

# RatingsDirect®

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## Hamburg Commercial Bank AG

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# Hamburg Commercial Bank AG

## Ratings Score Snapshot

### Issuer Credit Rating

BBB/Stable/A-2

SACP: bbb



Support: 0



Additional factors: 0

Anchor	bbb+	
Business position	Constrained	-2
Capital and earnings	Very strong	+2
Risk position	Moderate	-1
Funding	Adequate	0
Liquidity	Adequate	
CRA adjustment	0	

ALAC support	0
GRE support	0
Group support	0
Sovereign support	0

Issuer credit rating
<b>BBB/Stable/A-2</b>

ALAC--Additional loss-absorbing capacity. CRA--Comparable ratings analysis. GRE--Government-related entity. ICR--Issuer credit rating. SACP--Stand-alone credit profile.

## Credit Highlights

### Overview

Key strengths	Key risks
Very strong capitalization implies significant loss-absorbing capacity and provides for strategic flexibility.	Niche business model and limited operating and asset-quality track record since the completion of its transformation.
Improving profitability prospects under its restored niche franchise in corporate banking.	Loan book exposure to more pronounced credit cycles in commercial real estate (CRE), shipping, and energy financing.
Solid funding profile, due to an improved corporate deposit franchise and an issuance track record since its privatization.	Increasing earnings contributions from segments where the company lacks solid franchise strength, namely international corporates.

**S&P Global Ratings expects Hamburg Commercial Bank AG (HCOB) will build a track record of recurring profitability under its restored banking franchise.** The bank has completed its transformation, which significantly reduced its size, complexity, and cost base. We think HCOB is set to establish itself as a specialized niche player in its core corporate banking segments, including CRE, project finance, shipping, and increasingly international corporates with the help of external partners. We think this will put HCOB in a position to improve its profitability considering the bank's strict risk-return criteria for new business.

**We think the bank's focus on new business generation will move increasingly toward international corporates that offer attractive risk-adjusted margins, but where we see limited franchise strengths.** We think it may become increasingly difficult for HCOB to find sustainable lending growth in its core segments, for instance in CRE, that meets its underwriting criteria amid a difficult economic environment. We think the earnings contribution from international

corporate will increase significantly over the coming years. This could gradually improve HCOB's geographic diversification, however, we think the bank lacks sufficient franchise strengths and business volumes remain significantly dependent on the market environment and external partners. We will also closely observe business volumes and asset quality in this growing business segment.

*We expect HCOB's exceptional capitalization buffers to decrease, which could be negative for the ratings.* Due to the disposal of legacy assets, overall muted business growth, improving profitability, and no capital distributions through the transformation, HCOB has built up very strong capital buffers. Management has specified a common equity tier 1 (CET1) ratio target of greater than 17.0% from next year, compared with a very high 24.2% at end-June 2022. This gives the bank lots of strategic flexibility, and we assume the bank could put some of its capital toward a mix of funding high-quality organic growth or asset portfolio purchases, or use it for sizable capital distributions exceeding annual net income. The former could increase business diversification and franchise depth and be supportive from a rating perspective, while the latter would reduce loss-absorption capacity and could imply a lower rating, depending on the size of distribution.

## Outlook

The stable outlook on HCOB reflects our view that the successful transformation has positioned the bank to engage in profitable growth over the coming 12-24 months, thereby further improving its efficiency, diversification, and risk-adjusted profitability.

### Downside scenario

We could lower the rating on HCOB if its very strong capitalization deteriorates more than we currently expect, for example through material shareholder distributions beyond annual dividend payments. This would pressure the rating unless we observe offsetting material progress in anchoring the bank as an established player in its niches with stable and diversified revenues.

### Upside scenario

While currently remote, we could consider an upgrade if business growth leads to more granular and stable revenue streams, supported by indications of a stronger franchise and new business capacity in established business lines. This would depend on HCOB maintaining its very strong capitalization on a sustainable basis.

## Key Metrics

Hamburg Commercial Bank AG--Key Ratios And Forecasts					
	--Fiscal year ended Dec. 31--				
(%)	2020a	2021a	2022f	2023f	2024f
Growth in operating revenue	(12.0)	3.1	7-10	8-11	5-7
Growth in customer loans	(26.8)	(10.1)	3-5	4-6	4-6
Net interest income/average earning assets (NIM)	1.6	1.9	2.2-2.4	2.4-2.6	2.5-2.7
Cost to income ratio	68.4	64.1	55-58	49-52	47-50
Return on average common equity	2.3	7.7	6-7.5	5-6.5	6-7
Earnings Buffer	0.4	0.7	0.9-1.0	1.1-1.3	1.2-1.4
New loan loss provisions/average customer loans	0.7	(0.1)	0.05-0.15	0.3-0.4	0.3-0.4
Gross nonperforming assets/customer loans	5.6	5.5	4.5-5.5	5.5-6.5	5-6
Risk-adjusted capital ratio	16.0	19.0	15.4-15.9	15.3-15.8	15.0-15.5

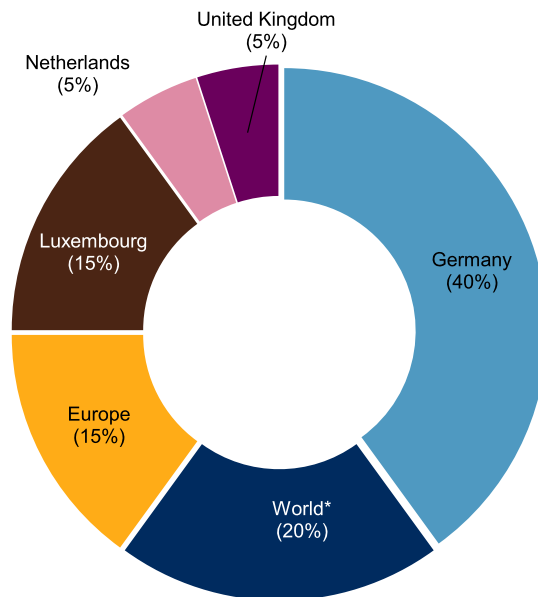
All figures are S&P Global Ratings-adjusted. a--Actual. f--Forecast. NIM--Net interest margin.

## Anchor: 'bbb+' Reflecting HCOB's Franchise Anchored In Germany And Its Growth Ambitions In International Markets

We use our Banking Industry Country Risk Assessment (BICRA) economic risk and industry risk scores to determine the bank's anchor, the starting point in assigning an issuer credit rating. Our 'bbb+' anchor for HCOB is based on an industry risk score of '4', based on the bank's home country of Germany, and a weighted-average economic risk score of about '2.5', based on the markets where HCOB operates its lending business (on scale of 1-10 where '1' is the lowest risk and '10' is the highest). With 40% of exposure, Germany remains the dominant country, but we expect this share to reduce and the bank's blended score to worsen given its focus on growth in international markets. We view the trend for economic risk in Germany as negative, while we assess the industry risk trend as stable. A potential deterioration of Germany's economic risk to '2' would weigh on HCOB's blended economic score, but likely not to an extent that it would affect the bank's anchor.

**Chart 1****Germany Remains HCOB's Top Country Exposure, Despite International Business Focus**

Country shares in S&amp;P Global Ratings' calculation of weighted-average economic risk at year-end 2021



\*Mainly refers to HCOB's shipping portfolio, reflecting the global nature of this business without a clear allocation of economic risk to single counterparties. Source: S&P Global Ratings.

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Our economic risk assessment considers that the German economy has a demonstrated ability to absorb large economic and financial shocks based on its wealth and the government's ample flexibility for countercyclical measures, including substantial fiscal stimulus and wide-ranging support, as was seen during the pandemic. However, our negative economic risk trend signals our concerns that economic risks for the German economy are structurally increasing due to the country's substantial exposure to energy sourcing from Russia, the country's export dependence, and the ongoing disruptions in global supply chains.

Our industry risk assessment for Germany considers structural longer-term profitability challenges due to poor cost efficiency and persistent risks from technology disruption. However, we believe that German banks will profit relatively more from net interest margin expansion owing to rising rates, reflecting a large share of system funding through deposits.

## **Business Position: Improving Profitability Of Niche Business Model**

We think HCOB's structurally niche and less established business franchise in corporate banking will remain its main ratings constraint. This is consistent with our assessment for banks that are solidly profitable but have significant exposure to more cyclical industries or business volumes that rely significantly on a weaker franchise operating model,

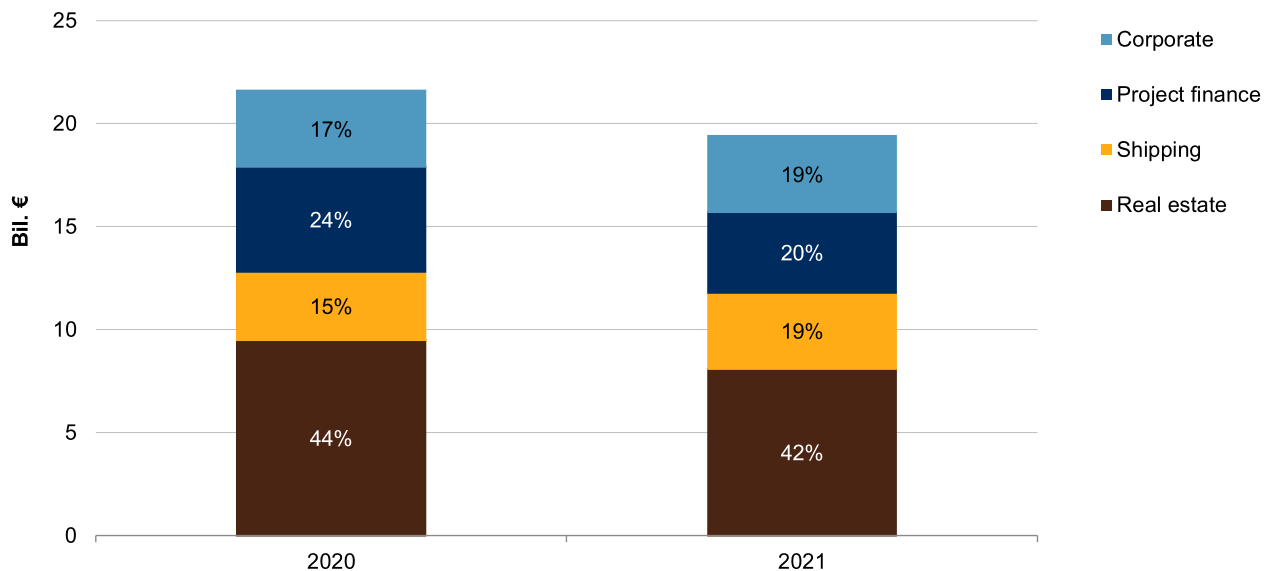
or are successful players in effectively a single segment. This peer group includes banks like Deutsche Pfandbriefbank, NIBC Bank, Volkswagen Bank, and Danmarks Skibskredit.

HCOB completed its business transformation at end-2021 and is now set to establish a track record under its revised business model and to steadily improve profitability. The transformation has led to a sharp reduction in the bank's size and complexity, with total assets of €30 billion on June 30, 2022, compared with €70 billion at year-end 2017, accompanied by a significant reduction of its cost structure following the privatization announced in early 2018. We think its improved profitability prospects have increased its resilience.

**Chart 2**

**Ongoing Balance Sheet Optimization In The Late Phase Of Transformation**

HCOB's lending units split year on year



Source: S&P Global Ratings.

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In generating new business, the bank is focused on implementing strict risk-return criteria. In our view, the bank should be able to build on its established franchises and market position in CRE, shipping, and project finance in renewable energy and infrastructure finance where it benefits from good experience and sector knowledge. However, after years of balance sheet optimization, it may now become increasingly difficult for HCOB to find sustainable lending growth that meets its underwriting criteria, also reflecting a progressively difficult external environment amid rising rates and weak customer sentiment in certain segments.

HCOB also has larger growth ambitions in international corporates given that corporate banking in Germany is highly competitive with narrow margins. The move would increase its exposure to a diversified pool of international corporate

loans, which we expect will likely be the main source of loan and earnings growth. While we acknowledge it will likely gradually improve HCOB's geographic diversification and portfolio granularity, we think the bank lacks sufficient own franchise strengths in international corporates and expansion will likely also come with higher risks than its domestic business. We understand that business volumes and underwriting remain significantly dependent on the market environment, particularly for primary and secondary market deals, and on external partners, including global banks that play a critical role in the origination process for HCOB's access to international corporate loans. We consider this non-franchise driven model as more vulnerable, also because HCOB has not yet built a track record of sustainable business volumes with sound asset quality through a longer credit cycle.

Still, we expect the bank to establish its niche business and further improve its profitability, given the increasing share of higher return lending business, an efficient cost structure, and support from rising rates.

HCOB is private-equity owned, and we expect uncertainty regarding exit scenarios to persist after the completion of the transformation. In our view, it seems possible that the owners now may target an IPO or alternatively sell HCOB in whole to a third party, depending on market conditions. That said, due to HCOB's very high capital buffers above regulatory minima, asset purchases could also be possible, in our view, which could be beneficial for business diversification and franchise depth.

## **Capital And Earnings: Very Strong Capitalization Remains A Key Rating Strength**

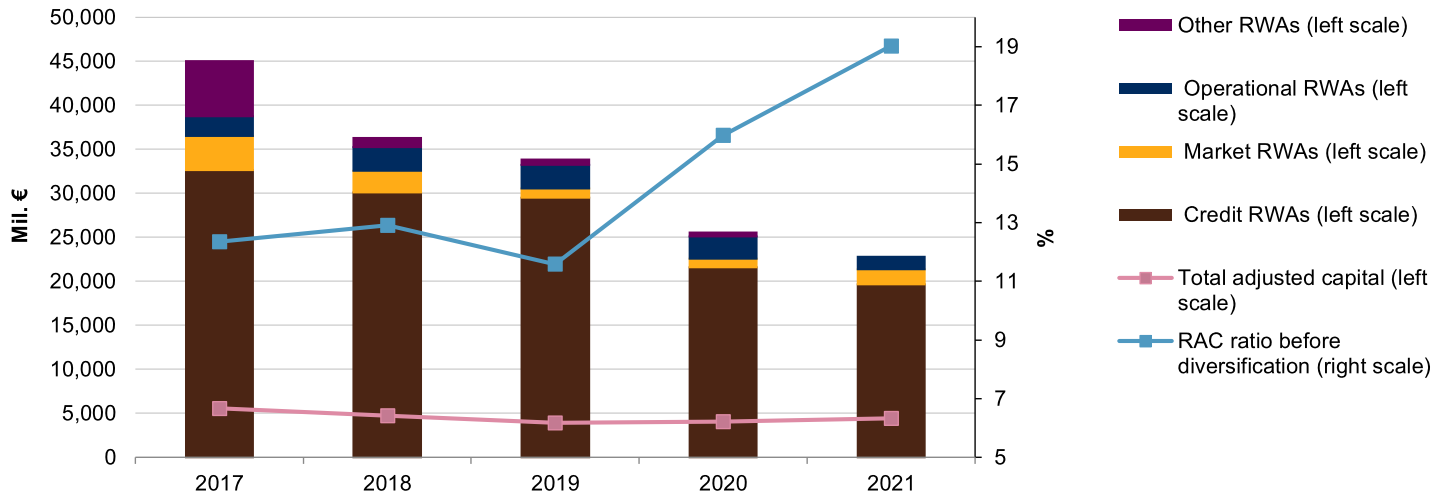
We assess HCOB's superior capital position as its key rating strength, mainly based on our projection that the bank's risk-adjusted capital (RAC) ratio before diversification will likely remain above 15% over our forecast horizon. Its RAC ratio stands at 19% at year-end 2021, the increase of more than 3 percentage points year on year is mainly attributable to reduced credit risk risk-weighted assets (RWA) because of the restructuring.



Chart 3

**HCOB's RAC Ratio Strengthened Significantly Through The Restructuring**

This provides strategic flexibility and potential for sizeable distributions



All figures are S&P Global Ratings adjusted. RWA--Risk-weighted assets. RAC--Risk-adjusted capital. Source: S&P Global Ratings. Copyright © 2022 by Standard & Poor's Financial Services LLC. All rights reserved.

Its regulatory core tier 1 capital ratio remains very high at 24.2% at June 30, 2022; however, it will decrease in the medium-to-long term, in line with the bank's commitment to only keep a CET1 of above 17% prospectively, but the timing and measures to reduce capital remain unclear as of now.

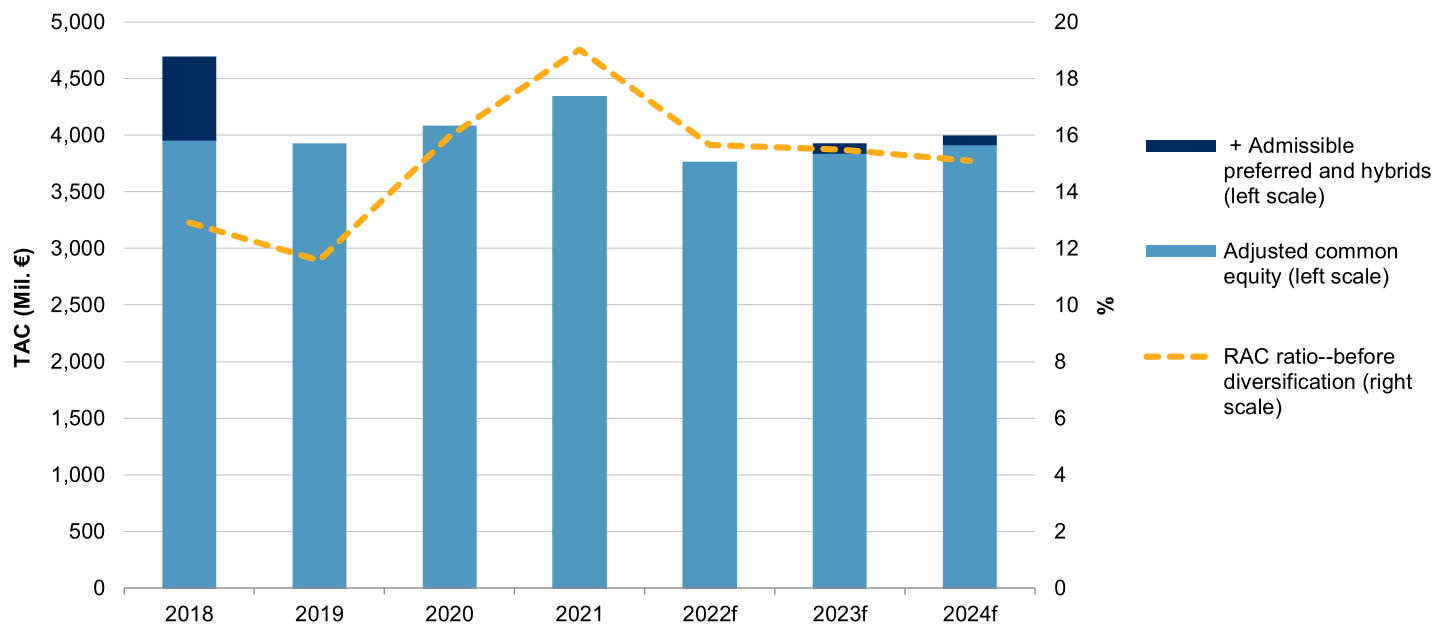
Our projected RAC ratio by 2024 is based on the following key assumptions:

- Improving operating profitability, since we expect revenue growth will outpace costs, thanks to a continuously increasing share of higher-return assets, more efficient funding costs, and support from rising interest rates.
- Credit losses of 10 basis points (bps) for 2022, reflecting the release of past buffers, and between 30bps-40bps in 2023 and 2024, but the magnitude of credit losses will heavily depend on the path of economy and the bank's use of existing buffers.
- Pre-tax profits to increase gradually to about €330 million-€370 million by end-2024.
- RWAs to increase about 4%-5% annually, reflecting moderate loan growth but a slightly higher average risk weight, reflecting its international expansion.
- A sizeable, extraordinary dividend for 2022 of close to 3x the expected net income for the year; and a payout ratio of 75% thereafter in our forecast. We acknowledge that in line with the management's guidance the extraordinary dividend could be even larger, but note that the decision will only be made in early 2023 and will depend on the management's assessment of availability of further business opportunities, as well as on the economic environment and the regulator's stance regarding extraordinary dividends at that time.

Chart 4

**We Expect HCOB's RAC Ratio To Weaken, But Not Impair Very Strong Capitalization**

HCOB's risk adjusted capital trajectory 2018-2024f



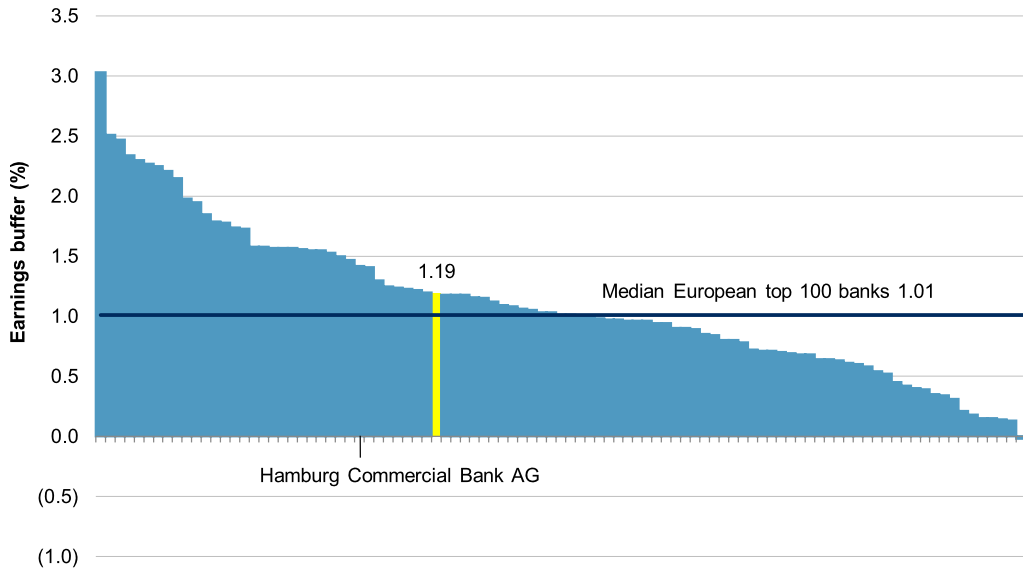
TAC--Total adjusted capital. RAC--Risk-adjusted capital. f--Forecast

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By 2024, we project a return on average common equity (after tax) exceeding 6%-7% (based on the currently very high but decreasing capitalization), and a constantly improving earnings buffer to above 100bps from next year.

**Chart 5**

**Our Expectations For HCOB's Profitability Are Slightly Above That For Its Peers**  
 S&P Global Ratings' earnings buffer forecast (2023f) for European top 100 banks



Earnings Buffer is calculated as (Preprovision operating income before one-offs less S&P normalized credit losses) as % of S&P RWAs before diversification. f--Forecast. Source: S&P Global Ratings. Copyright © 2022 by Standard & Poor's Financial Services LLC. All rights reserved.

Positively, our measure of total adjusted capital consists solely of high-quality common equity, and given the bank's very strong capitalization our forecast includes only a very small first issuance of additional tier 1 capital over our forecast horizon.

**Risk Position: High Concentration In Cyclical Sectors And Focus On Growth In International Markets**

We see HCOB's risk profile as a relative weakness given exposure concentration in several cyclical sectors. These exposures make HCOB's asset quality particularly sensitive to significant economic setbacks and quickly rising rates, which both can reduce customers debt-servicing capacity. We believe HCOB's exposure to CRE as well as more cyclical corporate sectors such as energy and shipping implies higher losses in a severe economic downturn and generally exposes the bank to more pronounced credit cycles than better-diversified peers that also have a higher share of retail loans like Commerzbank or NIBC Bank.

We see particularly higher risk in its international corporate exposure, which we expect will be the main source of lending growth over the coming years but where the bank lacks a solid franchise, in our view. This segment also includes loan funds to international counterparties set up via a fund structure and in collaboration with external

parties; here, HCOB provides capital and can apply its risk-return criteria but does not have full control over the origination process. HCOB still lacks a track record of sustainable business generation and asset quality under its restored business model. In particular, we will watch to see if it can maintain the quality of its underwriting in its portfolio to international corporates.

However, HCOB's level of nonperforming assets (NPAs) remains on a positive trajectory in absolute terms, partly thanks to divestments of NPAs. The ratio of gross NPAs (including forborne exposure) to customer loans reached 5.0% at end-June 2022. About 40% of NPAs is covered by existing loan loss provisions, which we view as solid considering the high share of collateralized lending. Also, its existing loan loss provisions amount to 2.0% of total loans, which should provide some buffer against potentially larger losses from consequences from the Russia-Ukraine war.

HCOB remains exposed to remaining nonfinancial risk related to ongoing investigations by state prosecutors regarding cum-ex trades and related tax evasion. HCOB's predecessor cooperated with authorities and settled any related tax claims, but the topic has not fully closed and the bank could become subject of further claims.

## **Funding And Liquidity: Improved Funding Franchise**

We consider HCOB's funding and liquidity profile as neutral to the rating, since we see it broadly in line with that of domestic peers. However, it remains slightly weaker than that of domestic peers, such as Commerzbank AG or UniCredit Bank AG, that have a much longer track record of proven market access in more difficult environments and benefit from a higher share of more stable franchise-linked retail deposits.

We think HCOB has improved the quality of its funding through an improved mainly corporate deposit franchise and an issuance track record since its privatization, with covered and senior preferred and nonpreferred bonds. We also see improved funding stability after the completion of the restructuring and transfer to the private sector deposit protection scheme in January 2022 that has reduced uncertainty for its corporate depositor base.

After years of sharp balance sheet reductions and the anticipated return to growth, we expect funding to be broad based across available sources with funding costs broadly in line with peers. However, we expect HCOB's reliance on more confidence-sensitive funding sources, such as unsecured capital market funding, as well as to a lesser extent interbank funding, will remain higher than the average for the German market.

We see its funding metrics in line with peers, as highlighted by our stable funding ratio of 110% for HCOB as of end-2021 and a funding base that consists about half of customer deposits, which are increasingly franchise based. This compares against a comfortable regulatory net stable funding ratio at 114% as of end-2021 and 122% as of June 2022.

Our assessment of HCOB's liquidity as adequate primarily reflects the bank's comfortable liquidity reserves that we expect to largely persist after the successful transformation. HCOB's broad liquid assets-to-short-term wholesale funding ratio amounted to a solid 1.8x in 2021. This compares with a regulatory liquidity coverage ratio of 164x.

We note that despite access to U.S. dollar deposits, HCOB relies on a functioning swap market, given its limited funding franchise in dollars to finance its shipping-related dollar assets. However, we expect dollar liquidity to be

supported by central bank swap lines for the broader banking sector in Europe. Considering all aspects, we expect HCOB could likely survive for more than six months without access to market funding under stressful conditions.

## Support: No Support For ALAC

In May 2022, we removed uplift for additional loss-absorbing capacity (ALAC) from our issuer credit rating on HCOB and withdrew our 'BBB+/A-2' resolution counterparty ratings.

We believe that the Single Resolution Board (SRB) would put HCOB into modified liquidation if the bank failed following our observation of a reduction in HCOB's minimum requirement for own funds and eligible liabilities to 6.1% from 8.4%. We removed ALAC uplift since we concluded that the SRB would be unlikely to use these subordinated buffers to ensure full and timely payment to senior preferred creditors.

Considering the reduced size and complexity of the bank and its niche profile, we now consider it likely that the SRB would not employ resolution tools on the bank if it failed. As a result, and while we acknowledge the large buffer of subordinated instruments provides potentially significant recovery protection to senior preferred creditors, we consider it unlikely that the resolution authority's actions would ensure timely payment to these creditors and hence avoid default on these obligations.

## Environmental, Social, And Governance (ESG)

### ESG Credit Indicators

E-1	<b>E-2</b>	E-3	E-4	E-5	S-1	<b>S-2</b>	S-3	S-4	S-5	G-1	<b>G-2</b>	G-3	G-4	G-5
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ESG credit indicators provide additional disclosure and transparency at the entity level and reflect S&P Global Ratings' opinion of the influence that environmental, social, and governance factors have on our credit rating analysis. They are not a sustainability rating or an S&P Global Ratings ESG Evaluation. The extent of the influence of these factors is reflected on an alphanumerical 1-5 scale where 1 = positive, 2 = neutral, 3 = moderately negative, 4 = negative, and 5 = very negative. For more information, see our commentary "ESG Credit Indicators: Definition And Applications," published Oct. 13, 2021.

ESG factors are neutral in our assessment of HCOB's credit worthiness and broadly in line with industry peers.

Like its peers, the bank is exposed to transition risks in its lending portfolio, particularly in its sizable shipping portfolio. Increasing environmental challenges for the shipping industry, and new regulations are putting pressure on the economic lifetimes and essentially collateral values of ships. Environmental regulation could also affect collateral values in commercial real estate if older assets turn out to be less attractive. However, we expect that this will not have a material negative effect on HCOB's existing loan portfolio.

The bank has governance standards in line with peers and exhibits disciplined strategic execution and operational control under private-equity ownership.

## Key Statistics

**Table 1**

<b>Hamburg Commercial Bank AG--Key Figures</b>					
	<b>--Year-ended Dec. 31--</b>				
<b>(Mil. €)</b>	<b>2022*</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Adjusted assets	30,304	30,237	33,800	47,706	55,113
Customer loans (gross)	20,211	20,198	22,478	30,708	32,791
Adjusted common equity	4,900	4,339	4,074	3,918	3,962
Operating revenues	360	672	652	741	709
Noninterest expenses	195	431	446	559	558

\*Data as of June 30.

**Table 2**

<b>Hamburg Commercial Bank AG--Business Position</b>					
	<b>--Year-ended Dec. 31--</b>				
<b>(%)</b>	<b>2022*</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Total revenues from business line (mil. €)	360.0	745.0	911.0	872.0	1,718.0
Commercial banking/total revenues from business line	70.6	70.2	56.6	66.6	30.2
Trading and sales income/total revenues from business line	48.1	18.4	4.2	11.0	N/A
Other revenues/total revenues from business line	(18.6)	11.4	39.2	22.4	69.8
Investment banking/total revenues from business line	48.1	18.4	4.2	11.0	N/A
Return on average common equity	8.5	7.7	2.3	0.3	1.6

\*Data as of June 30. N/A--Not applicable.

**Table 3**

<b>Hamburg Commercial Bank AG--Capital And Earnings</b>					
	<b>--Year-ended Dec. 31--</b>				
<b>(%)</b>	<b>2022*</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Tier 1 capital ratio	24.2	28.9	27.0	18.5	18.4
S&P Global Ratings' RAC ratio before diversification	N/A	19.0	16.0	11.6	12.9
S&P Global Ratings' RAC ratio after diversification	N/A	16.8	14.7	10.9	12.4
Adjusted common equity/total adjusted capital	100.0	100.0	100.0	100.0	84.5
Net interest income/operating revenues	79.4	76.9	85.1	67.7	83.2
Fee income/operating revenues	5.0	5.7	7.4	8.2	4.9
Market-sensitive income/operating revenues	0.0	10.9	(3.2)	10.9	(6.1)
Cost to income ratio	54.2	64.1	68.4	75.4	78.7
Preprovision operating income/average assets	1.1	0.8	0.5	0.4	0.2
Core earnings/average managed assets	(0.0)	0.8	0.0	0.1	(0.3)

\*Data as of June 30. N/A--Not applicable. RAC--Risk-adjusted capital.

Table 4

Hamburg Commercial Bank AG--Risk-Adjusted Capital Framework Data					
(Mil. €)	Exposure*	Basel III RWA	Average Basel III RW(%)	S&P Global Ratings' RWA	Average S&P Global Ratings' RW (%)
<b>Credit risk</b>					
Government and central banks	6,297.0	0.0	0.0	125.5	2.0
Of which regional governments and local authorities	67.0	0.0	0.0	2.4	3.6
Institutions and CCPs	4,443.3	512.5	11.5	781.5	17.6
Corporate	20,663.0	7,937.5	38.4	16,371.9	79.2
Retail	11.0	0.0	0.0	6.6	60.0
Of which mortgage	0.0	0.0	0.0	0.0	0.0
Securitization§	832.0	187.5	22.5	137.0	16.5
Other assets†	1,180.0	550.0	46.6	2,224.5	188.5
Total credit risk	33,426.3	9,187.5	27.5	19,647.0	58.8
<b>Credit valuation adjustment</b>					
Total credit valuation adjustment	--	137.5	--	0.0	--
<b>Market risk</b>					
Equity in the banking book	309.0	475.0	153.7	841.8	272.4
Trading book market risk	--	600.0	--	900.0	--
Total market risk	--	1,075.0	--	1,741.8	--
<b>Operational risk</b>					
Total operational risk	--	950.0	--	1,411.3	--
	<b>Exposure</b>	<b>Basel III RWA</b>	<b>Average Basel II RW (%)</b>	<b>S&amp;P Global Ratings' RWA</b>	<b>% of S&amp;P Global Ratings' RWA</b>
<b>Diversification adjustments</b>					
RWA before diversification	--	14,026.0	--	22,800.0	100.0
Total diversification/ concentration adjustments	--	--	--	3,062.8	13.4
RWA after diversification	--	14,026.0	--	25,862.9	113.4
		<b>Tier 1 capital</b>	<b>Tier 1 ratio (%)</b>	<b>Total adjusted capital</b>	<b>S&amp;P Global Ratings' RAC ratio (%)</b>
<b>Capital ratio</b>					
Capital ratio before adjustments		4,055.0	28.9	4,339.0	19.0
Capital ratio after adjustments‡		4,055.0	28.9	4,339.0	16.8

\*Exposure at default. §Securitization exposure includes the securitization tranches deducted from capital in the regulatory framework. †Exposure and S&P Global Ratings' risk-weighted assets for equity in the banking book include minority equity holdings in financial institutions.

‡Adjustments to tier 1 ratio are additional regulatory requirements (e.g. transitional floor or pillar 2 add-ons). RWA--Risk-weighted assets. RW--Risk weight. RAC--Risk-adjusted capital. Sources: Company data as of Dec. 31, 2021, S&P Global Ratings.

Table 5

Hamburg Commercial Bank AG--Risk Position					
(%)	--Year-ended Dec. 31--				
	2022*	2021	2020	2019	2018
Growth in customer loans	0.1	(10.1)	(26.8)	(6.4)	(16.3)

**Table 5**

<b>Hamburg Commercial Bank AG--Risk Position (cont.)</b>					
<b>(%)</b>	<b>--Year-ended Dec. 31--</b>				
	<b>2022*</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Total diversification adjustment/S&P Global Ratings' RWA before diversification	N/A	13.4	8.3	6.4	4.5
Total managed assets/adjusted common equity (x)	6.2	7.0	8.3	12.2	13.9
New loan loss provisions/average customer loans	(0.3)	(0.1)	0.7	(0.0)	0.9
Net charge-offs/average customer loans	(0.0)	(0.1)	0.0	0.0	(0.0)
Gross nonperforming assets/customer loans + other real estate owned	5.0	5.5	5.6	4.7	7.5
Loan loss reserves/gross nonperforming assets	40.6	40.3	44.8	48.6	33.6

\*Data as of June 30. N/A--Not applicable. RWA--Risk-weighted assets.

**Table 6**

<b>Hamburg Commercial Bank AG--Funding And Liquidity</b>					
<b>(%)</b>	<b>--Year-ended Dec. 31--</b>				
	<b>2022*</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Core deposits/funding base	50.8	45.8	48.1	62.7	64.0
Customer loans (net)/customer deposits	160.4	177.3	167.2	125.2	113.8
Long-term funding ratio	92.6	87.3	90.7	91.9	91.5
Stable funding ratio	114.5	109.8	107.8	111.4	115.0
Short-term wholesale funding/funding base	8.9	15.1	10.8	9.0	9.5
Regulatory net stable funding ratio	122.0	114.0	111.0	114.0	121.0
Broad liquid assets/short-term wholesale funding (x)	3.0	1.8	2.0	3.0	3.2
Broad liquid assets/total assets	21.7	22.3	17.7	21.4	24.2
Broad liquid assets/customer deposits	53.3	60.5	45.7	42.6	47.4
Net broad liquid assets/short-term customer deposits	47.7	36.7	30.5	39.8	43.7
Regulatory liquidity coverage ratio (LCR) (x)	163.0	164.0	171.0	165.0	225.0
Short-term wholesale funding/total wholesale funding	18.1	27.8	20.8	24.1	25.2
Narrow liquid assets/3-month wholesale funding (x)	33.0	5.5	5.2	9.3	8.1

\*Data as of June 30.

### **Hamburg Commercial Bank AG--Rating Component Scores**

<b>Issuer Credit Rating</b>	<b>BBB/Stable/A-2</b>
SACP	bbb
Anchor	bbb+
Economic risk	3
Industry risk	4
Business position	Constrained
Capital and earnings	Very strong
Risk position	Moderate
Funding	Adequate
Liquidity	Adequate
Comparable ratings analysis	0
Support	0



**Hamburg Commercial Bank AG--Rating Component Scores (cont.)**

<b>Issuer Credit Rating</b>	<b>BBB/Stable/A-2</b>
ALAC support	0
GRE support	0
Group support	0
Sovereign support	0
Additional factors	0

ALAC--Additional loss-absorbing capacity. GRE--Government-related entity. SACP--Stand-alone credit profile.

**Related Criteria**

- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

**Related Research**

- The Resolution Story For Europe's Banks: The Final Push To Resolvability, Sept. 30, 202
- Hamburg Commercial Bank's Credit Quality Balanced For Now By Good Mid-Year Results And A Possible Dip In Capitalization; Aug 18, 2022
- Germany-Based Hamburg Commercial Bank 'BBB' Rating Affirmed On Removal Of ALAC Uplift; Outlook Stable, March 18, 2022
- Hamburg Commercial Bank's Switch To The Private Sector Deposit Protection Scheme Supports An Improving Funding Profile, Nov. 8, 2021
- Various German Banks Downgraded On Persistent Profitability Challenges And Slow Digitalization Progress, June 24, 2021
- Hamburg Commercial Bank AG And Deutsche Pfandbriefbank AG Ratings Removed From CreditWatch Negative And Affirmed, Dec. 15, 2020
- Hamburg Commercial Bank 'BBB/A-2' Ratings Placed On CreditWatch Negative On Resolution Strategy Uncertainty,, Aug. 27, 2020

**Ratings Detail (As Of November 21, 2022)\*****Hamburg Commercial Bank AG**

Issuer Credit Rating	BBB/Stable/A-2
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**Issuer Credit Ratings History**

18-Mar-2022	BBB/Stable/A-2
24-Jun-2021	BBB/Developing/A-2
15-Dec-2020	BBB/Negative/A-2
27-Aug-2020	BBB/Watch Neg/A-2
30-Mar-2020	BBB/Negative/A-2
06-Dec-2018	BBB/Stable/A-2

**Sovereign Rating**

Germany	AAA/Stable/A-1+
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\*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

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