Financials	2020	2019	Change in %
RoE after taxes[1, 2]	4.0%	0.4%	3.6pts
NIM[3]	117bp	75bp	42bp
CIR[2]	42%	69%	-27pts
Risk Costs[4]	66bp	-3bp	>100
RWA	€ 15.5bn	€ 21.0bn	-26
CET1 Ratio[5]	27%	18.6%	8.4pts
NPE Ratio[6]	1.8%	1.8%	0

1) RoE after taxes at 14% CET1
2) Including one-off effects
3) NIM: Core NII / avg. B/S
4) Risk Costs: LLP/ avg. loans
5) CET1 ratios same-period, PY not in-period of 18.5%
6) 2019 figures including events after reporting date

Increased profitability accompanied by strongly improving NIM, already above German average

PBT / NI[1] & RoE[2]: Sound operating performance and one-offs[3]

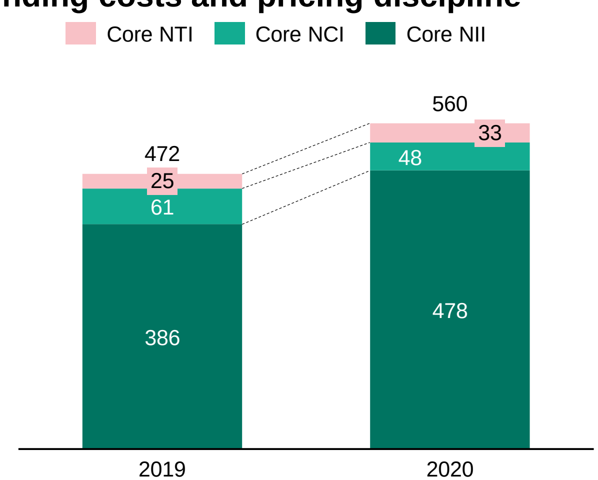
in € mn / %



RoE[2,3] (%)	2019	2020
	0.4	4.0

Core Income[4] & NIM[5]: Core NII and NIM driven by lower funding costs and pricing discipline

in € mn / bp



NIM[5] (bp)	2019	2020
	75	117

- PBT of 257mn € significantly higher yoy, as one-offs (incl. building sales) mitigate higher LLP and negative FVPL effects driven by volatile markets
- Core Income improved by 19%, due to strict pricing, improved asset allocation & B/S efficiency, as well as reduced funding costs
- Strong improvement in NIM of > 50% underlining profitability trend, increase of 42bp to above German market average of ~110 bp; within planning horizon, NIM is steadily increasing towards EU levels

Rounding differences possible
1) Profit before taxes, Net Income after taxes
2) RoE after taxes at 14% CET1
3) Including one-off effects
4) Core income as part of total income
5) NIM: Core NII / avg. B/S

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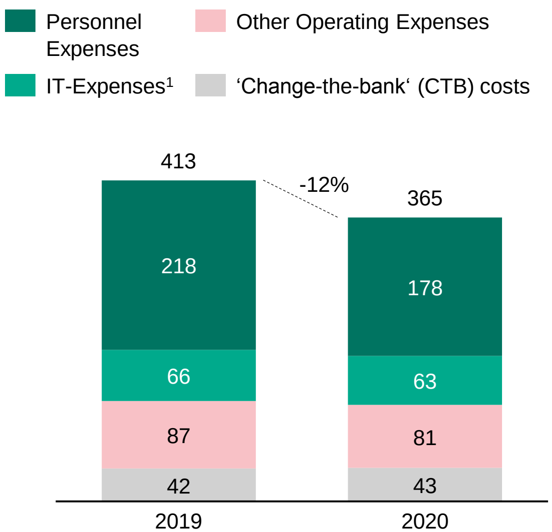
Sharp Cost Reduction – Improving operational efficiency while significantly investing in IT transformation

Efficient operating model is key to reach targeted profitability levels

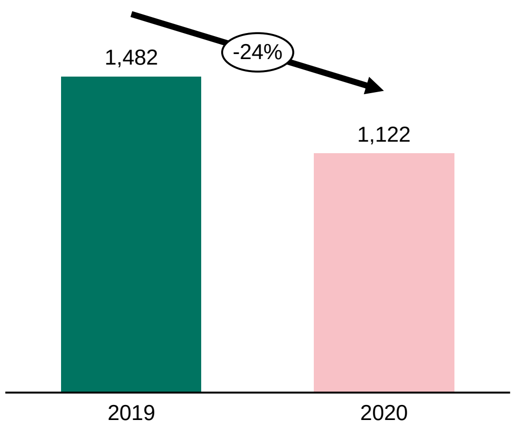
in € mn



CIR[2] (%)	69	42

Headcount: FTEs significantly reduced with advancing transformation

in FTE



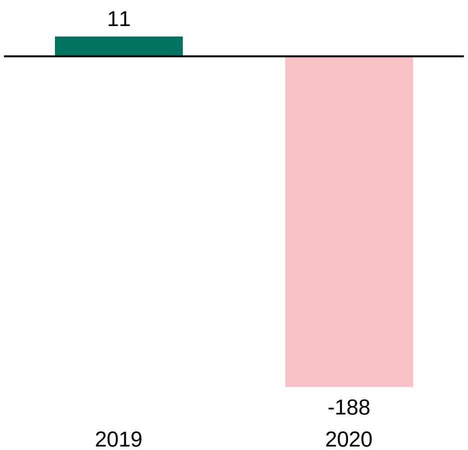
- Organizational restructuring has driven 2020 cost reductions, despite significant investments in IT transformation
- € 48mn OPEX (12% yoy) reduction while investing 43mn in CTB (primarily IT) showing strict cost control in crisis
- FTE reduced by 24% yoy, further reduced to 986 as of Jan 1, 2021. Restructuring fully provisioned in 2018/2019
- CIR decreased by 27% pts, benefitting from one-off gains in 2020

1) Total savings of € ~40mn from IT related expenses including CTB (Change-the-bank) and personnel expenses
2) Including one-off effects

Net Loan Loss Provisions – LLPs 2020 driven by conservative provisioning for Covid-19 crisis

Net Loan loss provisions

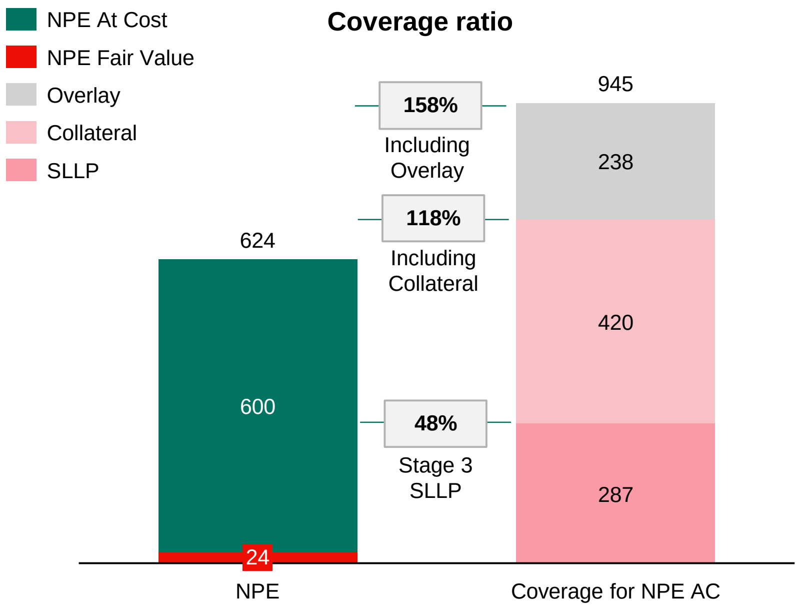
in € mn



Risk Costs[1] (bp)	-3	66

Portfolio is well covered by different layers of LLP and FV adjustments

in € mn



- Increase in LLP (€ -188mn), mitigated by partial utilization of management overlay of € 67mn (included in € -188mn LLP)
- Solid coverage: NPE Coverage ratio (At Cost) of 158% including Stage 3 LLP (48%), Collateral (+70%) & Overlay (+40%)
- Strong buffers provide risk shield & significant P&L cushion in case of more adverse Covid-19 effects; Potential portfolio risks are well covered by LLP amounting to 2.5% of total loan book

1) Risk Costs: LLP/ avg. loans

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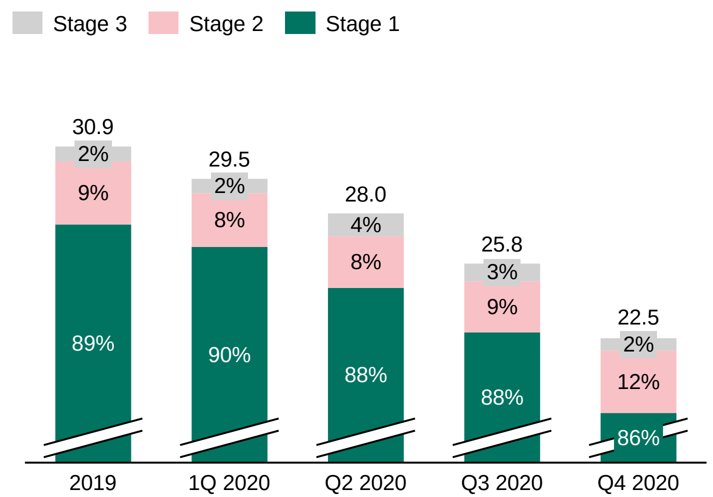
Limited stage migration – Reduction of NPE volume due to strict de-risking … NPE ratio kept stable

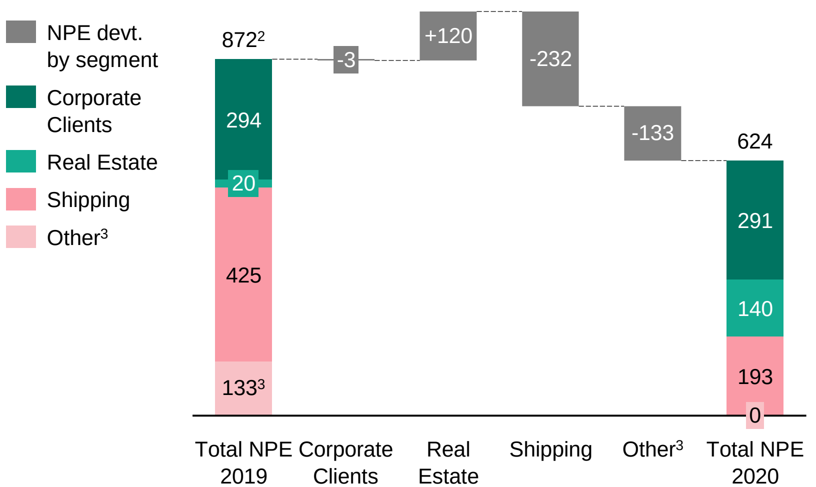
Development of IFRS 9 stage migration

Total loan portfolio (B/S), in € bn, share in %[1]



Development of NPE volume by client division, NPE ratio stable

in € mn, EaD



NPE Ratio[2] (%)	1.8	1.8

- Overall reduction of loan book from € 30.9bn (2019) to € 22.5bn is main driver for change in relative shares in IFRS 9 stage buckets
- Moderate migration between stages 1 and 2 in 2020, with absolute amount of stage 2 loans decreasing from € 2.8bn to € 2.7bn
- Decrease of stage 3 from € 649mn (2.1%) to € 545mn (2.4%) driven by de-risking actions
- Active de-risking: NPE volume in 2020 reduced from € 0.9bn to € 0.6bn, keeping NPE ratio stable at 1.8%; decrease of NPE volume driven by resolving large shipping legacy cases

1) Total loans and advances to customers and financial institutions categorized at cost (AC)
2) 2019 figures including events after reporting date
3) Shipping

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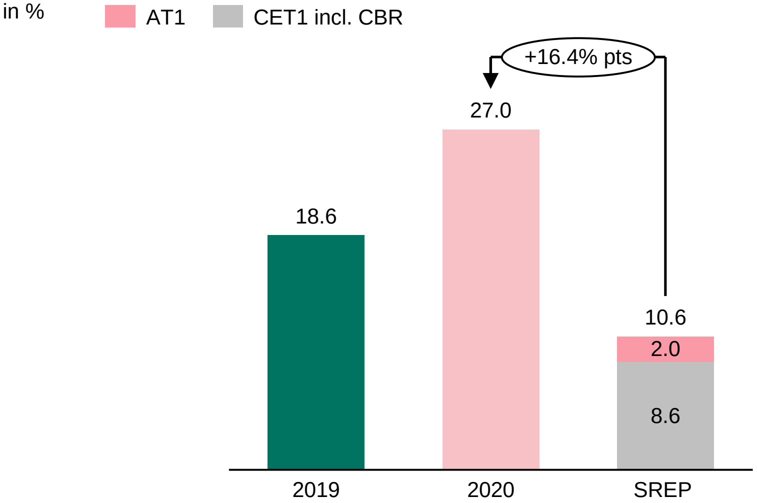
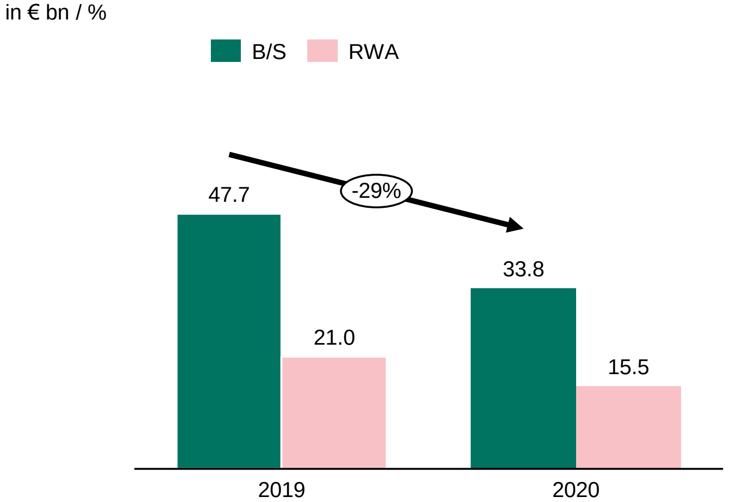
Continuing de-risking and further building of strong capital position

CET1/T1[1] & SREP requirements[2]



	2019	2020
CET1 Capital (€ bn)	3.9	4.2
Leverage Ratio (%)	8.2	12.2

B/S & RWA: De-risking to ensure asset quality



- CET1 ratio increased by 8.4% pts; Excellent capital position with capital surplus well above regulatory requirements, underlined by strong leverage ratio
- Proactive de-risking started in 2019, including selective new business & prolongations; RWA reduced by 5.5bn € (YoY: -26%) as moderate rating migrations are overcompensated by de-risking actions and reduced new business
- Successful implementation of NPE action plan kept NPE-ratio flat despite Covid-19 impact and smaller B/S

1) CET1/T1 ratios same-period, PY not in-period of 18.5%
2) Minor fluctuations due to change of counter-cyclical buffer possible; additionally Pillar 2 Guidance (P2G) of 1.0% generally applies

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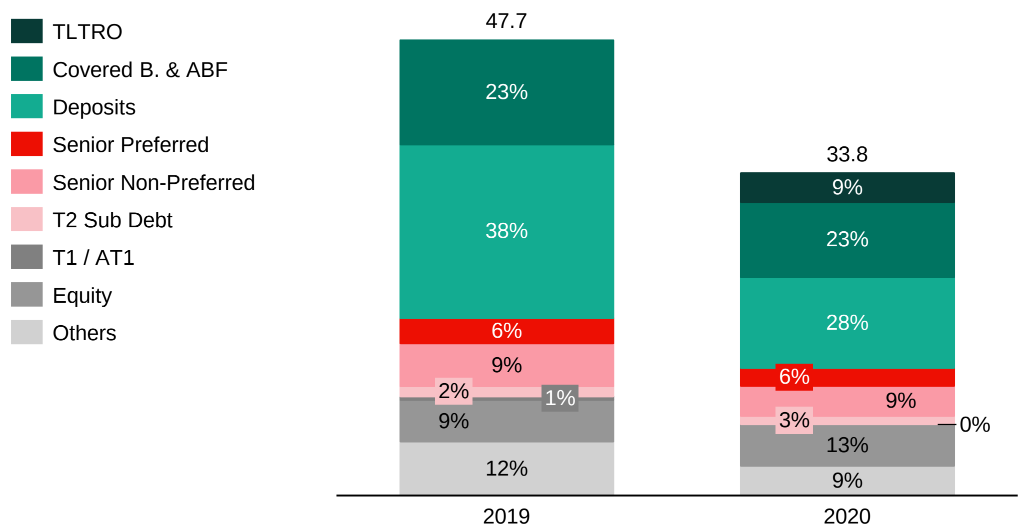
Improved Liability Structure – Solid liquidity position at reduced cost of funds

Liability structure by instruments & average costs of funds

in € bn



Average cost of funds (bp)	105	58

Liquidity

LCR 171%

NSFR 111%

- Lower funding costs increasingly becoming major driver for positive NII trajectory
- While high-priced legacy instruments have been driven by buy-backs (€ 1.8bn), new issuances with lower spreads have been issued…funding costs will further improve over time
- Cost of funds reduction is further supported by decline of interest rates and participation in TLTRO (€ 3bn)

Rating reflects strong capitalization, substantially de-risked asset portfolio and sufficient liquidity buffer

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

Upside Drivers

- Demonstrating underlying franchise strength, with steady improvement in risk-adjusted profitability
- Continued diversification by reducing concentration risks from cyclical assets
- Further maturity extension and diversified funding
- Admission to BdB's (Association of German Banks) Deposit Guarantee Fund (ESF)

Ratings Overview[1]	Moody's	S&P
Issuer Ratings		
Deposit Rating	Baa2	–
Issuer Credit Rating (Long-Term)	Baa2 / positive	BBB / negative
Short-term Debt	P-2	A-2
Stand-alone Rating	ba2	bbb-
Instrument Ratings (Unsecured Issuances)		
"Preferred" Senior Unsecured Debt	Baa2	–
"Non-Preferred" Senior Unsecured Debt	Baa3	–
Subordinated Debt (Tier 2)	Ba3	–
Instrument Ratings (Secured Issuances)		
Mortgage Covered Bonds	Aa2	–
Ship Covered Bonds	A3	–

1) Latest publications by rating agencies available on Hamburg Commercial Bank's website: https://www.hcob-bank.de/en/investoren/rating/rating/

Strong financial ratios compare well to A-rated peers

In %

Key Metrics	Ratios (in %)	HCOB 2020	HCOB Target 2022	Peer 1	Peer 2	Peer 3	Peer 4	Peer 5	Peer 6	Peer 7	GER	EU
Capital	CET1 ratio	27.0	>20	13.6	13.2	14.0	12.7	18.8	16.1	19.9	15.4	15.1
	Leverage ratio	12.2	>12	4.7	4.9	6.1	4.7	5.9	6.0	8.5	5.1	5.2
Asset Quality	NPE / NPL ratio	1.8[1]	<2[1]	1.5	1.0	1.9	4.0	6.1	0.8	2.0	1.2	2.4
Liquidity	LCR	171	~140	145	-	231	214	>100	>150	221	163	171
Profitability	CIR	42	40-45	88	82	44	54	56	42	54	78	65
	RoE[2]	4.0	>9	0.2	-10.7	7.3	2.0	-3.5	3.4	2.6	1.4	2.5
	NIM	1.2	>1.5	1.3	1.0	2.3	1.5	1.2	0.8	1.9	1.0	1.3
Long-Term Rating	Moody's / S&P	Baa2 / BBB	Baa1 / BBB+	A3 / BBB+	A1 / BBB+	A2 / -	Baa3 / BBB	A3/ -	- / A-	Baa1 / BBB+		

Profitability	✓ Clear path to sustainable profitability, backed by selective new business, NIM expansion, B/S optimization & lower funding costs
Capital	✓ Robust capitalization, well above average for higher-rated peers, underpinned by further de-risking & positive earnings trajectory
Asset Quality	✓ De-risked, sound, well-performing portfolio with manageable exposure in key Covid-19 impacted sectors & strong loss coverage
Liquidity	✓ Substantial liquidity buffer provide robust cushion for adverse scenarios

Improving recurring profitability, robust capital, asset quality and solid liquidity – coupled with a credible path to ESF entry and managing Covid-19 impacts well – will drive ratings upside

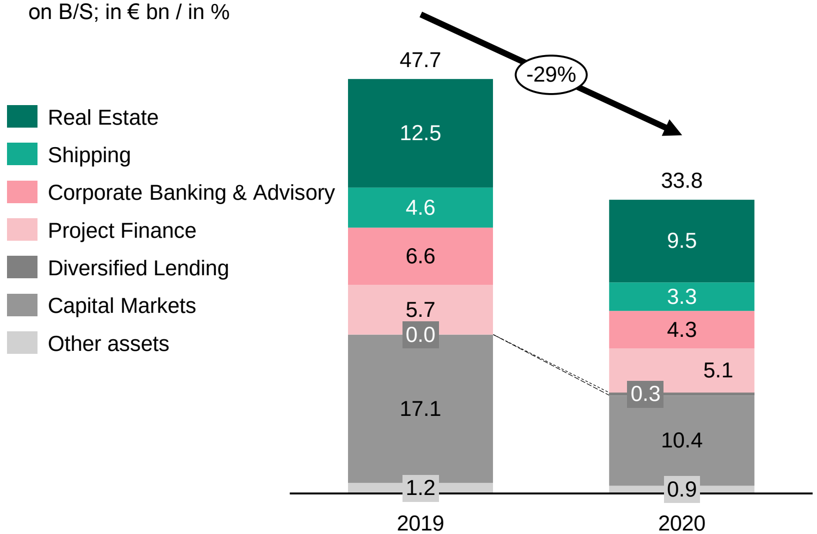
Source: Company reports on 2020, latest available figures, EBA Risk Dashboard, 2020-Q3
1) NPE for HCOB
2) RoE after taxes at 14% CET1 (for HCOB) / standardized regulatory capital commitment; RoE for German and EU market averages after taxes at b/s equity

Agenda

Significantly reduced B/S, repositioned to more productive assets and improved diversification

Total asset allocation

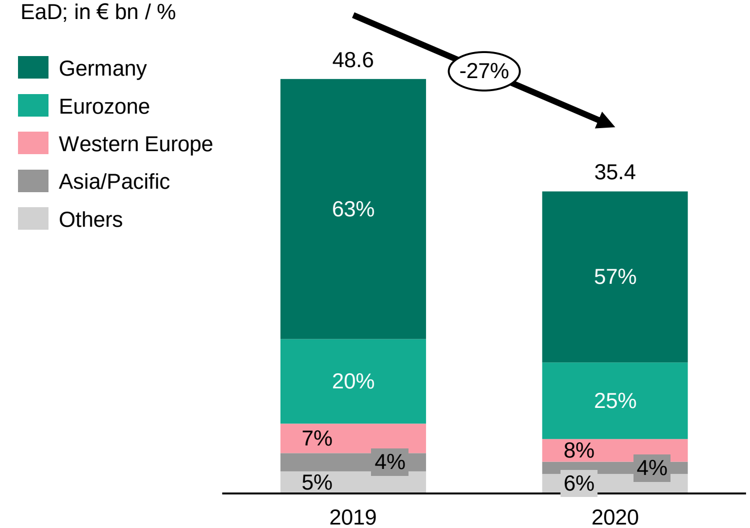
on B/S; in € bn / in %



	2019	2020
EaD (€ bn)	48.6	35.4
NIM[1] (bp)	75	117

Portfolio by regions

EaD; in € bn / %



- 29% reduction on B/S (€13.9bn), driven by rigorous asset allocation to SVA positive business segments and reduction / disposal of lower margin asset classes
- Increasing share of lending units and significantly reduced share of low / non-interest bearing assets (incl. liquidity buffer as part of financial investments, which is within Capital Markets)
- Maintained core franchise in Real Estate, Shipping and Project Finance (Energy & Infrastructure); diversified exposures by an increasing share in Diversified Lending and in certain areas of Capital Markets investment portfolios; allocation to Corporate Banking & Advisory reduced

1) NIM: Core NII / avg. B/S

Segment overview (As at YE 2020) – Business model with risk-oriented and well-balanced portfolio structure

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

LLP: € -150mn

PBT[2]: € -89mn

PBT excl. LLP: € 61mn

RWA: € 3.6bn

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

LLP: € 124mn

PBT[2]: € 134mn

PBT excl. LLP: € 10mn

RWA: € 2.2bn

Corporates & 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

LLP: € -165mn

PBT[2]: € -75mn

PBT excl. LLP: € 90mn

RWA: € 5.0bn

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

LLP: -

PBT[2]: € 13mn

PBT excl. LLP: € 13mn

RWA: € 2.1bn

1) Gross New Business
2) Profit before taxes

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Real Estate – NII increased despite smaller portfolio; Result affected by LLPs for Covid-19 crisis

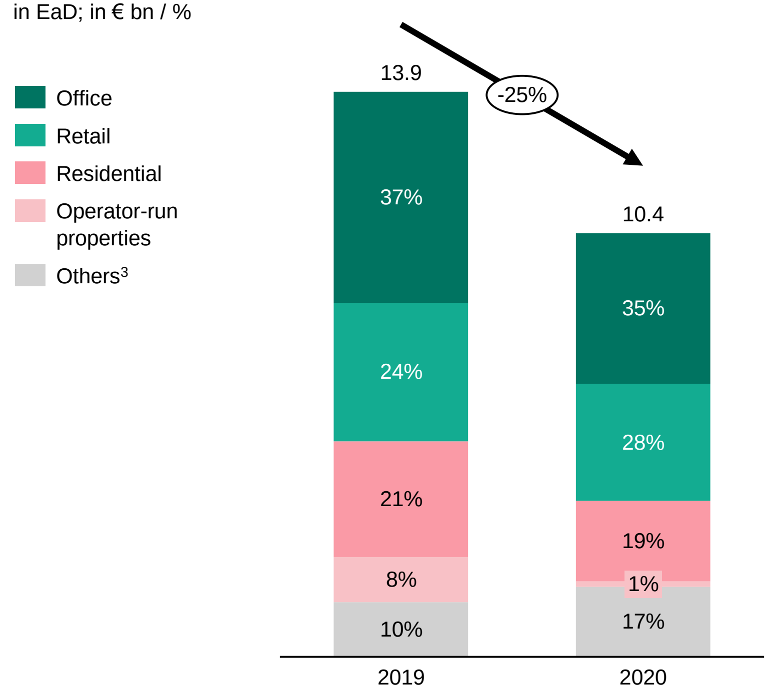
Financial Performance and Ratios

in € / %

	2019	2020	vPY
NII (mn)	181	205	13
NCI (mn)	12	11	-8
LLP (mn)	-25	-150	>100
OPEX (mn)	-150	-132	-12
PBT (mn)	176	-89	>-100
PBT excl. LLP (mn)	201	61	-70
Total EaD (bn)	13.9	10.4	-25
RWA (bn)	5.7	3.6	-36
Gross New Business (bn)	4.0	0.8	-81
CIR (%)	40.2	64.1	23.9pts
NPE Ratio (%)	0.1	1.3	1.2 pts
RoE[1] (%)	17.2	-8.2	-25.4pts
Coverage Ratio[2] (%)	24	35	11pts

Portfolio by sector

in EaD; in € bn / %



- Well diversified portfolio with a high share in the German market; >90% of portfolio are financings in German metropolitan areas
- Conservative underwriting criteria for new business – sound loss history
- Increase in NII by 13%, despite 25% reduction of EaD. PBT was significantly affected by Covid-19 related increase in LLPs

Rounding differences possible
1) RoE before taxes
2) NPE Coverage Ratio$_{AC}$
3) Incl. other Real Estate, other commercial, hotel and other financings

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Shipping – PBT increased despite portfolio reduction and supported by releases of LLP

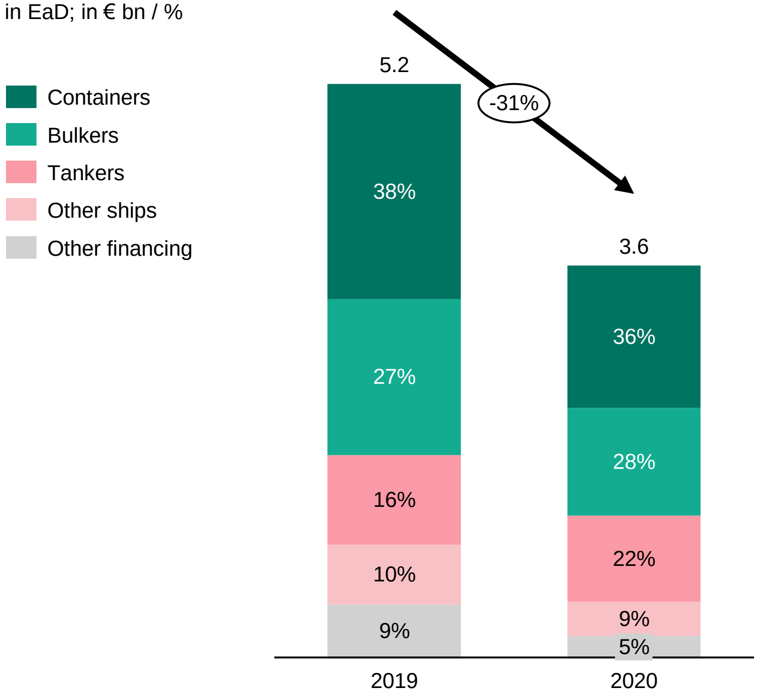
Financial Performance and Ratios

in € / %

	2019	2020	vPY
NII (mn)	101	115	14
NCI (mn)	16	12	-25
LLP (mn)	84	124	-48
OPEX (mn)	-90	-70	-22
PBT (mn)	131	134	2
PBT excl. LLP (mn)	47	10	-79
Total EaD (bn)	5.2	3.6	-31
RWA (bn)	3.4	2.2	-35
Gross New Business (bn)	1.3	0.9	-30
CIR (%)	61.6	81.4	19.8pts
NPE Ratio (%)	8.2	5.4	2.8pts
RoE[1] (%)	18.7	18.6	-0.1pts
Coverage Ratio[2] (%)	57	42	-15pts

Portfolio by sector

in EaD; in € bn / %



- Segment result driven by increase in NII of 14% and LLP releases of € 124mn as a result of the decreasing portfolio
- Limited exposure to high risk Covid-19 sector: Cruise Shipping limited to € 95mn commitment for 2021 / 95% ECA coverage
- Portfolio volume (EaD) decreased by 31%, whereby share of Containers, Bulkers and Other ships kept relatively stable; share of Tankers increased by 6pts and Other financings decreased by 4pts

Rounding differences possible
1) RoE before taxes
2) NPE Coverage Ratio$_{AC}$

Corporates & Structured Finance – Well diversified in terms of sectors

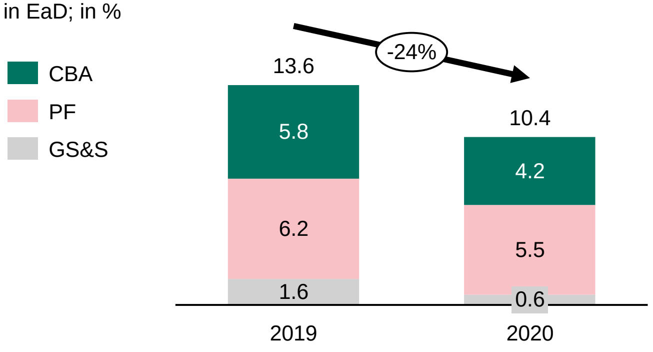
Financial Performance and Ratios

in € / %

	2019	2020	vPY
NII (mn)	172	160	-7
NCI (mn)	36	27	-25
LLP (mn)	-64	-165	>100
OPEX (mn)	-166	-137	-17
PBT (mn)	-31	-75	>-100
PBT excl. LLP (mn)	33	90	>100
Total EaD (bn)	13.6	10.4	-24
RWA (bn)	7.2	5.0	-31
Gross New Business (bn)	2.0	0.6	-70
CIR (%)	75.8	57.6	-18.2pts
NPE Ratio (%)	2.2	2.8	0.6pts
RoE[1] (%)	-2.1	-5.0	-2.9pts
Coverage Ratio[2] (%)	54	58	4pts

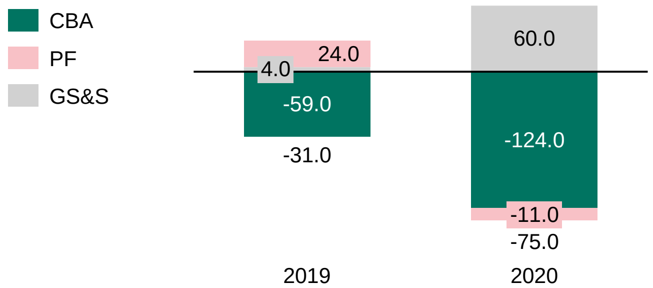
Total assets by sub-segment

in EaD; in %



Profit before taxes by sub-segment

in € mn



- Corporates & Structured Finance is well diversified portfolio, comprising sub-segments Corporate Banking & Advisory (CBA), Project Finance (PF) and Global Sales & Syndicate (GS&S), which is responsible for the bank's syndication activities
- Positive result of GS&S is driven by sales of receivables from public sector borrowers (public cover pool assets)

Rounding differences possible
1) RoE before taxes
2) NPE Coverage Ratio$_{AC}$

Extract[1]: Corporate Banking & Advisory – Active portfolio reduction ongoing; result affected by LLPs for Covid-19 crisis

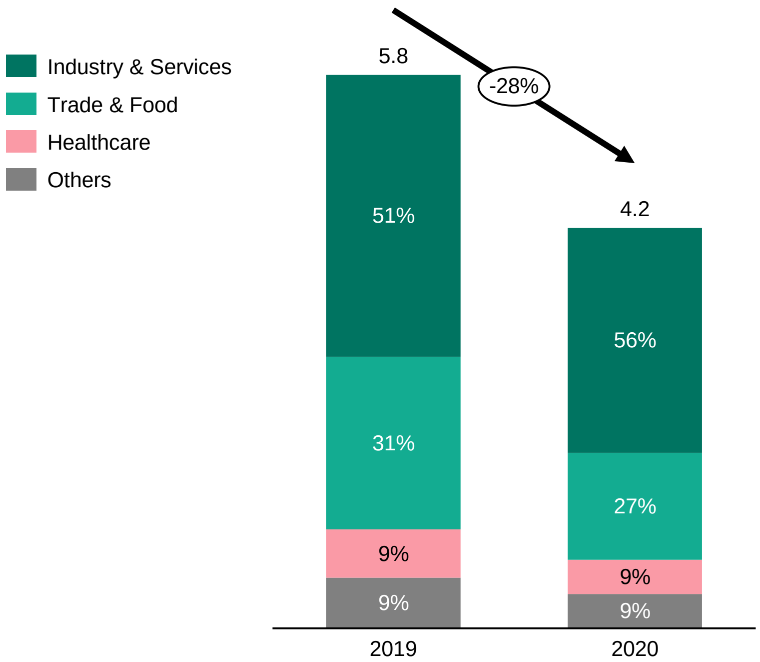
Financial Performance and Ratios[1]

in € / %

	2019	2020	vPY
NII (mn)	87	71	-18
NCI (mn)	20	15	-25
LLP (mn)	-56	-150	>100
OPEX (mn)	-89	-66	-26
PBT (mn)	-59	-124	>-100
PBT excl. LLP (mn)	-3	26	>100
Total EaD (bn)	5.8	4.2	-28
RWA (bn)	4.1	2.7	-35
Gross New Business (bn)	0.6	0.3	-50
CIR (%)	93.7	68.0	-25.7pts
NPE Ratio (%)	3.7	5.5	1.8pts
RoE[2] (%)	-7	-14.5	-7.5pts
Coverage Ratio[3] (%)	53	54	1pts

Portfolio by sector[1]

EaD; in € bn / %



- Active portfolio reduction ongoing, decrease of portfolio volume by 28% in 2020; share of Healthcare remained stable, whereas share of Industry & Services increased and Trade & Food decreased
- Regional distribution dominated by Germany (84%), driven by mid-sized companies across sectors
- Decrease in NII (-18%) and NCI (-25%) as well as siginifcant increase in Covid-19 drove PBT of € -124mn; excluding LLPs, result would be € 26mn

Rounding differences possible
1) Excl. Global Sales & Syndicate and Financial Institutions
2) RoE before taxes
3) NPE Coverage Ratio$_{AC}$

Extract[1]: Project Finance – Significant Renewable Energy franchise, solid portfolio quality

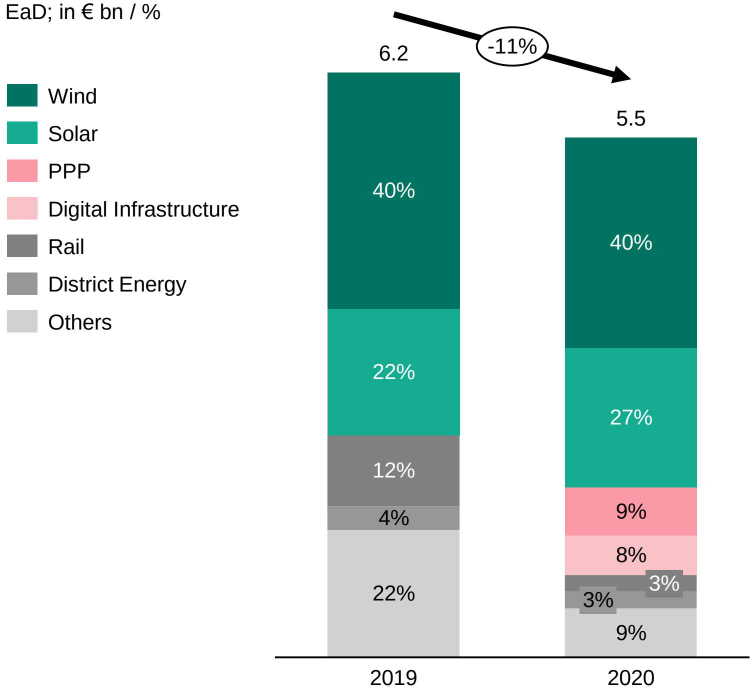
Financial Performance and Ratios

in € / %

	2019	2020	vPY
NII (mn)	66	64	-3
NCI (mn)	13	9	-31
LLP (mn)	-8	-15	88
OPEX (mn)	-61	-49	-20
PBT (mn)	24	-11	>-100
PBT excl. LLP (mn)	32	4	-87
Total EaD (bn)	6.2	5.5	-11
RWA (bn)	2.7	2.2	-21
Gross New Business (bn)	1.3	0.3	-77
CIR (%)	60.4	84.5	-24.1pts
NPE Ratio (%)	1.3	1.1	-0.2pts
RoE[2] (%)	4.2	-1.9	-6.1pts
Coverage Ratio[3] (%)	58	74	16pts

Portfolio by sector[4]

EaD; in € bn / %



- Portfolio dominated by Energy financings, mainly in Wind and Solar; growing presence in Digital Infrastructure
- € 700mn renewable energy portfolio sale to UniCredit was signed in Q4 2020 and closing is expected in Q2 2021
- Stable NII, decrease in NCI and result from financial instruments categorized as FVPL of € -15mn (PY: € 14mn), as well as increase in Covid-19 related LLPs cause lower PBT

Rounding differences possible
1) Excl. Global Sales & Syndicate and Financial Institutions
2) RoE before taxes
3) NPE Coverage Ratio$_{AC}$
4) Others in 2019 includes Digital infrastructure and PPP

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Diversified Lending & Markets include liquidity buffer and cash position, new Diversified Lending unit contribution to rise

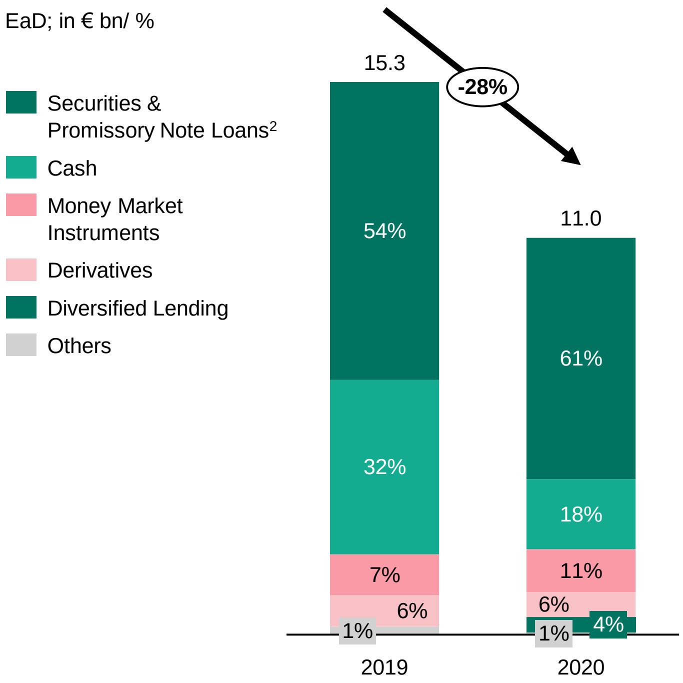
Financial Performance and Ratios

in € / %

	2019	2020	vPY
NII (mn)	-3	11	>100
NCI (mn)	-	2	>100
LLP (mn)	10	-	>100
OPEX (mn)	-7	-25	>100
PBT (mn)	17	13	-24
PBT excl. LLP (mn)	7	13	86
Total EaD (bn)	15.3	11	-28
RWA (bn)	1.5	2.1	40
Gross New Business (bn)	0	0.6	>100
CIR (%)	46.7	64.1	17.4pts
NPE Ratio (%)	0	0	0
RoE[1] (%)	1.9	3.4	1.5pts

Portfolio breakdown

EaD; in € bn/ %



- Segment Diversified Lending & Markets is currently dominated by Capital Markets, which assets include highly liquid securities and promissory notes (thereof liquidity buffer (€ 3.5bn), public sector cover pool (€ 2.1bn), and cash (€ 1.9bn)
- Diversified Lending newly implemented in 2020; portfolio volume (EaD € 413mn) to be increased up to € ~ 2bn in 2022; portfolio designed to take advantage of international market opportunities

Rounding differences possible
1) RoE before taxes
2) Incl. Liquidity buffer

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Agenda

1. FY 2020 Highlights and transformation progress
2. Segment performance
3. **Sustainability**
4. Outlook 2021 and strategic positioning - Updated -
5. Appendix

ESG as one central pillar of strategic orientation – committed to sustainable profitable growth

Portfolio View

- Existing loan book already with high level of ESG compliant exposures
- Implementation of PCAF methodology for GHG accounting in loan portfolio underway
- Green bond capability in 2021

- Exclude possibility to make business with companies violating human rights / dignity
- Parts of residential financings support provision of direly needed accommodation
- Financing social transformation by e.g. engagement in healthcare sector

- ESG-filters and black list for new business implemented in credit manual /processes
- ESG-Scoring methodology for loan portfolio in place
- Comprehensive and regularly updated Roadmap for ESG implementation

Corporate View

- Significant drop in Real Estate footprint contributes to overall aim of becoming CO_2 neutral in 2021
- Mobility concept partially implemented, incl. e.g. CO_2 flight compensation
- Optimizing heating, electricity and water use; significant reduction of paper consumption

- Clear commitment to diversity and equality by signing diversity charter
- Focus on modern HR development and promoting Young Talents; safeguarding work-life-balance by e.g. offering flexible working time
- Promoting cultural, sport and social projects

- ESG Guiding Principles established
- Centralized Sustainability Office & Committee in implementation
- Principles for Responsible Banking signed accompanied by UNEP FI membership

Sustainability rating – Agencies confirmed overall progress by improved rating results

- Rating Result: BB (positive)
- **HCOB in the top quarter of cross-sector comparison**
- Improvement of two grades compared to previous year
- Scale: D- to AAA

2019	**2020**
CCC	**BB**

- Rating Result: 14 (low ESG risk)
- **HCOB among top 5% in cross-sectoral comparison**
- Significant improvement compared to previous year
- Scale: 0 (best) to 100

2019	**2020**
28	**14**

- Rating Result: C- (not prime)
- **HCOB above the sector average**
- HCOB close to prime status („C“ = prime status)
- Scale: D- to A+

2019	**2020**
C-	**C-**

Agenda

Note regarding the Update on Outlook 2021 and Objectives 2022

The transformation progress is of high importance for HCOB and its future positioning in the market.

Based on the recent developments, the progress of the transformation and the management accounts relating to the first quarter 2021, Hamburg Commercial Bank AG provides an update on the Outlook 2021 and the Objectives 2022 in section “4. Outlook 2021 and strategic positioning”. All other financials / numbers included in this presentation reflect the results as at 31 December 2020 as published on 1 April 2021.

1) The Q1 2021 results will not be published. Next publication on financial results will be provided on the half year 2021 result, to be published in August 2021

- updated -

Transformation Roadmap towards SVA positive bank

2019 / 2020

De-Risk & Strengthen Capital

- ✓ PC-Restructuring (on track for~1,000 lower FTE)
- ✓ Smaller B/S
- ✓ Resolve existing NPEs and reduce exposure to potential new NPEs under stress scenarios
- ✓ Strict controls/pricing on new loans/prolongations
- ✓ Lower funding costs
- ✓ Other capital actions (e.g., Building Sale)
- ✓ Comprehensive IT Transformation initiated

2021

BdB KPIs, Expand Margins & Recurring Profitability

- Deliver on cost targets (personnel & operating costs)
- Pricing discipline and asset mix to expand NIM
- Manage portfolio quality throughout Covid-19
- Further de-leveraging to exit low performing loans
- Broaden capital market access
- Improve rating position
- IT transformation execution
- BdB Entry envisaged for Jan 1st, 2022

Complete Transformation & Position for Growth

2022+

Transition to sustainable profitable bank, SVA+

- CIR 40-42%
- Portfolio NIM >150bp
- IT transformation to be completed in 1H22

→ Specialized lender

→ Strong KPIs (CIR @ 40-42%, ROE after tax[1] >12%, strong capital ratios, improving margins)

→ Valuable partner for our customers

Build recurring profitability and ensure BdB entry following 2021 → Well positioned for 2022+

1) RoE after tax at 13% CET1

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- updated -

Guidance 2021/22 – HCOB focussing on recurring profitability

	(Figures in €)	2020	2021e	2022e
Increase Profitability & Returns	**Total Income** (mn)	656	~600	>600
	Net Income (mn)	102	>200	>250
	Return on Equity[1] (%)	4.3	>12.0	>12.0
Reduce Expenses	**Headcount** (FTEs)	1,122	~900	~750
	Cost-Income Ratio (%)	42	~50	40-42
De-risk & Build Capital	**Total Assets** (bn)	33.8	~30	~30
	Tangible Equity (bn)	4.3	>4.6	>4.9
	RWA (bn)	15.5	~15	~18
	NPE Ratio (%)	1.8	<2.0	<2.0
	CET1 Ratio (%)	27.0	27-30	~25

Increase Profitability & Returns

- Core income supported by NIM expansion to >150bp (YE) & 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

Reduce Expenses

- Strict cost management continues driven by employee restructuring & reduced facility footprint while investing in IT
- Moving towards target CIR driven by recurring income, not one-offs

De-risk & Build Capital

- 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 reduce the economic rational for issuing an AT1 bond medium term

1) RoE after tax at 13% CET1

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Agenda

Overview P&L 2020

P&L overview (in € mn, IFRS)	2020	2019	Change in %
Net interest income	629	321	96
Net commission income	48	61	-21
Result from hedging	5	-2	>100
Result from financial instruments categorized as FVPL	-93	-19	>-100
Net income from financial investments	7	20	-65
Result from the disposal of financial assets classified as AC	60	82	-27
Total income	**656**	**463**	**42**
Loan loss provisions	-188	11	>100
Total income after loan loss provisions	468	474	-1
Administrative expenses	-365	-413	-12
Other operating result	205	133	54
Expenses for regulatory affairs, deposit guarantee fund & banking associations	-32	-51	-37
Net income before restructuring & transformation	**276**	**143**	**93**
Net income from restructuring & transformation	-19	-66	71
Net income before taxes	**257**	**77**	**>100**
Income tax expenses	-155	-65	>100
Group net result	**102**	**12**	**>100**

Key ratios / Financials	2020	2019	Change in %
RoE before taxes[1]	5.9%	1.8%	>100
RoE after taxes[1, 2]	4.0%	0.4%	>100
NIM[3]	117bp	75bp	42bp
CIR[1]	42%	69%	-27 pts
Risk Costs[4]	66bp	-3bp	>100
NPE Coverage Ratio	48%	57%	-9 pts

1) Including one-off effects
2) RoE after taxes at 14% CET1
3) NIM: Core NII / avg. B/S
4) Risk Costs: LLP/ avg. loans

Overview B/S 2020

Balance sheet (in € mn, IFRS)	2020	2019	Change in %
Cash reserve	1,741	4,850	-64
Loans and advances to banks	1,558	2,521	-38
Loans and advances to customers	22,478	30,708	-27
Loan loss provisions	-569	-708	-20
Trading assets	1,544	2,663	-42
Financial investments	5,459	6,100	-11
Non-current assets held for sale & disposal groups	634	355	79
Other assets	970	1,223	-21
Total assets	**33,815**	**47,712**	**-29**
Liabilities to banks	7,478	5,066	48
Liabilities to customers	13,104	23,966	-45
Securitised liabilities	5,670	7,845	-28
Trading liabilities	686	1,946	-65
Provisions	634	1,699	-63
Subordinated capital	940	1,349	-30
Equity	4,344	4,350	0
Other liabilities	960	1,491	-36
Total liabilities	**33,815**	**47,712**	**-29**

Key ratios / Financials	2020	2019	Change in %
CET1 capital	4.2bn	3.9bn	-7
RWA	15.5bn	21.0bn	-26
CET1 Ratio[1]	27%	18.6%	8.4 pts
Leverage Ratio	12.2%	8.2%	4 pts
NPE Ratio[2]	1.8%	1.8%	0
LCR	171%	165%	6 pts
NSFR	111%	114%	-3 pts

1) CET1 ratios same-period, PY not in-period of 18.5%
2) 2019 figures including events after reporting date

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The Bank's integrated management system is aimed at the management of key value drivers on a targeted basis. The Bank (which was operating under the name HSH Nordbank AG up until February 4, 2019) uses a risk-adjusted key indicator and ratio system for this purpose that ensures that the Overall Bank are managed in a uniform and effective manner. The Hamburg Commercial Bank Group is managed mainly on the basis of figures for the Group prepared in accordance with the International Financial Reporting Standards (IFRS) and/or the relevant prudential rules.
Within the management reporting framework, the Bank focuses on the most important management indicators for the individual value drivers of the IFRS Group. On the one hand, the focus is on how these key indicators changed compared to the previous year and, on the other, on how they are expected to change in the future. The Group management report for the 2020 financial year will contain further information on the management system and defined management parameters of the Hamburg Commercial Bank Group as well as disclosures.

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