

# Factsheet

August 06, 2021

## About us

Hamburg Commercial Bank is a specialist finance provider in the core region of Northern Germany operating in selected segments where we have proven knowledge. We are one of the leading private banking partners for upper medium-sized companies in the core region of Northern Germany. The bank is also active throughout Germany in the Real Estate, Project Finance, Corporate Banking & Advisory and Shipping segments. In the project and real estate financing business, as well as in the newly established Diversified Lending division, the focus is also on other European countries and selected international markets. The Bank conducts business with shipping clients throughout the world. HCOB offers payment, deposit, trade finance, and capital market-related products to support the needs of our clients. The Bank is increasingly aligning its activities with established ESG criteria and has anchored sustainability aspects in its business model.

## Key Credit Strengths

- ✓ Strong execution on turn-around
- ✓ Significant excess capital - capitalization well above regulatory requirements
- ✓ Strong asset quality with a NPE ratio <2%
- ✓ Excellent Cost/Income ratio
- ✓ Well funded with strong liquidity KPIs

## 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. <i>Bank für Arbeit und Wirtschaft und Österreichische Postsparkasse Aktiengesellschaft</i>	HCOB Current and former Management Board Members (who are or were in office from November 2018)
Promontoria Holding 221 B.V. 9.87%	Promontoria Holding 231 B.V. 13.87%	Promontoria Holding 233 B.V. 18.71%	JCF IV Neptun Holdings S.à.r.l.	GoldenTree Asset Management Lux S.à.r.l.	Chi Centauri LLC		
<b>42.45%</b>			<b>34.96%</b>	<b>12.49%</b>	<b>7.49%</b>	<b>2.50%</b>	<b>0.11%</b>

## Business Segments<sup>1</sup>

Real Estate	Shipping	Corporate & Structured Finance	Diversified Lending & Markets
<ul style="list-style-type: none"> <li>• Structuring competence for tailor-made financing</li> <li>• Risk-conscious business orientation regarding the development of domestic real estate market</li> <li>• New business under consideration of appropriate risk/return requirements</li> <li>• Selective expansion of international business in neighbouring European countries</li> </ul>	<ul style="list-style-type: none"> <li>• Strategic partner based on long-term expertise</li> <li>• New business under strict margin and risk conditions</li> <li>• Focus on diversification of portfolio through domestic and international counterparties with good credit ratings to generate sustainably viable business</li> </ul>	<ul style="list-style-type: none"> <li>• Integrated Corporate Finance/Advisory Solutions for German MidCap companies combined with high competence in Working Capital/Factoring and Cash &amp; Trade</li> <li>• Project Finance – Renewable Energy &amp; Infrastructure: Exploit potential in domestic and European markets, selectively non-European markets, generally under high standards of sustainability</li> </ul>	<ul style="list-style-type: none"> <li>• Newly established for international Corporates business as well as for “Special Solutions” in form of opportunistic business in Europe and the United States</li> <li>• Capital Markets: Strategic investments</li> <li>• Treasury Operation: Steering liquidity and market price risks, funding activities</li> </ul>
➔ Total assets: € 9.5bn	➔ Total assets: € 3.3bn	➔ Total assets: € 9.4bn	➔ Total assets: € 10.7bn

1) As of 31.12.2020

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## Highlights 2020<sup>1</sup>

- Total Income increased by +42% to € 656mn driven by pricing discipline, lower funding costs and net positive one-off effects
- NIM<sup>2</sup> strongly improved from 75bp to 117bp, above German market level, evolving to EU levels
- CIR 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<sup>3</sup> 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

## Key Financials: YE 2020 and Guidance for 2021/2022 – Focus on recurring profitability

(Figures in €)		2020	2021	2022	
<b>Increase Profitability &amp; Returns</b>	<b>Total Income (mn)</b>	656	~600	>600	<ul style="list-style-type: none"> <li>• Core income supported by NIM expansion to &gt;150bp (YE 2021) &amp; improving asset mix with increased share of productive assets on smaller B/S</li> <li>• Benefits of cost restructuring realized in run rate</li> <li>• Strengthening recurring profitability...business model designed to cover cost of capital</li> </ul>
	<b>Net Income(mn)</b>	102	>200	>250	
	<b>Return on Equity<sup>4</sup> (%)</b>	4.3	>12.0	>12.0	
<b>Reduce Expenses</b>	<b>Headcount (FTEs)</b>	1,122	~900	~750	<ul style="list-style-type: none"> <li>• Strict cost management continues driven by employee restructuring &amp; reduced facility footprint while investing in IT</li> <li>• Moving towards target CIR driven by recurring income, not one-offs</li> </ul>
	<b>Cost-Income Ratio (%)</b>	42	~50	40-42	
<b>De-risk &amp; Build Capital</b>	<b>Total Assets (bn)</b>	33.8	~30	~30	<ul style="list-style-type: none"> <li>• Strict return thresholds...build/grow SVA positive asset classes...exit lower performing segments</li> <li>• RWA increase due to change in rating model landscape &amp; selective new business, Basel 4 expected to be slightly favorable</li> <li>• Stable asset quality &amp; resilient capital levels</li> <li>• Strong capital &amp; recurring earnings reduce economic rational for issuing an AT1 in medium term</li> </ul>
	<b>Tangible Equity (bn)</b>	4.3	>4.6	>4.9	
	<b>RWA (bn)</b>	15.5	~15	~18	
	<b>NPE Ratio (%)</b>	1.8	<2.0	<2.0	
	<b>CET1 Ratio<sup>5</sup> (%)</b>	27.0	27-30	~25	

## Rating

Ratings Overview <sup>6</sup>	Moody's	S&P
Deposit Rating	Baa1	–
Issuer Credit Rating (Long-Term)	Baa1 / positive	BBB / developing
Short-term Debt	P-2	A-2
Stand-alone Rating	ba1	bbb-
"Preferred" Senior Unsecured Debt	Baa1	–
"Non-Preferred" Senior Unsecured Debt	Baa2	–
Subordinated Debt (Tier 2)	Ba2	–
Mortgage Covered Bonds	Aa1	–
Ship Covered Bonds	A2	–

ISS ESG	2019	2020	SUSTAINALYTICS	2019	2020
	C-	C-		28	14
imug	2019	2020	Vigeo Ciris	2019	2020
	CCC	BB		29	46

1) Values refer to FY 2020, comparative values to FY 2019 I 2) Net Interest Margin: Core NII / avg. B/S I 3) CET1 ratios same-period, PY not in-period of 18.5% I 4) RoE after taxes at 13% I 5) CET1 ratio same-period I 6) See also latest publications by the rating agencies on the Hamburg Commercial Bank's website: <https://www.hcob-bank.de/en/investoren/rating/rating/>