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Press release

Hamburg Commercial Bank with solid operating performance in the first half-year – pre-tax profit of EUR 129 million

- Sustainable operating income: net interest income up 29% – total income of EUR 383 (H1 2023: 375) million
- Group net result of EUR 111 (178) million
- Noticeable burden from one-off effect of EUR totaling 62 million
- CET1 ratio at a strong level of 17.1% (31/12/2023: 19.5%)
- Portfolio acquisition strengthens Shipping business

HAMBURG/GERMANY – Hamburg Commercial Bank AG (HCOB) presented its financial figures for the first half of 2024 on Thursday and reported **net income before taxes** of EUR 129 (prior-year period: 230) million. A positive development in the client business and strict cost discipline contributed to the solid result. At the same time, a negative one-off effect outside the ordinary course of business had a noticeable impact on the result, leading to an adjustment of the earnings forecast for the full year. The bank maintained its capital and liquidity positions at a high level.

"Hamburg Commercial Bank has made a good operational start to the current year, with positive margin development in all client segments," said Ulrik Lackschewitz, Chief Executive Officer of Hamburg Commercial Bank. "Our diversified and resilient business model is sustainably profitable, and we have further strengthened our earnings base with the acquisition of the shipping portfolio in June."

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Solid operating business development – one-off effect burdens

Net income before taxes amounted to EUR 129 (230) million as at June 30, 2024 and benefited in particular from a significant increase in net interest income in the client business. This was offset by the expected increase in loan loss provisioning compared to the first half of 2023 and the fair value result, which was significantly lower than in the previous year. In addition, one-off and unplanned provisions in relation to a legacy legal case had a noticeable negative impact on the group net result. After taking into account **income tax expenses** of EUR 18 (52) million, the **group net result** after taxes amounted to EUR 111 (178) million. The **return on equity** (RoE) after taxes[1] decreased to 9.7% (30/06/2023: 16.8%), mainly due to the aforementioned negative one-off effect outside the ordinary course of business.

Total income rose by 2% to EUR 383 (375) million and was driven by a 29% increase in **net interest income** to EUR 376 (292) million as net interest margins continued to rise. **Net commission income** increased slightly to EUR 12 (11) million, benefiting primarily from higher commission income in the lending business. The fair value result (**result from financial**

instruments categorized as FVPL) was slightly negative at EUR -4 million, whereas it had made an exceptionally strong contribution of EUR 73 million to total income in the prior-year period. The decline is due to significantly lower income from interest rate and credit spread developments as well as lower earnings contributions from hedging the bank book, witch were partially offset by positive effects on net interest income.

Loan loss provisions continued to be affected by the challenging conditions on the real estate markets and were in line with expectations, with net additions of EUR 40 million. In the prior-year period, net reversals of loan loss provisions in the amount of EUR 2 million made a positive contribution to the group net result.

Administrative expenses amounted to EUR 168 (156) million, up 8% on the prior-year period, with 4% of the increase due to a one-off for provisions for legal fees in connection with a legacy legal case. Operating expenses rose by EUR 1 million to EUR 88 (87) million, which reflects the bank's strict cost management, given that the aforementioned provisions amounted to EUR 6 million. The personnel expenses amounted to EUR 80 (69) million. The increase is attributable to the growth of the workforce to 909 (30/06/2023: 863) full-time employees (FTE) and salary increases.

The **other operating result** of EUR -38 (29) million had a noticeable negative impact on the group net result and was influenced by the aforementioned one-off effect outside the ordinary course of business: The bank recognized additions to provisions in the amount of EUR 56 million for a litigation risk in connection with a legacy legal case. This was offset by income from an earn-out agreement in the amount of EUR 17 million.

Expenses for regulatory affairs, deposit guarantee fund and banking associations amounted to EUR 8 (20) million and are made up almost exclusively of the annual contribution for the deposit guarantee fund, a bank levy has not been charged for 2024.

The **cost-income ratio** (CIR) was 49% (31/12/2023: 39%) and was significantly negatively impacted by the above-mentioned one-off effect. Excluding this one-off effect, the CIR was 40%.

NPE ratio stable – comfortable risk coverage – slight increase in total assets

Despite ongoing challenges on the real estate markets, the **NPE ratio** remained stable at 2.3% in the reporting period (31/12/2023: 2.3%). As at December 31, 2023, around 0.4 percentage points of this was attributable to the bank’s only loan to Signa Group, which is secured by a mortgage of HCOB’s headquarters in Hamburg. The systematic reduction of non-performing exposures (NPE) in the first half of the year largely compensated for a manageable amount of new defaults. As a result, the **NPE volume** increased only slightly to EUR 813 million (31/12/2023: EUR 800 million).

As at June 30, 2024, HCOB had a comfortable stock of **loan loss provisions** of EUR 382 million (31/12/2023: EUR 366 million) to cover the impact of potential adverse economic developments. At EUR 78 (85) million, the included model overlays remained at a similar level to the end of 2023, due in particular to a sustained high level of uncertainty on the real estate markets.

Total assets increased by around 3% to EUR 32.3 (31.5) billion, with an increase in loans and advances to customers. Aggregate RWA increased to EUR 18.5 (31/12/2023: 16.5) billion, partly due to the purchase of a shipping loan portfolio. In the same context, the **CET1 ratio** declined, but remained at a high level of 17.1% (31/12/2023: 19.5%). At a strong 8.7% (31/12/2023: 9.1%), the **leverage ratio** was significantly above the regulatory requirements.

Lending units: Total income up 8% – positive margin development – new segment

Total income in the client business rose by a total of 8% to EUR 344 (318) million as a result of wider net interest margins in all four **lending segments**, while additions to loan loss provisions and higher costs partially offset the positive earnings development. Earnings after taxes for all lending units amounted to EUR 112 (132) million. With a volume of EUR 2.9 (3.0) billion, new business (excluding the acquired shipping portfolio) was almost at the level of the prior-year period, while segment assets (including the shipping portfolio) increased to EUR 21.0 (31/12/2023: 19.6) billion.

Against the backdrop of challenging developments on the real estate markets, the **Real Estate segment** was managed risk-conscious and focused on the existing portfolio. In line with the bank's selective approach, the volume of new business amounted to EUR 0.3 (0.7) billion and segment assets decreased to EUR 7.5 (31/12/2023: 7.8) billion. Total income rose to EUR 98 (95) million, offset by additions to loan loss provisions due to the difficult market situation. Earnings after taxes in the segment amounted to EUR 2 (6) million.

The Shipping and Aviation units were combined in the new **Global Transportation segment**, which generated earnings after taxes of EUR 32 (41) million in the first half of 2024. Total income of EUR 74 (87) million was marked by early loan repayments in the Shipping unit and a resulting decline in net interest income. Focused gross new business of EUR 0.6 (0.7) billion was concluded in the Shipping unit, while initial new business totaling EUR 0.1 (0) billion was signed in the recently established Aviation unit. Segment assets in the new segment amounted to EUR 3.3 (31/12/2023: 2.4) billion, including the aforementioned acquired shipping loan portfolio with a volume of EUR 0.9 billion.

The **Project Finance segment** generated earnings after taxes of EUR 18 (38) million, with earnings in the prior-year period having benefited significantly (EUR 25 million) from net reversals of loan loss provisions. In the first half of 2024, additions to loan loss provisions had a negative impact of EUR -4 million on the segment result. Total income developed positively and rose to EUR 50 (45) million. At EUR 0.6 (0.6) billion, new business with a focus on infrastructure projects remained at the level of prior-year period and segment assets increased moderately to EUR 3.6 (31/12/2023: 3.4) billion.

In the **Corporates segment**, earnings after taxes rose considerably to EUR 60 (47) million, driven by a positive margin trend and a noticeable increase in total income to EUR 122 (91) million. At EUR 1.3 (0.9) billion, gross new business with German and international corporate clients grew considerably, causing segment assets to rise to EUR 6.6 (31/12/2023: 6.0) billion and contributing significantly to the further diversification of the loan book.

Management Board changes – shipping portfolio acquisition – liabilities side diversified

Ulrik Lackschewitz, long-standing Chief Risk Officer (CRO) of HCOB, has also been the interim Chief Executive Officer (CEO) of the bank since April 1, 2024. At the same time, Chief Financial Officer (CFO) Marc Ziegner took on the role of Deputy CEO on an interim basis. On September 1, 2024, Luc Popelier will assume the position of CEO of HCOB and Ulrik Lackschewitz will again become Deputy CEO alongside his role as CRO.

In June, HCOB acquired a shipping loan portfolio with a volume of EUR 0.9 billion from the Dutch bank NIBC. By purchasing these exclusively performing loans, HCOB has supplemented its existing shipping portfolio and strengthened its franchise in the European market. HCOB now has an experienced shipping team at a newly established representative office in Amsterdam.

On the liabilities side, HCOB further strengthened its diversified refinancing structure in the first half of the year through granular client deposits and two benchmark bonds issued on the capital market. A ship mortgage bond (Schiffspfandbrief) was issued in January and a senior preferred bond in April, followed by another senior non-preferred bond in July. With these issues, the bank has further expanded its national and international investor base.

Outlook

The sound operating performance in the first half of the year confirms Hamburg Commercial Bank's sustainable earnings base, efficiency and robust positioning. In light of the unplanned negative one-off effect for a legacy legal case, the bank is adjusting its forecast for 2024 and now expects to achieve IFRS net income before taxes in excess of EUR 250 million (previously > EUR 300 million). Given the persistently challenging environment on the real estate markets, HCOB will continue its systematic reduction of non-performing exposures in the second half of the year.

All forecasts are subject to any unforeseeable or significantly more adverse than expected effects, for example from economic or geopolitical developments.

Group statement of income (IFRS) HY 2024

(€ million)	January- June 2024	January – June 2023	Change in %
Interest income from financial assets categorised as AC and FVOCI	849	654	30
Interest income from other financial instruments	45	25	80
Interest expenses	- 518	- 388	34
Positive interest on borrowings and derivatives	–	1	- 100
Net interest income	**376**	**292**	**29**
Net commission income	12	11	9
Result from hedging	- 4	6	>-100
Result from financial instruments categorised as FVPL	- 4	73	>-100
Net income from financial investments	1	–	-
Result from the disposal of financial assets classified as AC	2	- 7	>100
Total income	**383**	**375**	**2**
Loan loss provisions	- 40	2	>100
Total income after loan loss provisions	**343**	**377**	**- 9**
Administrative expenses	- 168	- 156	8
Other operating result	- 38	29	>-100
Expenses for regulatory affairs, deposit guarantee fund and banking associations	- 8	- 20	- 60
Net income before taxes	**129**	**230**	**- 44**
Income tax expense	- 18	- 52	- 65
Group net result	**111**	**178**	**- 38**
Group net result attributable to HCOB's shareholders	111	178	- 38

Further key figures of the Group	30/06/2024	31/12/2023
Total assets (€ bn)	32.3	31.5
RWA (€ bn)	18.5	16.5
CET1 capital ratio (%)	17.1[2]	19.5[3]
Overall capital ratio (%)	22.1[2]	25.0[3]
Return on equity (RoE) before / after taxes[1] (%)	11.3 / 9.7	21.7 / 16.8[4]
Leverage ratio (%)	8.7[2]	9.1[3]
Liquidity coverage ratio (%)	196	184
Net stable funding ratio (%)	113	116
Employees (FTE)	909	863[4]

1) RoE before/after taxes based on standardized regulatory capital backing (average RWA and CET1 ratio of 13%) | 2) Profits for the first half of 2024 have not been taken into account | 3) Dividend payment made in 2024 was taken into account in advance in the CET 1 capital as at 31/12/2023 | 4) As at half-year 2023

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