Hamburg Commercial Bank

# Investor Presentation Mortgage Pfandbrief

October 2021

# Mortgage Pfandbrief Benchmark – Proposed Transaction and Issuance Rationale

| | |
|---|---|
| **Offering Summary** | • Mortgage Pfandbrief issued by Hamburg Commercial Bank AG<br>• EUR Benchmark RegS [7 years]<br>• Issued out of HCOB Bank's EUR 15bn debt issuance program (DIP)<br>• Expected issue rating [Aa1] by Moody's<br>• Expected ECB and CBPP3 eligibility; UCITS, CRR art.129 and LCR Level 1A compliant |
| **Transaction Rationale** | • Broadening of existing bond investor base<br>• Refinancing one of HCOB's key business lines<br>• Diversification of funding sources<br>• Cost efficient funding secured by mortgage assets |
| **HCOB Highlights** | • Privatization achieved – best capitalized bank in Germany with a CET1 ratio of 29.6%[1], leverage ratio of 13.2%[1] - no significant adverse impacts anticipated from "Basel IV" implementation<br>• Specialized German lender with clear path to sustainable profitability, backed by selective new business, b/s optimization and significant lower funding costs<br>• Clear de-risking measures introduced supporting the path towards a smaller more efficient b/s<br>• Strong cost reduction discipline led to CIR of 45%[1] with an objective of 40-42% in 2022<br>• Strengthened franchise – backed by robust capital, improving profitability, and solid liquidity – reflected in upward rating trajectory<br>• Regular issuer in the capital market in coming years, Senior unsecured and Pfandbrief benchmark issues planned for 2022 ff. |



1) Figures as at H1 2021

# Agenda





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# 1. HCOB AT A GLANCE

A private commercial bank and specialist financier



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# Management Board and Shareholder Structure – Experienced international management team & strong ownership

### Stefan Ermisch
CEO

- Born in 1966 in Bonn, Germany
- Chief Executive Officer (CEO) since June 2016
- More than eighteen years of leading management board positions as CEO, CFO and COO at private commercial banks and in the public sector, in Germany, Austria and Italy

### Ulrik Lackschewitz
CRO and Deputy CEO

- Born in 1968 in Bro, Sweden
- Chief Risk Officer (CRO) since October 2015 and deputy CEO since December 2018
- Before that, Ulrik Lackschewitz was Group Head of Financial and Risk Control at NordLB (2011) and reported directly to the Management Board

### Ian Banwell
CFO

- Born 1963 in Uganda
- Chief Financial Officer (CFO) since September 2020, before (since April 2019) Chief Operating (COO)
- Earlier, Ian Banwell was Senior Managing Director at Cerberus and is currently Chief Executive Officer (CEO) and owner of Round Table Investment Management Company, LP.

### Christopher Brody
CIO

- Born 1968 in the US
- Chief Investment Officer (CIO) since July 2019
- From 2012 to June 2019 Christopher Brody was President and Chief Investment Officer of a US family office and from 2008 to 2011, he held the position of Chief Investment Officer at the Austrian bank BAWAG P.S.K.

## 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.** | **HCOB** *Current and former Management Board Members (who are or were in office from November 2018)* |
|---|---|---|---|---|---|---|---|
| Promontoria Holding 221 B.V. 9.87% | Promontoria Holding 231 B.V. 13.87% | Promontoria Holding 233 B.V. 18.71% | JCV IV Neptun **Holdings S.à r.l.** | Golden Tree Asset **Management Lux S.à r.l.** | Chi Centauri LLC | | |
| **42.45%** | | | **34.96%** | **12.49%** | **7.49%** | **2.50%** | **0.11%** |



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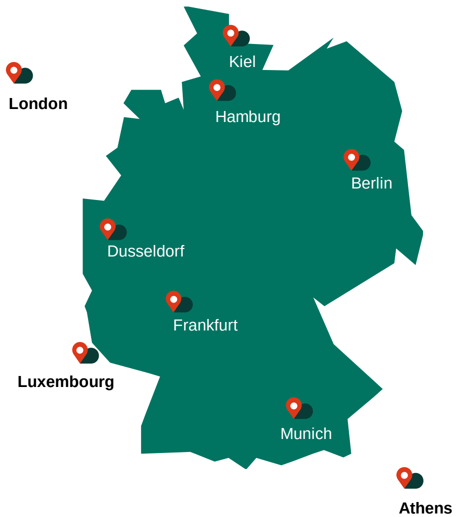
# HCOB – Providing specialized financial solutions in selected segments to our clients

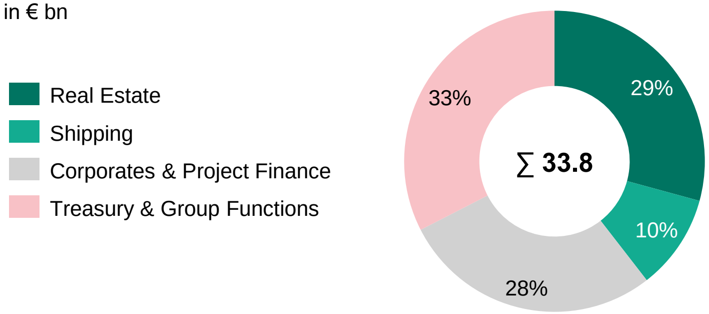
## What we offer

- HCOB is a private commercial bank that works with and supports its clients at eye level while offering efficient solutions to complex challenges
- We are characterized by our experience and sector knowledge in our clients businesses, which is supported by our focused capital markets products and services
- Business areas: Commercial project finance in the real estate, renewable energies and infrastructure segments; Shipping; Tailored financing for medium-sized businesses; Structured Finance, including syndications; Payment services and transaction banking products as well as expert advice in corporate finance

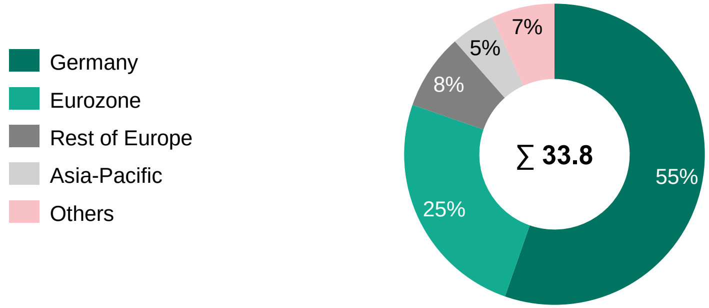



## HCOB is engaged in & across various segments & countries

**EAD by Segment**
in € bn




**EAD by Region**
in € bn



# Business segments well positioned for growth – Deep market expertise & good client relationships basis for value creation

As of June 30th, 2021[1]

| Lending Functions | | | Investment Functions |
|---|---|---|---|
| **Real Estate** | **Shipping** | **Project Finance & Corporates** | **TSY & Group Functions** |
| • Well-established, risk-conscious business, primarily in Germany<br>• Expanding new business with appropriate risk/return requirements<br>• Structuring competence for tailor-made financing<br>• Selective expansion of international business in neighbouring European countries | • Focus on diversification of portfolio through domestic and international counterparties with good credit ratings<br>• Strategic partner based on long-term market expertise<br>• New business under strict margin and risk conditions (focus on secondary market, no spot market financing)<br>• New risk culture and new underwriting standards in place since 2018 | • Renewable Energy & Infrastructure focus European and, selectively non-European markets<br>• Corporate Finance for German MidCaps combined with high competence in Working Capital/Factoring and Cash & Trade<br>• Corporates International diversifies selectively in European and North American market on base of sound risk/return profiles | • Treasury and active liability management focused on providing stable liquidity and funding structure at competitive costs<br>• Payment services for all client segments, leveraging new technology platform<br>• Liquidity buffer forms major part of asset base, supplemented by strategic investment portfolio<br>• Group functions include all other central functions such as risk control, legal etc. |
| High-performance suite of payment transaction services for all customer segments | | | |
| **Segment assets: € 9.1bn** | **Segment assets: € 3.2bn** | **Segment assets: € 7.9bn** | **Segment assets: € 11.4bn** |
| **RWA: € 3.0bn** | **RWA: € 2.1bn** | **RWA: € 5.2bn** | **RWA: € 4.5bn** |
| **Net Income: € 37mn** | **Net Income: € 30mn** | **Net Income: € 24mn** | **Net Income : € 37mn** |



1) Segments excl. reconciliation

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# HCOB Transformation nearing completion…building track record of execution and consistently delivering on our commitments

**Q4 2018** | **Nearly Complete** | **2021+**

**Privatization** | **Transformation** | **Envisaged BdB Entry & start "Business as Usual"**

**Game plan Privatization:**

- Create a capital efficient and profitable German bank with strong client franchise
- Data driven and cloud enabled operating company (IT Transformation in process)
- **Rapid and extremely successful transformation delivered ahead of plan**

## Cost Savings & Operational Efficiency

- ✓ Employee Restructuring (reduced from 1700+ FTEs to ~800 target end of 2022)
- ✓ HQ Facility Rationalization (14 to 2 buildings)
- ✓ Closed Asian operations (Singapore & Hong Kong)
- ✓ Self-Help (Sharp reduction in mgmt. consultants)
- IT Transformation (€40mn+ run rate savings)

## De-Risking & Capital Efficiency

- ✓ Balance sheet reduction (€ 55.1bn to € 31.6bn)
- ✓ RWA reduction (€ 22.1bn to € 14.8bn)
- ✓ CET1 build (18.5% to 29.6%)
- ✓ 19.8% after tax ROE for 1H21 at 13% CET1
- ✓ Capital structure optimization
- Implementation of Future Model Landscape started

## NIM Expansion & Liability Optimization

- ✓ Pricing disciple, including SVA hurdles
- ✓ Exited low returning, non-core lines of business
- ✓ Revised asset allocation, incl. strong reduction of NIB[1] assets
- ✓ Cost of funds reduced by ~70 bps to 31bps for 1H21
- ✓ NIM b/s: 61bps increase since 2019 to 136bps (1H21)

## Invest in Technology & People

- ✓ Strengthened & redesigned management board & MD's
- ✓ Delivery of new International Payments platform
- € 120mn+ IT investment including transition to cloud enabled operating model
- Targeted new hires in commercial & technology leadership roles

**Transformation delivering SVA positive business model**

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1) NIB – Non Interest Bearing

# 2. READY FOR THE FUTURE

Transformation in completion, BdB entrance envisaged

# Comprehensive transformation following privatization delivering one of the best performing banks in Germany[1]

(Figures as of June 30, 2021 – Half Year Results)

## Financials

| | | | |
|---|---|---|---|
| ***€ 194 million*** | ***19.8%[2]*** | ***136bp*** | ***45%*** |
| *Net Income* | *Return on Equity (After-Tax)* | *Net-interest margin* | *Cost-income ratio* |

## Capital Management

| | | |
|---|---|---|
| ***29.6%*** | ***€ 4.6 billion*** | ***13.2%*** |
| *CET1 Ratio* | *Tangible Equity* | *Leverage ratio* |

**Leading German bank in terms of Profitability, Operational Efficiency & Capital Strength**

1) HCOB ranks as top overall performing bank of Germany's top 10 banks (2021 Ranking). Source: The Banker Database, a service from the Financial Times I 2) ROE after taxes based on a 13%-ratio of invested CET 1 capital; 8.7% ROE after taxes based on reported average IFRS capital as of 30/06/2021



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# Pillars of our transformation yield significant change in performance – 3 year transformation ahead of schedule

(Figures in €)

| Pillar | | 2019 | 2020 | 1H21 | 1H21 vs. 2019 | Comments |
|---|---|---|---|---|---|---|
| Increase Profitability & Returns | **Net Interest Margin**[1] (bps) | 75 | 117 | 136 | +61 bps | • Strict pricing discipline, improved asset allocation and b/s efficiency, and reduced funding costs (both smaller b/s & reduced cost of funds)<br>• 1H21 performance with limited one-time effects |
| | **Net Income** (mn) | 12 | 102 | 194 | > 100% | |
| | **Return on Equity**[2] (%) | 0.4 | 4.3 | 19.8 | +19.4 pts | |
| Reduce Expenses | **Headcount**[3] (FTEs) | 1,482 | 1,122 | 947 | -36% | • Comprehensive restructuring, lead by organizational & process efficiencies<br>• Continuing to invest in IT Transformation to deliver 40mn+ cost savings & scalable operating platform |
| | **Cost-Income Ratio** (%) | 69 | 42 | 45 | -24 pts | |
| De-risk & Build Capital | **Total Assets**[4] (bn) | 47.7 | 33.8 | 31.6 | -34% | • De-risking started in 2019, including selective new business & prolongations<br>• Proactive NPE action plans keep NPE ratio flat despite Covid-19 impact and smaller b/s<br>• Excellent capital position & substantial buffer to SREP requirements<br>• Very well positioned for BdB entry |
| | **Tangible Equity** (bn) | 4.4 | 4.3 | 4.6 | +5% | |
| | **RWA** (bn) | 21.0 | 15.5 | 14.8 | -30% | |
| | **NPE Ratio**[5] (%) | 1.8 | 1.8 | 1.9 | +0.1 pts | |
| | **CET1 Ratio** (%) | 18.5 | 27.0 | 29.6 | +11.1 pts | |
| | **Leverage Ratio** (%) | 8.2 | 12.2 | 13.2 | +5.0 pts | |

1) Net Interest Margin equals core Net Interest Income divided by average balance sheet | 2) ROE after taxes based on a 13%-ratio of invested CET 1 capital; 8.7% ROE after taxes based on reported average IFRS capital as of 30/06/2021 (2.3% as of 31/12/2020) | 3) Headcount: 1,716 FTEs as of YE18. 45% decrease from YE18 to 1H21 | 4) Total Assets: € 55.1bn at YE18. 43% decrease from YE18 to 1H21 I 5) 2019 figures including events after reporting date

# Guidance 2021/22 – HCOB focusing on recurring profitability & projecting higher Net Income for 2021

(Figures in €)

| | | 2020 | 2021e | 2022e | |
|---|---|---|---|---|---|
| Increase Profitability & Returns | **Total Income** (mn) | 656 | ~600 | >600 | • Core income supported by NIM b/s expansion to >150bp (YE) & improving asset mix with increased share of productive assets on smaller b/s<br>• Benefits of cost restructuring realized in run rate<br>• Revised guidance for net income 2021 from >€ 200mn to >€ 250mn |
| | **Net Income** (mn) | 102 | >250 | >250 | |
| | **Return on Equity**[1] (%) | 4.3 | >12.0 | >12.0 | |
| Reduce Expenses | **Headcount** (FTEs) | 1,122 | ~900 | ~800 | • Strict cost management continues driven by employee restructuring & reduced facility footprint while investing in IT<br>• Moving towards target CIR driven by recurring income, not one-offs |
| | **Cost-Income Ratio** (%) | 42 | ~50 | 40-42 | |
| De-risk & Build Capital | **Total Assets** (bn) | 33.8 | ~30 | ~30 | • Strict return thresholds…build/grow SVA positive asset classes…exit lower performing segments<br>• RWA increase due to change in rating model landscape, main impact to be reflected in 2022<br>• Stable asset quality & resilient capital levels<br>• Strong capital & recurring earnings reduce the economic rational for issuing an AT1 bond medium term |
| | **Tangible Equity** (bn) | 4.3 | >4.6 | >4.9 | |
| | **RWA** (bn) | 15.5 | ~15 | ~18 | |
| | **NPE Ratio** (%) | 1.8 | <2.0 | <2.0 | |
| | **CET1 Ratio** (%) | 27.0 | ~30 | ~25 | |

1) ROE after taxes based on a 13%-ratio of invested CET 1 capital



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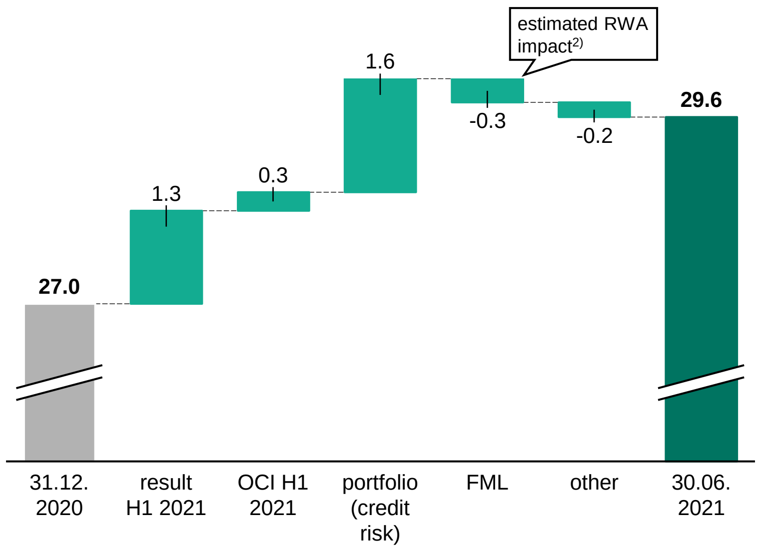
# Capital position further strengthened by retained earnings due to increasing profitability, rigorous de-risking supportive

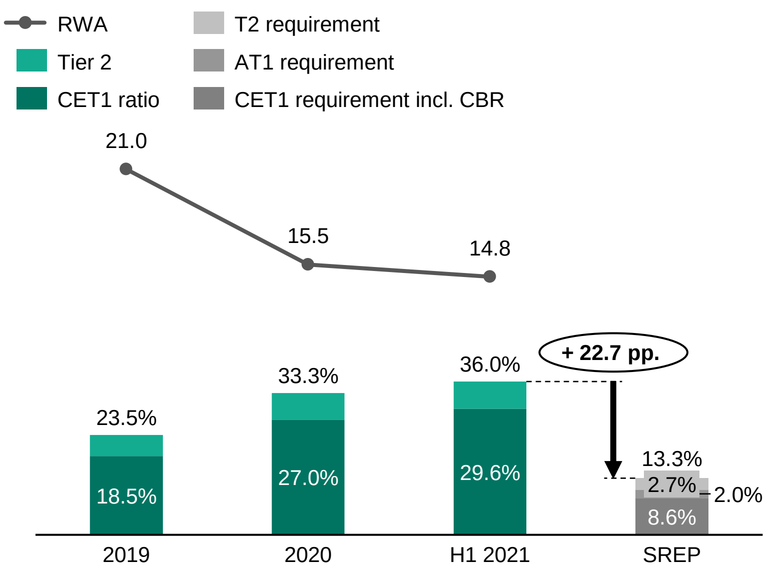
## Drivers of CET1 Ratio development[3]

in %




## Development of RWA / capital ratios

in € bn




- Further increased CET1 ratio of 29.6% underlines strong capital position with capital surplus well above regulatory requirements
- CET1 capital increased by positive P&L result of H1 2021 and an increased other comprehensive income (OCI)
- Leverage ratio further strengthened to very strong 13.2% (12.2%)
- RWA significantly reduced by de-risking started in 2019 and careful new business selection



1) Minor fluctuations due to change of counter-cyclical buffer possible; as of ECB letter 2020 additionally Pillar 2 Guidance (P2G) of 1.0% generally applies I 2) Estimated impact of approx. € 175mn RWA add-on by FML I 3) Rounding differences possible

# Recent upgrade by Moody's reflects excellent capital position, de-risked portfolio and strong profitability trajectory

## Key Credit Strengths

- Robust and resilient capitalization, well above regulatory requirements and peers
- 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
- Progress towards diversifying the funding base, extending the maturity profile & maintaining substantial liquidity buffer
- Demonstrated expertise of owners drives best practices

## Upside Drivers

- Demonstrating underlying franchise strength, with further improvement in risk-adjusted profitability
- Continued diversification by reducing concentration risks from cyclical assets
- Further maturity extension and diversified funding
- Admission to BdB's (Association of German Banks) Deposit Guarantee Fund (ESF)

| Ratings Overview[1] | Moody's | S&P |
|---|---|---|
| **Issuer Ratings** | | |
| Deposit Rating | Baa1 | – |
| Issuer Credit Rating (Long-Term) | Baa1 / positive | BBB / developing |
| Short-term Debt | P-2 | A-2 |
| Stand-alone Rating | ba1 | bbb- |
| **Instrument Ratings (Unsecured Issuances)** | | |
| "Preferred" Senior Unsecured Debt | Baa1 | – |
| "Non-Preferred" Senior Unsecured Debt | Baa2 | – |
| Subordinated Debt (Tier 2) | Ba2 | – |
| **Instrument Ratings (Secured Issuances)** | | |
| **Mortgage Covered Bonds** | **Aa1** | – |
| Ship Covered Bonds | A2 | – |

1) Latest publications by rating agencies available on Hamburg Commercial Bank's website: https://www.hcob-bank.de/en/investoren/rating/rating/

# Strong financials well above German peers – HCOB with excellent metrics for capital and profitability

In %

| Key Metrics | Ratios (in %) | HCOB H1 2021 | HCOB Target 2022 | GER | Deutsche Bank | Commerz-bank | Aareal Bank | Deutsche Pfandbrief-bank | IKB Deutsche Industrie-bank | BayernLB | EU |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Capital | CET1 ratio | 29.6 | ~25 | 15.5 | 13.2 | 13.4 | 19.2 | 15.4 | 14.8 | 15.6 | 15.5 |
| | Leverage ratio | 13.2 | >12 | 5.5 | 4.8 | 4.6 | 5.7 | 5.9 | 7.5 | 4.4 | 5.7 |
| Asset Quality | NPE / NPL ratio | 1.9[1] | <2[1] | 1.1 | 1.4 | 0.8 | 6.0 | 0.9 | 1.8 | 0.5 | 2.3 |
| Liquidity | LCR | 170 | ~140 | 160 | 143 | - | >100 | >150 | 205 | - | 172 |
| Profitability | CIR | 45 | 40-42 | 73 | 78 | 82 | 45 | 39 | 60 | 55 | 64 |
| | ROE[2] | 19.8 | >12 | 4.1 | 6.5 | -3.8 | 1.9 | 6.0 | 8.8 | 9.5 | 7.4 |
| | NIM | 1.4 | >1.5 | 0.9 | 1.2 | 0.9 | 1.2 | 0.8 | 1.3 | 0.7 | 1.2 |
| Long-Term Rating | Moody's / S&P | Baa1 / BBB | A3 / BBB+ | | A2 / BBB+ | A1 / BBB+ | A3/ - | - / BBB+ | Baa1 / - | Aa3 / - | |

| | |
|---|---|
| **Profitability** | ✓ Key profitability metrics (CIR, ROE, NIM) well above German peers, due to selective new business, NIM expansion, B/S optimization & decreasing funding costs – expanding successfully started track record will be major rating driver |
| **Capital** | ✓ Excellent capitalization, well above average for higher-rated peers, excess capital will be managed over time |
| **Asset Quality** | ✓ De-risked, sound, well-performing portfolio with manageable exposure in key Covid-19 impacted sectors & strong loss coverage |
| **Liquidity** | ✓ Substantial liquidity buffer provide robust cushion for adverse scenarios, funding structure increasingly diversified |

Source: Company reports on H1 2021 and EBA Risk Dashboard, 2021-Q2 for GER and EU comparisons | 1) NPE for HCOB | 2) ROE after taxes based on a 13%-ratio of invested CET 1 capital as reported for HCOB (8.7% ROE after taxes based on reported average IFRS capital as of H1 2021)



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# Sustainability – Key achievements and next steps in embedding ESG into company's strategic framework

HCOB integrates sustainability considerations and objectives into its business strategy and actively manages social and environmental risks associated with business engagements. **We regard ourselves responsible to limit potential negative impact, to be a driver for positive change, and to be a reliable partner to advise and finance our clients' ESG transition activities.** Thereby, we mitigate risks, contribute to positive change and seek for continuous improvement in environmental and social practices. In addition, we strive to be a 'Net Zero Bank' by 2050 the latest.

## 2020

- ✓ **Principles for Responsible Banking** and **UNEP FI membership** signed
- ✓ ESG applied to **credit standards** and **Black List** established
- ✓ **ESG Scoring** of new business and simulation of total loan book
- ✓ First **sustainability rating assessments** with significant improvements for Sustainalytics and IMUG

## H1 2021

- ✓ **Comprehensive ESG Roadmap** finalized
- ✓ **CSR Report 2020** published on 1st April
- ✓ **Sustainability Governance** – Sustainability Committee & Office established on 1st April
- ✓ **Black List** enhancement and operationalization completed
- ✓ **Investment Policy** with respective ESG considerations approved
- ✓ **Signed PCAF** as carbon accounting standard

## H2 2021

- ✓ Updated **ESG Factbook** published
- **ESG related strategy approach and target setting/ambition levels** for Group HCOB and by business unit aligned with supporting our clients energy transition priorities
- **ESG Scoring** on single loan basis of entire loan portfolio
- **Green Bond issuance** capability
- **2nd Sustainability Rating Assessment** with focus on ISS and MSCI

| | imug | | Sustainalytics | | ISS ESG | | MSCI | |
|---|---|---|---|---|---|---|---|---|
| | 2019 | **2020** | 2019 | **2020** | 2019 | **2020** | 2019 | **2020** |
| | CCC | **BB** | 28 | **14** | C- | **C-** | BB | **BB** |


Legend: ● HCOB ⬚ Average range of peers rating results



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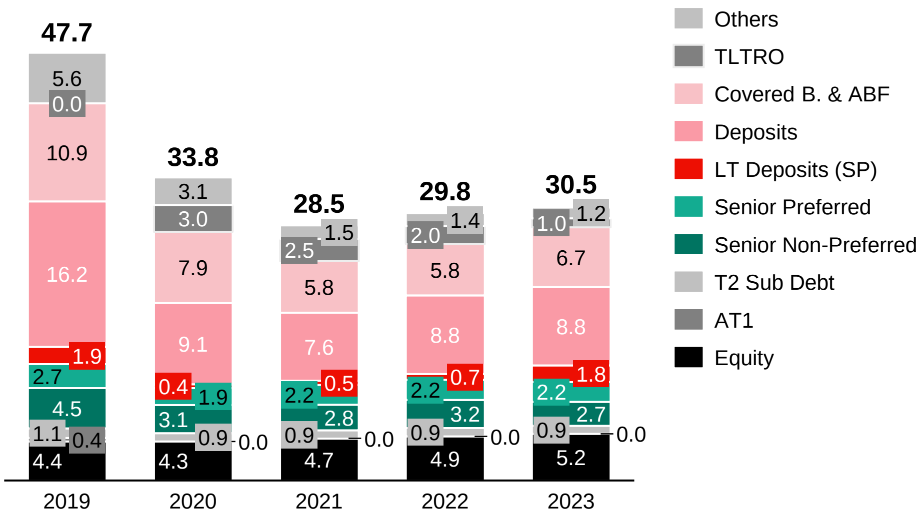
# 3. FUNDING & MORTGAGE PFANDBRIEF COVERPOOL

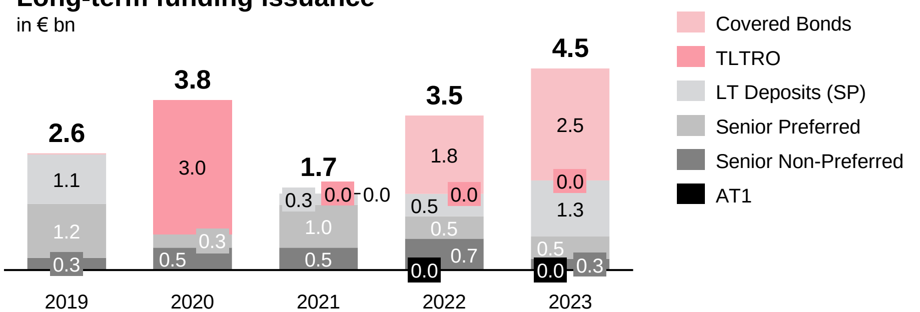
## Transaction

# Prudent liability & funding strategy and excellent capital position

**Liability structure by instruments**
in € bn / in %




**Long-term funding issuance**
in € bn

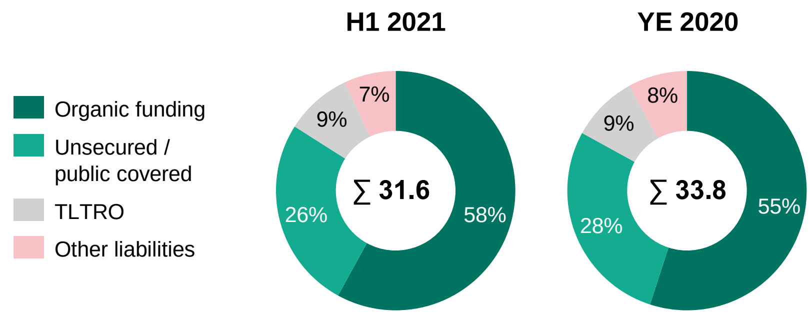



- **Reduction of b/s** key to reposition liability structure towards longer maturities, broader instrument range and improved deposit structure
- Liability stack with extremely **strong capital cushion** (equity, AT1) for senior investors
- Funding strategy supports strengthening **key parameters (LGF, MREL)** by issuance of SNP at very compelling cost
- **Extension of credit curve,** which started with issuance of 5 year SP issuance in March 2021 is progressing well
- Deposit funding has been reduced vs. **long-term funding instruments**,
- **Deposit franchise** is being strengthened by initiatives, targeting stickier franchise deposits and USD deposits, in particular
- **TLTRO** being used to further optimize in particular CoF, but reduction is likely faster than envisaged in MTP (750mn € TLTRO reduction settled in September) and substituted by other long-term funding
- Given the bank's business model, issuance of **covered bonds** remains a reliable pillar of optimized refinancing in terms of tenor and cost going forward; asset encumbrance levels (AE) are being monitored

# Liability strategy linked to core business – 58% of funding sources are organic funding from clients & deliver franchise value

| € bn | H1 2021 | YE 2020 | Δ |
|---|---|---|---|
| Capital | 4.5 | 4.4 | +0.1 |
| Development Banks | 3.0 | 3.8 | -0.8 |
| Mortgage covered bonds | 2.9 | 2.9 | - |
| Shipping covered bonds | 0.1 | 0.1 | - |
| Franchise deposits | 7.6 | 7.3 | +0.3 |
| **Organic funding** | **18.1** | **18.4** | **-0.3** |
| Other deposits[1] | 1.3 | 1.9 | -0.6 |
| Public covered bonds[2] | 1.0 | 1.2 | -0.2 |
| Unsecured Funding (SP/SNP) | 5.2 | 5.4 | -0.2 |
| Tier 2 | 0.9 | 0.9 | - |
| **Unsecured / public covered** | **8.4** | **9.5** | **-1.1** |
| TLTRO | 3.0 | 3.0 | - |
| Other liabilities[3] | 2.1 | 2.9 | -0.8 |
| **HCOB Group** | **31.6** | **33.8** | **-2.2** |

**Funding Composition HCOB**
in € bn




**Maturity profile senior non-preferred / preferred / Tier 2**

| *in € bn* | H2-2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|
| Senior non-preferred | 0.3 | 0.4 | 0.7 | 0.2 |
| Senior preferred | 0.3 | 0.6 | 0.3 | 0.5 |
| Tier 2 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Total** | **0.6** | **1.0** | **1.0** | **0.8** |

- Funding strategy of HCOB focusses on increasing the organic funding as it leverages on banks core business and leads to increased franchise value
- Other liabilities have been actively reduced by over 25%
- As a result of this strategy, organic funding significantly increased from 55% to 58% during H1 2021
- Share of organic funding will increase before expected BdB entrance. Going forward, share of organically sourced liabilities will be expanded further (e.g. by lower TLTRO, further leveraging of covered bond franchise)

Rounding differences possible 1) Non-core deposits, mainly to non BdB eligible clients I 2) Public financing is not part of HCOB‘s core business I 3) Derivatives, received cash collaterals, provisions



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# Real Estate – Key facts on one of the core business segments

| | |
|---|---|
| **Market Strategy** | • HCOB has positioned itself as a highly recognized German real estate sector specialist, active across regions with the ability to enable premium prices in comparison with peers in a competitive environment |
| **HCOB's Portfolio** | • Majority of properties are located in Germany (91%), with 69% of clients based in Germany & 25% of clients from other European countries<br>• Sectors: (1) Office value-add, (2) Construction and (3) Retail<br>• Financing existing properties (~75% of portfolio), often with value add component and development loans (~25% of portfolio), core deals are not focused |
| **HCOB's Clients** | • Majority of clients is based in Germany (71%), followed by clients from other European countries (25%) & non-European clients (4%)<br>• Nearly all relationships based on customer franchise with revolving business approach |
| **Outlook** | • Well-connected German team, establishing an international team<br>• Increase international footprint in focus markets BeNeLux, UK and USA. Targeting ~20% international portfolio by YE2024 |



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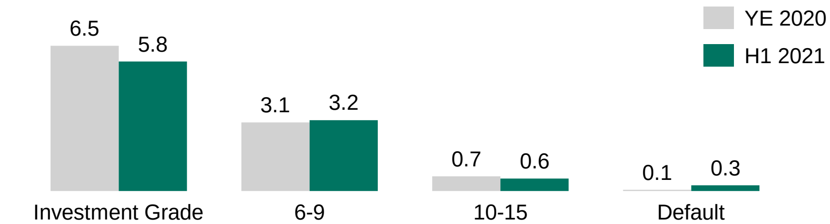
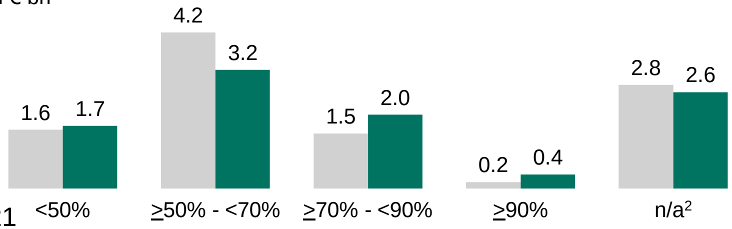
# Real Estate – Operating business characterized by risk-conscious & earnings-optimizing development of the portfolio

## Commercial Real Estate: Rating (EAD; in € bn)



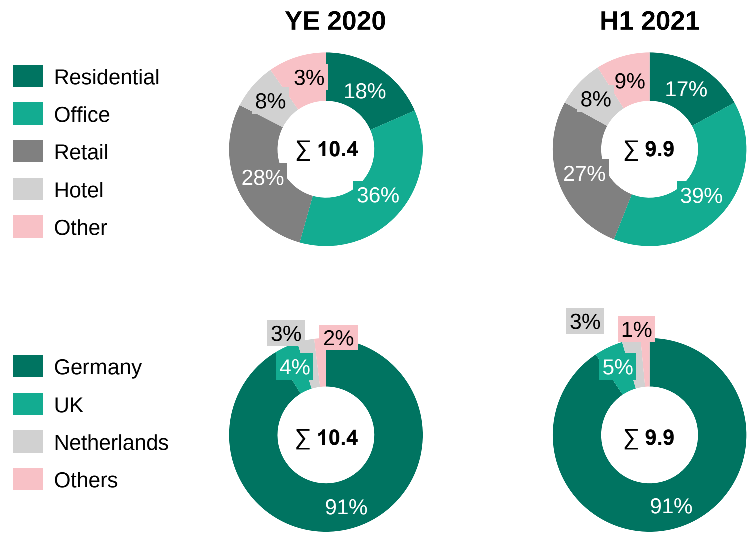

## Portfolio LTV

in € bn



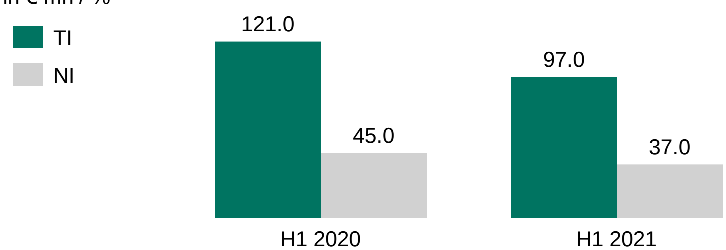

## Portfolio by segment and region

in EAD; in € bn / %




## TI, NI & ROE[1]:
## Sound operating performance

in € mn / %




| | H1 2020 | H1 2021 |
|---|---|---|
| ROE (%) | 13.6 | 17.2 |

- Increased ROE[1] reflects more selective approach for new business with higher margins and lower funding costs
- Gross New Business is recovering following crisis-driven lower credit demand last year
- Asset quality overall at sound levels, some weakening for hotels and retail exposures
- Moderately higher average LTVs, increasing from 61% to 62%, remaining at sound levels

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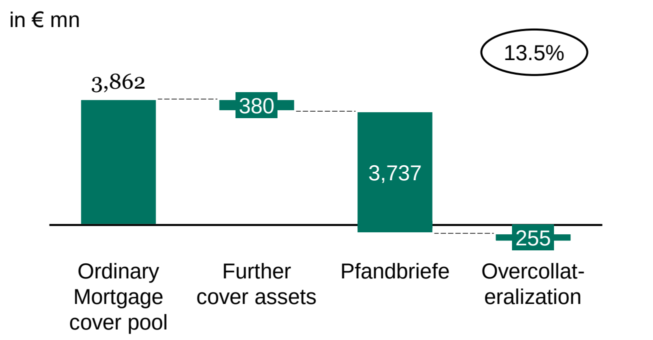
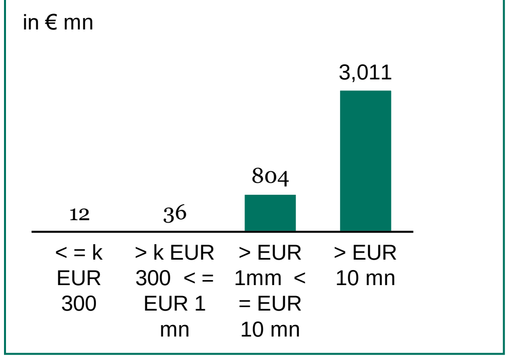
Rounding differences possible | 1) Total Income, Net Income, ROE after taxes based on a 13%-ratio of invested CET 1 capital as reported I 2) Property-developments monitored separately

# Mortgage Pfandbrief – Aa1 Rating by Moody‘s

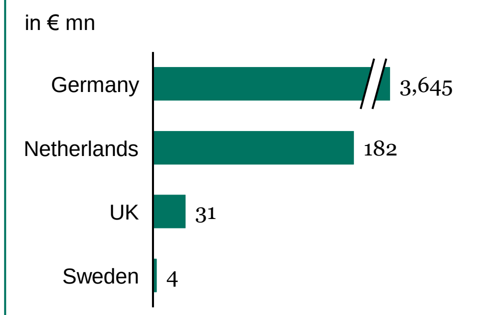
## Cover pool – nominal value




## Breakdown by average loan size

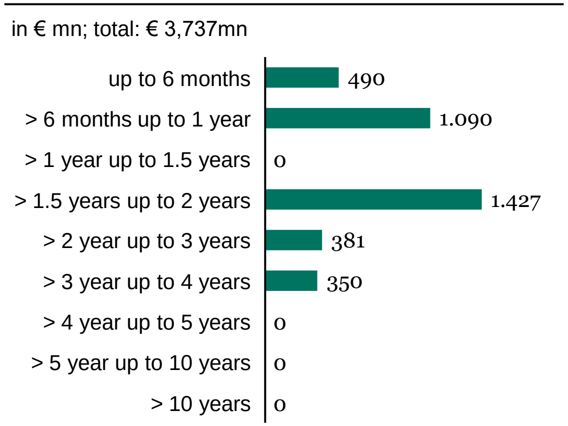



## Ordinary cover pool by region

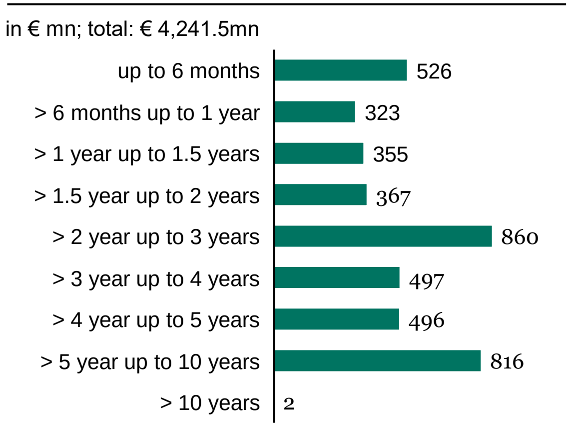



## Maturity structure

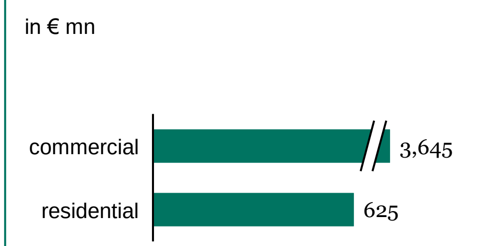
### Pfandbriefe outstanding




### Cover pool volume




## Ordinary cover pool by property types






As at 30 September 2021; source: www.hcob-bank.de /en/ investoren /funding according to §28 PfandBG; deviations my occur due to rounding

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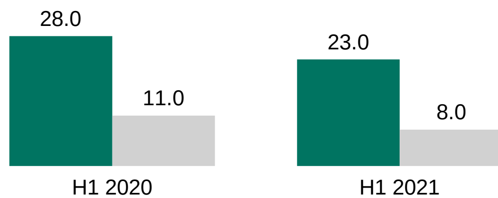
# 4. APPENDIX

# Project Finance – Domestic and international project focus contributes strongly to income and portfolio risk diversification

## Renewable Energy

**TI, NI & ROE[1]**
in € mn / %

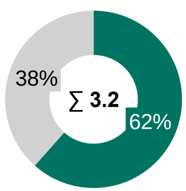
TI
NI



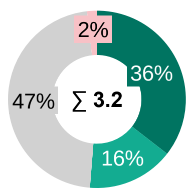

| ROE (%) | 10.1 | 9.9 |
| --- | --- | --- |

**EAD by Asset Class and Region**
in € bn

Wind
Solar

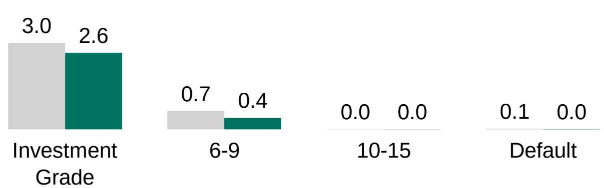



Germany
France
Rest of Europe
Others




**Rating**
in EAD; in € bn

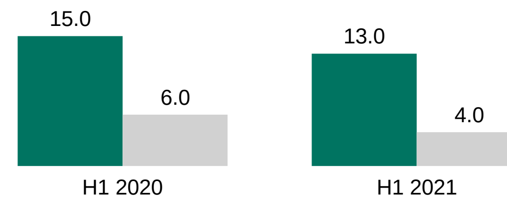
YE 2020 H1 2021




## Infrastructure

**TI, NI & ROE[1]**
in € mn / %

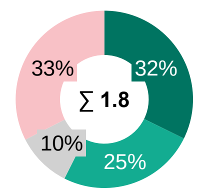
TI
NI



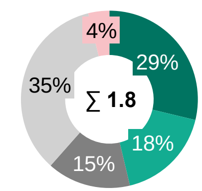

| ROE (%) | 7.8 | 6.5 |
| --- | --- | --- |

**EAD by Asset Class and Region**
in € bn

PPP
Digital Infrastructure
District Energy
Others

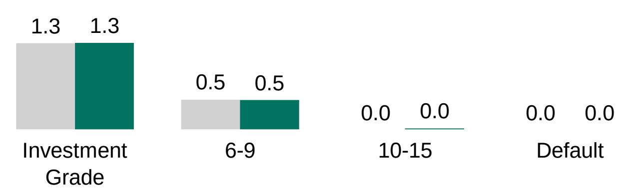



Belgium
Germany
Luxembourg
Rest of Europe
Others




**Rating**
in EAD; in € bn

YE 2020 H1 2021






Rounding differences possible | 1) Total Income, Net Income after taxes, ROE after taxes based on a 13%-ratio of invested CET 1 capital as reported

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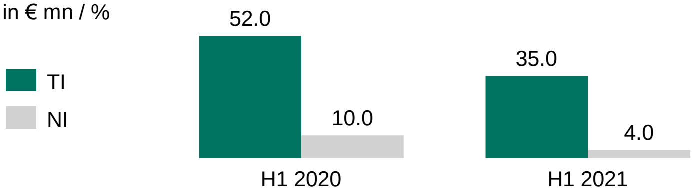
# Corporates – Ongoing de-risking with simultaneous development of Corporates International as strong new segment

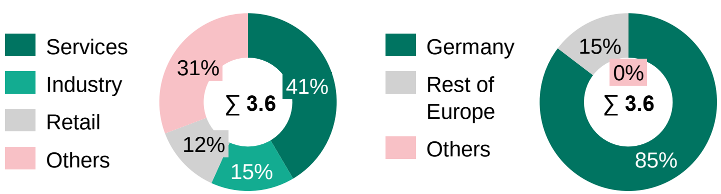
## Corporates

**TI, NI & ROE[2]**
in € mn / %

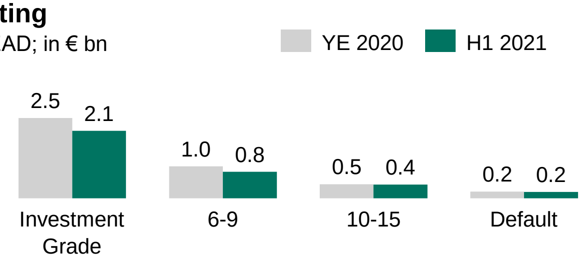



| ROE (%) | 3.8 | 2.2 |
|---|---|---|

**EAD by Asset Class and Region**
in € bn

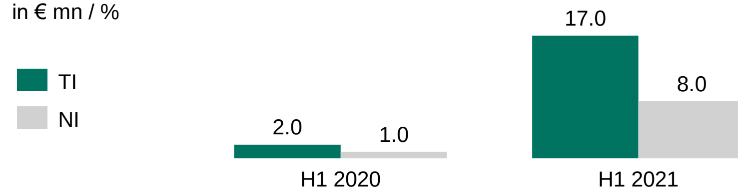



**Rating**
in EAD; in € bn



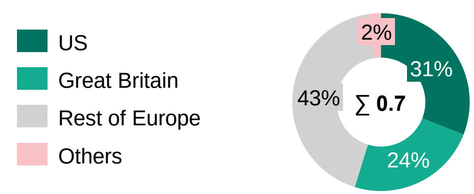

## Corporates International[1]

**TI, NI & ROE[2]**
in € mn / %

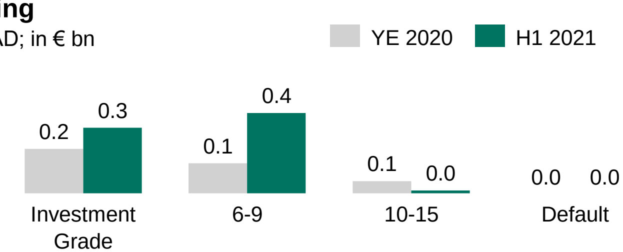



| ROE (%) | 22.6 | 22.2 |
|---|---|---|

**EAD by Region**
in € bn




**Rating**
in EAD; in € bn






Rounding differences possible | 1) Former “Diversified Lending” | 2) Total Income, Net Income, ROE after taxes based on a 13%-ratio of invested CET 1 capital as reported

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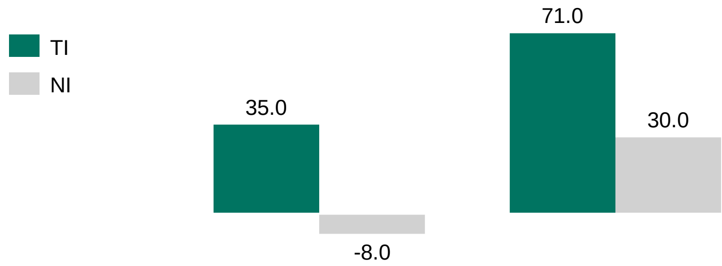
# Shipping – Strong improvement of results due to significant increase in total income and lower risk costs

## TI, NI & ROE[1]: Sound operating performance

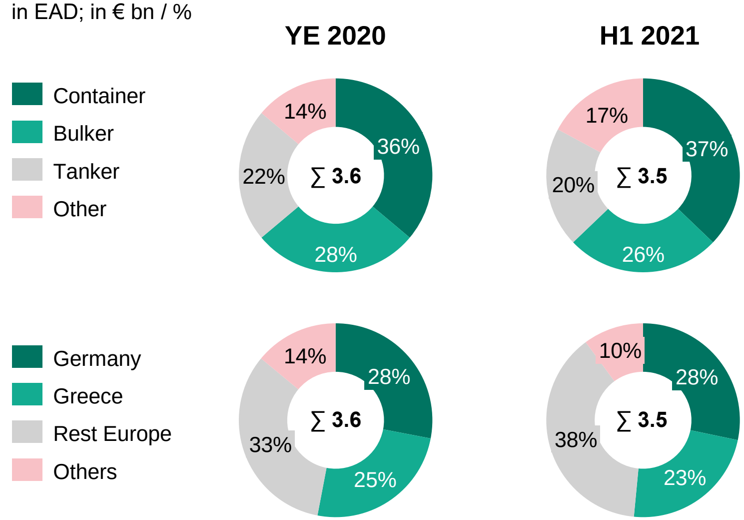
in € mn / %




| ROE (%) | -3.7 | 20.8 |
|---|---|---|

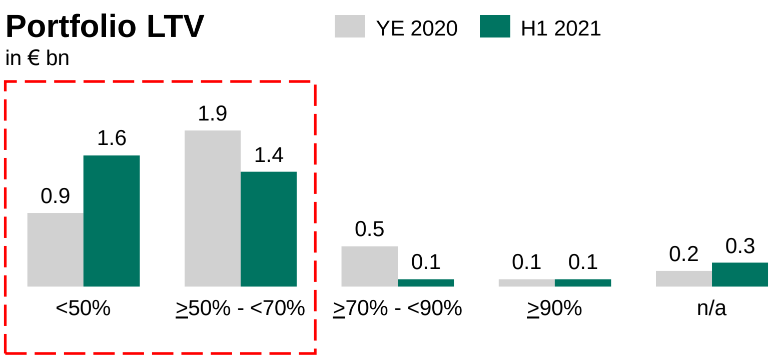
## Portfolio by segment and region

in EAD; in € bn / %




## Portfolio LTV

in € bn




- Encouraging earnings development was driven by the significant increase in total income, which also benefited e.g. from positive valuation effects on customer derivatives and loans, coupled with strong operating performance
- Lower risk costs also contributed to earnings improvement
- Encouraging overall development on the shipping markets despite Covid-19 crisis, favored increase in New Business
- Average LTV improved from 61% to 50% as secondhand values for Container and Bulker increased

Rounding differences possible | 1) Total Income, Net Income, ROE after taxes based on a 13%-ratio of invested CET 1 capital as reported

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Within the management reporting framework, the Bank focuses on the most important management indicators for the individual value drivers of the IFRS Group. On the one hand, the focus is on how these key indicators changed compared to the previous year and, on the other, on how they are expected to change in the future. The Group management report for the 2020 financial year contains further information on the management system and defined management parameters of the Hamburg Commercial Bank Group as well as disclosures.