

# Factsheet

August 18, 2022

## About us

Hamburg Commercial Bank (HCOB) is a private commercial bank and specialist financier headquartered in Hamburg, Germany. The bank offers its clients a high level of structuring expertise in the financing of commercial real estate projects with a focus on Germany as well as neighboring European countries. It also has a strong market position in international shipping. The bank is one of the pioneers in European-wide project financing for renewable energies and is also involved in the expansion of digital and other areas of important infrastructure. HCOB offers individual financing solutions for international corporate clients as well as a focused corporate client business in Germany. The bank's portfolio is complemented by digital products and services facilitating reliable, timely domestic and international payment transactions as well as for trade finance. Hamburg Commercial Bank aligns its activities with established ESG (Environment, Social, and Governance) criteria and has anchored sustainability aspects in its business model. It supports its clients in their transition to a more sustainable future.

## Key Credit Strengths

- ✔ Robust and resilient capitalization well above regulatory requirements and peers, with significantly increasing capital generation capacity
- ✔ 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
- ✔ Significant 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. (inkl. P.S.K. Beteiligungs- verwaltung GmbH)	HCOB Current and former Management Board Members (who are or were in office from November 2018)
Promontoria Holding 221 B.V.	Promontoria Holding 231 B.V.	Promontoria Holding 233 B.V.	JCV IV Neptun Holdings S.à r.l.	Golden Tree Asset Management Lux S.à r.l.	Chi Centauri LLC		
9.87%	13.86%	18.69%					
<b>42.41%</b>			<b>34.93%</b>	<b>12.47%</b>	<b>7.48%</b>	<b>2.49%</b>	<b>0.20%</b>

## Segment Overview & Asset Mix

Real Estate	Shipping	Project Finance	Corporates
<ul style="list-style-type: none"> <li>▪ Highly recognized German real estate specialist with strong market and client coverage – franchise has view on ~1/3 of all new German CRE lending opportunities</li> <li>▪ Financing of existing properties, refurbishments and developments</li> <li>▪ Positioning to grow as ESG transition leader given expertise in refurbishments and developments</li> <li>▪ HCOB differentiation through tailored offerings and entrepreneurial view on value-add deals</li> <li>▪ Experienced market specialists with deep CRE expertise &amp; experience enable above market risk-adjusted returns</li> </ul>	<ul style="list-style-type: none"> <li>▪ HCOB is a leading player in global ship financing with a focus on second-hand ships with superior risk/return dynamics</li> <li>▪ Mix of asset-backed and corporate financings with a well-diversified portfolio of containers, bulkers and tankers</li> <li>▪ Participating in ESG transition financing to achieve net-zero requirements</li> <li>▪ Long relationships with high quality clients in Germany and Greece deliver privileged access to consistent deal flow</li> <li>▪ Well-established business model focused on short durations &amp; high collateral ship financings to reduce risks and quickly react to changing markets</li> </ul>	<ul style="list-style-type: none"> <li>▪ Focused on financing attractive infrastructure and renewables projects in Western, Northern and Southern Europe</li> <li>▪ Leader in digital infrastructure with strong, early-mover track record</li> <li>▪ Strong ESG footprint with renewable energy portfolio &amp; capabilities</li> <li>▪ Broad client base in chosen segments with proprietary access to deal flow (developers, PE/ infrastructure funds, manufacturers, contractors, utilities &amp; independent power producers)</li> <li>▪ Extraordinary loss experience...no losses in Project Finance in over 10 years</li> </ul>	<ul style="list-style-type: none"> <li>▪ Diversifying corporate strategies by German and International Corporates</li> <li>▪ Focus on lending clients in Northern German region with service &amp; expertise approach</li> <li>▪ Large portion of clients in Germany are family-owned companies with typically long-standing HCOB relationships</li> <li>▪ Diversified international approach with wide range of credit products, countries &amp; sectors</li> <li>▪ Highly skilled, lean and transaction-focused team with broad network to identify and capture market opportunities quickly in International Corporates</li> </ul>
<ul style="list-style-type: none"> <li>➔ Assets: € 7.9bn</li> <li>➔ RWA: € 5.1bn</li> <li>➔ Net Income: € 40mn</li> <li>➔ RoE<sup>1</sup>: 12%</li> </ul>	<ul style="list-style-type: none"> <li>➔ Assets: € 3.8bn</li> <li>➔ RWA: € 3.4bn</li> <li>➔ Net Income: € 38mn</li> <li>➔ RoE<sup>1</sup>: 19%</li> </ul>	<ul style="list-style-type: none"> <li>➔ Assets: € 3.6bn</li> <li>➔ RWA: € 2.3bn</li> <li>➔ Net Income: € 10mn</li> <li>➔ RoE<sup>1</sup>: 7%</li> </ul>	<ul style="list-style-type: none"> <li>➔ Assets: € 4.0bn</li> <li>➔ RWA: € 3.8bn</li> <li>➔ Net Income: € 16mn</li> <li>➔ RoE<sup>1</sup>: 7%</li> </ul>

1) RoE after taxes based on CET1 ratio of 13%

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## Highlights H1 2022




- **Earnings:** € 178mn profit before tax...€ 207mn net income in H1 22, based on sound NII trajectory
- **RoE:** 20.5% RoE after tax (17.6% before tax) based on 13% CET1 ratio...1.4% RoA highlights profitability of b/s
- **NIM:** Expansion continues through pricing discipline & favorable duration profile...164 bps b/s in H1 22 (vs. 136 bps in H1 21)
- **NPE:** Risk very well managed...NPE reduced to 1.3% at H1 22 (vs. 1.4% at YE21)
- **Expenses:** Investing in IT and people, while maintaining cost discipline...€ 150mn OpEx in H1 22 (stable vs. H1 2021, -2%)
- **New Business:** € 2.9bn gross new business in H1 22...€ 1.1bn increase from H1 21 (up 60%+)
- **Capital:** 24.2% CET1 ratio (vs. 28.9% at YE21) reflects shift to risk model foundation approach and associated uplift in RWA of 9% (€ 14.8bn to € 16.1bn)...Leverage ratio at ~13%
- **Fortress b/s to weather adverse macro environment**, sound trajectory for recurring earnings (NII) and high LLP buffers provide cushion against potential negative P/L effects
- **Committed to moderate balance sheet growth** in mid-term plan lead by our core franchises...Real Estate, Shipping, Project Finance & Corporates and diversifying the business model. Reflected in H1 22 new business growth trajectory
- **Established dividend policy in H1 22 designed to normalize capital position** to still very strong level of >17% CET1...plan to distribute dividend in H1 23 subject to business performance and market conditions

## Key Financials: YE 21/ H1 22 and Outlook 2022-24 – Moderate growth & recurring profitability

(Figures in € mn, unless stated)

		2021	H1 22	2022	2023	2024	Key levers / highlights
<b>Increasing Revenues and Profitability</b>	<b>Total income</b>	642	304	>625	>750	>800	<ul style="list-style-type: none"> <li>▪ Well positioned for core earnings growth, higher Total Income and NII expected</li> <li>▪ Increasingly diversified earnings profile while maintaining core franchises</li> <li>▪ Net income in '21 and '22 benefits from tax effects, normalized tax rate starting '23</li> <li>▪ Strong profitability metrics, covering cost of capital, underpin strengthening of ratings and funding franchise</li> </ul>
	<b>Net interest margin<sup>1</sup> (bps)</b>	145	164	~170	~200	~220	
	<b>PBT</b>	299	178	>300	>350	>400	
	<b>Net income</b>	351	207	~350	>300	>300	
	<b>RoE post-tax<sup>2</sup> (%)</b>	18.4	20.5	~16	~12	~12	
<b>Operating Efficiency</b>	<b>Cost-income ratio (%)</b>	50	44	46	40-42	40-42	<ul style="list-style-type: none"> <li>▪ Strict cost management while investing in capabilities and people as growth enablers. Full normalization of run-the-bank (RTB) costs in 2023</li> </ul>
<b>Strong Balance Sheet &amp; Risk Management</b>	<b>Total assets (€ bn)</b>	30.3	30.3	~32	~34	~35	<ul style="list-style-type: none"> <li>▪ Shift towards selective growth</li> <li>▪ Strong risk management continues to reduce NPE volume and remains conservative regarding risk provisioning</li> <li>▪ Capital usage from b/s growth &amp; higher RWA from A-IRB to F-IRB risk models. Updated guidance reflects dividend policy</li> </ul>
	<b>NPE ratio (%)</b>	1.4	1.3	1.2	1.4	1.4	
	<b>CET1 ratio (%)</b>	28.9	24.2	>17 <sup>3</sup>	>17 <sup>3</sup>	>17 <sup>3</sup>	

## Ratings

Credit-Ratings <sup>4</sup>	Moody's	S&P	Sustainability-Ratings		
Deposit Rating	Baa1	–		2020 14	2021 12.9
Issuer Credit Rating (Long-Term)	Baa1 / positive	BBB / stable			2020 BB
Short-term Debt	P-2	A-2			2020 29
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	A1	–			

Updated on 7<sup>th</sup> of November 2022 | 1) Net interest margin equals core net interest income divided by avg balance sheet | 2) RoE after taxes based on CET 1 ratio of 13% | 3) CET1 guidance including dividend assumptions and subject to dividend policy based on YE22 financial results | 4) See also latest publications by the rating agencies on the Hamburg Commercial Bank's website: <https://www.hcob-bank.de/en/investoren/rating/rating/>