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Press release

2022 preliminary figures: Hamburg Commercial Bank achieves a strong group net result of EUR 425 million

- Income before taxes: EUR 363 (previous year: 299) million – group net result after taxes: EUR 425 (351) million
- Profitability further improved – net interest income up 19%
- Expected normalized CET1 ratio[1] of 20.5% (28.9%), which already anticipates a potential dividend distribution
- Return on Equity (RoE) after taxes[2]: 20.8% (18.4%)
- CEO Ian Banwell: "Result exceeds expectations, demonstrates strength of operating model and good portfolio quality with a very strong capital position"

HAMBURG – Hamburg Commercial Bank AG (HCOB) published its preliminary business figures for 2022 on Thursday, reporting a strong preliminary **group net result after taxes** of EUR 425 (previous year: 351) million. Major contributors to the higher-than-planned profit were a further improvement in profitability in the operating business, and a positive development in risk provisioning. The continued risk-conscious business policy has led to a further improvement in portfolio quality and risk coverage. As a result, HCOB considers itself well positioned to both pursue its commercial strategy and deal with a range of potential adverse macroeconomic developments across Europe.

"Our very encouraging preliminary financial results for 2022 are a testament to HCOB's operating strength and sustainable profitability – our diversification strategy is paying off. Our strong customer base and a clear, focused business model have underpinned our success. We remain focused on our moderate growth plan, despite the difficult economic environment", said Ian Banwell, CEO of Hamburg Commercial Bank. "We will continue to pursue our chosen course, aiming to excel as a modern commercial bank. To this end, we are investing firstly in our employees, which are highly motivated to continue HCOB's success story. Secondly, we are investing in the continued expansion of our cloud-based IT infrastructure, in order to interface with our customers even more efficiently in the future."

Preliminary Group net result above expectations – net interest income up 19% – positive one-off effects

The preliminary **group net result** after taxes was EUR 425 million (previous year: EUR 351 million) and, despite a challenging macroeconomic environment, surpassed the already good level

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of the previous year by around 20%. The strong result was due in particular to continued improvement in profitability in the operating business, one-off effects in the other operating result and in income taxes, and a positive loan loss provisions result. **Return on Equity** (RoE) after taxes[2] was well above expectations at 20.8% (December 31, 2021: 18.4%), reflecting the bank's strong profitability performance. **Income taxes** contributed EUR 62 (52) million to the result after taxes due to one-off effects for previous years and deferred tax income. **Net income before taxes** increased by more than one fifth to EUR 363 (299) million.

Total income amounted to EUR 673 (642) million and was driven by **net interest income** of EUR 627 (526) million, 19% above the previous year. The operating net interest margin widened by 23 basis points to 168 basis points. The **result from financial instruments categorized as FVPL** was moderately positive at EUR 9 (37) million after recoveries in value on the capital market in the fourth quarter. At EUR 3 (37) million, the **result from the disposal of financial assets classified as AC** made a noticeably smaller contribution to total income than in the previous year, when it benefited from early repayments and sales of receivables. Solid **net commission income** stood at EUR 33 (38) million. The other items of total income amounted to EUR 1 (4) million.

Loan loss provisions with net reversals – cost-income ratio reduced to 44%

As in the previous year, **loan loss provisions** made a positive contribution of EUR 11 (32) million to the group net result. Firstly, this was due to a low level of new defaults and thus only moderate additions to Levels 3 (SLLP). Secondly, thanks to its conservative risk provisioning policy and the further improvement in portfolio quality, the bank was able to make net reversals at Levels 1 and 2. At EUR 414 (446) million (including model overlays), HCOB continues to hold a high stock of loan loss provisions to cushion against potential adverse economic developments.

Thanks to stringent cost management, **administrative expenses** remained almost stable at previous year's level at EUR 332 (328) million, despite substantial IT investments and inflationary developments. **Operating expenses** (including depreciation of property, plant and equipment and amortization of intangible assets) decreased to EUR 178 (187) million, demonstrating that the IT investments of recent years are increasingly being amortized in the form of sustainable cost savings. **Personnel expenses** reflect, among other things, salary adjustments, new hires in the course of the bank's moderate growth trajectory, and the energy bonus paid out by the bank to employees, resulting in an increase to EUR 154 (141) million. As of December 31, 2022, the bank employed 868 (December 31, 2021: 919) full-time equivalents (FTEs), with around 125 employees new hired in the reporting year. At the same time, there were scheduled departures and fluctuation.

At EUR 75 (14) million, the **other operating result** made a noticeable contribution to the group net result. The main positive factors here were interest income from taxes and income from earn-out agreements and from the reversal of provisions.

The **cost-income ratio** of 44% (50%), which reflects the bank's cost efficiency, was reduced by 6 percentage points as a result of the pleasing earnings performance and a stable cost base.

Resilient portfolio – strong CET1 ratio[1] of 20.5% after potential dividend payment

Despite the challenging macroeconomic environment, HCOB's portfolio quality improved: the **NPE volume** (non-performing exposure) fell by around 13% to EUR 405 (467) million due to reductions (particularly in the Shipping segment), while new defaults were low. The **NPE ratio** fell accordingly to 1.2% (1.4%), reflecting the resilience of the loan portfolio and stringent risk management. In this context, the **NPE Coverage Ratio** $_{AC}$ also improved to a very comfortable 69% (December 31, 2021: 56%).

Hamburg Commercial Bank had already announced with its half-year 2022 figures that it would normalize the high capitalization required during its transformation in the future. A CET1 ratio[1] of at least 17% was stated as the medium-term target and included in the dividend policy. Based on this policy, the Management Board and the Supervisory Board are considering proposing to the Annual General Meeting a dividend payout of EUR 1.5 billion for the fiscal year 2022, a corresponding resolution is expected in the second quarter of 2023. The **CET1 ratio[1]**, still at a high level of 20.5% (December 31, 2021: 28.9%), has already taken full account of the currently expected dividend payment. Thus, even after full anticipation of the currently expected dividend distribution, the CET1 capital ratio is well above the regulatory requirements and still includes above-average capital buffers.

Aggregate **RWA** (risk-weighted assets) increased as expected to EUR 15.4 (14.0) billion, mainly driven by the switch in the rating model landscape completed in 2022. The very solid **leverage ratio** of 9.8% (12.7%) is well above regulatory requirements and underlines HCOB's ongoing very robust capital position, despite lower core capital due to the potential dividend distribution.

As planned, the group's **total assets** grew moderately in fiscal year 2022, increasing by around 5% to EUR 31.8 (30.3) billion. The **EaD** (exposure at default) increased in line with this to EUR 34.4 (33.1) billion.

Segment results: new business slightly above previous year – portfolio further diversified

In light of the macroeconomic environment, HCOB further diversified its portfolio and concluded **gross new business** of EUR 5.6 (5.4) billion. Net income after taxes in lending units increased in total by around 11% to EUR 218 (197) million, reflecting the selective business approach based on clear risk-return criteria and the ongoing optimization of asset allocation.

In the **Real Estate segment** (segment assets at 31 December 2022: EUR 8.1 (8.0) billion), net income after taxes was EUR 74 (85) million due to lower average segment assets. The portfolio was further developed in a risk-conscious manner and the growth target adjusted during the year in light of the challenging developments on the real estate markets. As a result, gross new business remained at the previous year's level of EUR 1.6 (1.6) billion.

In the **Shipping segment** (segment assets at 31 December 2022: EUR 3.5 (3.7) billion), net income after taxes rose by around a quarter to EUR 77 (62) million. The increase was driven by a pleasing operating performance and interest income from deposits. Although demand for shipping services remained high in the reporting year, credit demand was dampened by the liquidity available in the market, with the result that gross new business in Shipping remained below the previous year at EUR 1.6 (1.9) billion.

In the **Project Finance segment** (segment assets at 31 December 2022: EUR 3.4 (3.9) billion), HCOB focuses on projects to expand digital and traditional infrastructure as well as on the financing of sustainable energy generation. The segment generated net income after taxes of EUR 25 (27) million, with legacy commitments sold in 2021 contributing to the prior-year result. At EUR 0.7 (0.7) billion, new business was in line with the previous year's volume.

The **Corporates segment** (segment assets at 31 December 2022: EUR 4.6 (3.9) billion) makes an important contribution to diversifying earnings and risk in the bank’s overall portfolio. Net income after taxes almost doubled year-on-year to EUR 42 (23) million. Gross new business was expanded and, at EUR 1.7 (1.2) billion, was around one third up on the previous year.

Preliminary IFRS Group Result for fiscal year 2022

(€ million)	2022	2021	Change In %
Net interest income	**627**	**526**	**19**
Net commission income	33	38	– 13
Result from hedging	2	1	100
Result from financial instruments categorised as FVPL	9	37	– 76
Net income from financial investments	–1	3	>– 100
Result from the disposal of financial assets classified as AC	3	37	– 92
Total income	**673**	**642**	**5**
Loan loss provisions	11	32	66
Total income after loan loss provisions	**684**	**674**	**1**
Administrative expenses	–332	– 328	1
Other operating result	75	14	> 100
Expenses for regulatory affairs, deposit guarantee fund and banking associations	–30	– 32	– 6
Net income before restructuring and transformation	**397**	**328**	**21**
Result from restructuring and transformation	–34	– 29	–17
Net income before taxes	**363**	**299**	**21**
Income tax expense	62	52	–19
Group net result	**425**	**351**	**21**
Group net result attributable to Hamburg Commercial Bank shareholders	425	351	21

Further key figures of the Group	31.12.2022	31.12.2021
Total assets (€ bn)	31.8	30.3
EaD (Exposure at Default, €bn)	34.4	33.1
RWA (€ bn)	15.4	14.0
CET1 capital ratio[1] (%)	20.5	28.9
Overall capital ratio[1] (%)	26.8	35.7
Return on Equity (RoE) after taxes[2] (in %)	20.8	18.4
Leverage Ratio[1] (%)	9.8	12.7
Liquidity Coverage Ratio (%)	197	164
Net Stable Funding Ratio (%)	113	114
Employees (Full-time equivalent)	868	919

1) The potential dividend proposal of EUR 1.5bn € (pay-out in Q2 2023) is already reflected in regulatory CET1 Capital per YE 2022 | 2) RoE after taxes based on normalized CET1 ratio of 13%

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