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Press release

Preliminary result 2024: Hamburg Commercial Bank with solid operating performance

- Total income rose to EUR 783 (2023: 762) million – net interest income up 13% to EUR 752 (663) million
- Group net result of EUR 228 (271) million
- Significant burden from one-off provisions
- CET1 ratio at a strong level of 17.3%
- CEO Luc Popelier: “Further increase in underlying earnings – very strong capital and liquidity metrics – sound profitability”

HAMBURG/GERMANY – Hamburg Commercial Bank AG (HCOB) presented its preliminary financial figures for the 2024 financial year on Thursday and reported IFRS **net income before taxes** of EUR 248 (prior-year: 427) million. A sustained positive development in the client business with a further increase in recurring income contributed to the result, while high one-off provisions had a noticeable negative impact. Asset quality improved due to proactive portfolio management, and the bank maintained its capital and liquidity metrics at a high level.

“Hamburg Commercial Bank performed well operationally in 2024 and the excellent key figures for liquidity, portfolio quality and capital also reaffirm our diversified business approach,” said Luc Popelier, Chief Executive Officer of Hamburg Commercial Bank. “Our results were significantly burdened by high one-off provisions in the 2024 financial year. Based on our solid sustainable earnings base, strict cost management and excluding negative one-offs, we expect a pre-tax profit of above EUR 300 million for the financial year 2025.”

Solid operational performance – one-off effects have noticeable negative impact

Net income before taxes of EUR 248 (427) million was characterized by a solid operating business performance but significantly impacted by negative non-operating one-off effects totaling EUR 106 million. In the previous year, the pre-tax result had benefited strongly from positive one-off effects totaling EUR 94 million. At EUR 20 (156) million, **income tax expenses** were significantly lower than in the previous year, resulting in a **group net result after taxes** of EUR 228 (271) million.

Total income rose to EUR 783 (762) million and reflects the continuation of the sound multi-year trajectory in **net interest income**, which developed very favorably and above plan with an increase of 13% to EUR 752 (663) million. **Net commission income** rose to EUR 26 (23) million, benefiting from higher fee income in lending and trade finance.

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The fair value result (**result from financial instruments categorized as FVPL**) amounted to EUR -7 million, compared to an exceptionally strong contribution to total income of EUR 72 million in the previous year. The decline was driven by lower income from the USD hedge of the bank book as well as lower earnings contributions from interest rate hedge derivatives, which were partially offset by positive effects on net interest income.

Loan loss provisions of EUR 95 (79) million were, as expected, higher than in the previous year, with significantly lower (but still relatively high) provisions in the Real Estate segment offset by a switch from a release of provisions in 2023 to additional provisions in 2024 for mainly the Corporates and Project Finance segments.

Administrative expenses amounted to EUR 350 (332) million, with the increase entirely due to a one-off provision in personnel expenses, which totaled EUR 184 (147) million. The additions to provisions amounted to EUR 18 million for potential severance payments in connection with amicable terminations of employment. The provisions were formed as the bank aims to reduce its headcount by around 70 FTEs in order to further optimize its cost base. As at 31 December 2024, the bank employed 934 FTEs (31/12/2023: 907). In addition to this one-off effect, a larger number of employees, particularly in more cost-intensive locations, as well as salary increases, resulted in higher personnel expenses. However, overall operational expenses remained flat excluding the one-off in personnel expenses. This is the result of a 10% reduction in non-personnel operating expenses to EUR 166 (185) million achieved through strict cost management, particularly in projects.

The **other operating result** of EUR -81 million had a significant negative impact on net income before taxes, compared to a strong positive contribution of EUR 97 million in the previous year. Both years were almost exclusively characterized by non-operational one-off effects: In the year under review, one-off provisions for legal risks (incl. legal fees) amounting to EUR 105 million had a negative impact. This was offset by one-off income from an earn-out agreement of EUR 17 million. In the previous year, positive one-off effects of EUR 94 million contributed significantly to the other operating result.

Expenses for regulatory affairs, deposit guarantee fund and banking associations amounted to EUR 9 (21) million and mainly comprised the annual contribution to the deposit guarantee fund. The reduction of regulatory expenses was driven by a lack of contribution to the bank levy for the completed Single Resolution Fund (SRF) managed by the Single Resolution Board (SRB).

The **cost-income ratio** (CIR) was 50 (39) % and was significantly impacted by the aforementioned one-off effects in other operating result and administrative expenses. Excluding these one-offs, the CIR was 42%.

NPE ratio down to 1.9% – comfortable risk coverage – total assets up 7%

Despite the continued challenging conditions on the real estate markets, the **non-performing exposure** (NPE) was successfully reduced to EUR 686 (31/12/2023: 800) million through proactive portfolio management. The decrease was mainly driven by the value-preserving reduction of non-performing loans of EUR 462 million, which was set against a lower volume of new defaults; both reductions and new defaults occurred predominantly in the Real Estate segment. As a result, the **NPE ratio** improved noticeably by -0.4 percentage points to 1.9% (31/12/2023: 2.3%).

The stock of **loan loss provisions** remained at a comfortable level of EUR 347 (31/12/2023: 366) million.

Total assets increased by 7% to EUR 33.6 (31.5) billion. This was mainly due to organic growth in the loan book, particularly in the Project Finance and Corporates segments, and the acquisition of a shipping loan portfolio. Transactions in the Aviation segment, which was established at the end of 2023, also contributed moderately to the growth. On the liabilities side of the balance sheet, the bank successfully continued its diversification strategy and, in addition to the issuance of capital market bonds, continued to grow corporate and retail deposits.

RWA increased to EUR 18.2 (31/12/2023: 16.5) billion mainly due to the aforementioned portfolio acquisition, organic RWA growth, changed risk weight density mix, and FX-effects due to a stronger US-Dollar. The **CET1 ratio** decreased accordingly but, at 17.3% (31/12/2023: 19.5%), was above its strategic target level. The **leverage ratio** remained significantly above the regulatory requirements at 9.0% (31/12/2023: 9.1%).

Lending units: positive earnings development – total income up 8%

Overall, income from customer business increased substantially across all four credit segments, rising by 8% to a total of EUR 729 (677) million. This encouraging income trend was also reflected in higher profit after tax of EUR 239 (199) million, despite a slight increase in loan loss provisions and almost stable costs. At EUR 6.1 (6.2) billion, new business was roughly on a par with the previous year and led to segment assets of EUR 21.6 (31/12/2023: 19.6) billion. The increase of EUR 2.0 billion reflects organic growth in all lending segments (except Real Estate) as well as the acquisition of a shipping loan portfolio with a volume of EUR 0.9 billion.

Against the backdrop of challenging developments in the real estate markets, the **Real Estate segment** was managed very prudently and focused mainly on the existing portfolio. In line with the bank's selective approach, the volume of new business amounted to EUR 1.0 (1.6) billion and segment assets decreased to EUR 7.4 (31/12/2023: 7.8) billion. Total income came to EUR 207 (209) million, while additions to loan loss provisions were noticeably lower than in the previous year, making this segment profitable again with earnings after taxes of EUR 30 (-53) million.

The **Global Transportation segment**, which comprises Shipping and Aviation units, generated earnings after taxes of EUR 64 (81) million and was characterized by a year-on-year decline in net interest income as a result of margin compression, which is reflected in the total income of EUR 161 (180) million. In the Global Transportation segment, new business totaling EUR 1.8 (1.3) billion was concluded (excluding the acquired shipping portfolio), of which EUR 1.4 (1.3) billion was signed in the Shipping and 0.4 (0) in the Aviation unit. Segment assets grew to EUR 3.7 (31/12/2023: 2.4) billion, largely due to the aforementioned shipping loan portfolio acquisition and the scaling up of the aviation portfolio.

The **Project Finance segment** generated earnings after taxes of EUR 47 (69) million. This was due to an increased total income of EUR 107 (102) million, with very limited loan loss provisions after comparatively high net reversals in the previous year. New business increased to EUR 1.2 (1.0) billion, with a focus on infrastructure projects, and segment assets increased to EUR 3.9 (31/12/2023: 3.4) billion.

Earnings after taxes in the **Corporates segment** amounted to EUR 98 (102) million, benefiting from a noticeable increase in total income to EUR 254 (186) million, mainly driven by international clients business. Normalized additions to loan loss provisions burdened the result, whereas reversals had made a significant positive contribution to the result in the previous year. At EUR 2.1 (2.3) billion, gross new business with German and international corporate clients nearly reached the previous year's figure. Segment assets increased to EUR 6.6 (31/12/2023: 6.0) billion.

Management Board changes – shipping portfolio acquisition – liabilities further diversified

Luc Popelier was appointed Chief Executive Officer of Hamburg Commercial Bank effective 1 September 2024. He took over from Chief Risk Officer Ulrik Lackschewitz, who had also served as interim CEO since April 2024.

In June, HCOB acquired a shipping loan portfolio with a volume of EUR 0.9 billion of exclusively performing loans, thereby strengthening its franchise in the European market. A new representative office was opened in Amsterdam to serve shipping clients.

HCOB strengthened its long-term funding and, in particular, broadened its international investor base with four well received benchmark issues totaling EUR 2.1 billion. In addition, the bank has been offering term deposits to retail investors since May 2024 via Raisin's “WeltSparen” platform, thereby increasing the granularity of its deposit structure.

Outlook

Hamburg Commercial Bank will continue to pursue its diversified, prudent business strategy and plans for moderate balance sheet growth. Based on its solid and sustainable earnings base and its clear focus on cost efficiency, the bank currently expects to be able to achieve IFRS net income before taxes of above EUR 300 million in the financial year 2025.

All forecasts are subject to any unforeseeable events and to effects that are significantly more adverse than expected, such as from economic or geopolitical developments.

Preliminary Group statement of income (IFRS) 2024

(€ million)	2024	2023	Change in %
Interest income from financial assets categorised as AC and FVOCI	1,711	1,447	18
Interest income from other financial instruments	98	65	51
Interest expenses	-1,057	-852	24
Positive interest on borrowings and derivatives	-	3	-100
Net interest income	**752**	**663**	**13**
Net commission income	26	23	13
Result from hedging	2	13	-85
Result from financial instruments categorised as FVPL	-7	72	>-100
Net income from financial investments	7	-3	>100
Result from the disposal of financial assets classified as AC	3	-6	>100
Total income	**783**	**762**	**3**
Loan loss provisions	-95	-79	20
Total income after loan loss provisions	**688**	**683**	**1**
Administrative expenses	-350	-332	5
Other operating result	-81	97	>-100
Expenses for regulatory affairs, deposit guarantee fund and banking associations	-9	-21	-57
Net income before taxes	**248**	**427**	**-42**
Income tax expenses	-20	-156	-87
Group net result	**228**	**271**	**-16**
Group net result attributable to Hamburg Commercial Bank shareholders	228	271	-16

Further preliminary key figures of the Group	31/12/2024	31/12/2023
Total assets (€ bn)	33.6	31.5
RWA (€ bn)	18.2	16.5
CET1 capital ratio (%)	17.3[2]	19.5[3]
Overall capital ratio (%)	22.4[2]	25.0[3]
Return on equity (RoE) after taxes[1] (%)	6.2	7.4
Leverage ratio (%)	9.0[2]	9.1[3]
Liquidity coverage ratio (%)	216	184
Net stable funding ratio (%)	116	116
Employees (FTE)	934	907

1) RoE after taxes based on balance sheet equity at the beginning of the year excluding proposed dividend. | 2) A proposed dividend is already deducted from CET1 capital; the dividend payment is subject to approval by the Annual General Meeting. | 3) The dividend payment of EUR 302 million Euro made in the 2024 financial year was taken into account in advance as a reduction in CET1 capital.

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