28 March 2024

Press release

Hamburg Commercial Bank ends 2023 financial year with pre-tax profit of EUR 427 million

- Net income before taxes up 18% to EUR 427 (prior year: 363) million and group net result confirmed at EUR 271 (425) million
- Sustainably profitable: net interest income up 21%
- Robust capital ratios: CET1 ratio at 19.5% (20.5%)
- Strong risk coverage – Loan loss provisions of EUR -79 (+11) million affected by real estate market
- Good start to the 2024 financial year

HAMBURG/GERMANY – Hamburg Commercial Bank AG (HCOB) presented its audited figures for the 2023 financial year on Thursday and confirmed its **net income before taxes** of EUR 427 (363) million along with the other key figures published in February. The robust pre-tax result was achieved – despite a difficult macroeconomic environment and challenging developments on the real estate markets – due to a further noticeable increase in operating income, solid new business and stringent cost management. The bank's capital and liquidity positions remained at a high level.

“Following the extraordinary success in 2023, Hamburg Commercial Bank has also started the current year on a positive note. The financial figures clearly demonstrate the Bank’s strong position. This makes it an ideal time for me to transition the Bank’s management to Ulrik Lackschewitz on April 1,” said Ian Banwell, Chief Executive Officer of Hamburg Commercial Bank. “With its sustainable revenue base and efficient cost structure, the Bank is well on track to achieve its goals for the full year 2024.”

Good start to 2024 – continued diversification

With a start to the 2024 financial year in line with planning and a robust earnings base, Hamburg Commercial Bank believes it is well on track to achieve its targets for the full year. In January 2024, HCOB successfully completed its first transaction in Aviation Finance. This new unit was established just last fall in order to further diversify the bank's business model. Also in January, HCOB continued its diversification strategy on the liabilities side and placed a Ship Pfandbrief in benchmark format (EUR 500 million) on the capital market, receiving strong investor demand.

2023 financial year: Profitability further improved – stable costs – CIR below 40%

Net income before taxes of EUR 427 (363) million was up by almost a fifth (18%) compared to the previous year, despite noticeably higher loan loss provisions.

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Income tax expenses had a significant negative impact of EUR -156 (+62) million on the group net result, mainly due to lower deferred tax assets, after these had benefited from one-off effects in the previous year.

At EUR 271 (425) million, the **group net result** exceeded the forecast (above EUR 250 million). This resulted in a **return on equity** (RoE) after taxes[1] of 12.5% (31/12/2022: 20.8%).

Total income rose by 13% to EUR 762 (673) million and was driven by a 21% year-on-year increase in **net interest income** to EUR 663 (550) million. The net interest margin at group level improved from 168 to 204 basis points.

At EUR 23 (33) million, **net commission income** was down on the previous year. The fair value result (**result from financial instruments categorised as FVPL**) contributed EUR 72 (86) million to total income. The other items in total income amounted to EUR 4 (4) million.

Loan loss provisions of EUR -79 (+11) million were affected by the challenging conditions on the real estate markets in view of the marked rise in interest rates.

Despite inflation, **administrative expenses** remained stable at EUR 332 (332) million, demonstrating the bank's cost efficiency.

At EUR 97 (75) million, the **other operating result** had a clearly positive impact on the group net result and benefited from one-off effects.

Expenses for regulatory affairs, deposit guarantee fund and banking associations were below the previous year's figure at EUR 21 (30) million. The **result from restructuring and transformation** was EUR 0 (-34) million as planned.

The **cost-income ratio** (CIR) improved to 39% (31/12/2022: 44%), despite the inflation, and is therefore well below the forecast figure of around 45%.

Comfortable risk coverage – solid capital ratios – stable total assets

The **NPE volume** increased to EUR 800 (405) million, owing in particular to higher interest rates and the resulting weakness in the real estate market. This was set against a comfortable coverage of EUR 1,004 million from loan loss provisions and collateral. The **NPE ratio** rose for the first time in four years and stood at 2.3% at the end of 2023 (31/12/2022: 1.2%). Around 0.4 percentage points of this were entirely attributable to the bank's only exposure to the Signa Group. The loan is secured by a mortgage on HCOB's headquarters in Hamburg.

The **CET1 ratio** was a strong 19.5% (31/12/2022: 20.5%). An envisaged dividend for the 2023 financial year is already deducted from CET1 capital as at December 31, 2023. The **leverage ratio** of 9.1% (31/12/2022: 9.5%) was well above the regulatory requirements.

Lending units: Encouraging earnings performance in 2023 – total income up 21%

Total income rose in all four lending units and increased significantly by 21% overall to EUR 677 (559) million as a result of noticeably higher net interest margins with average segment assets remaining almost constant. At EUR 6.2 (5.6) billion, gross new business was 11% higher than in the previous year. The pleasing earnings performance in all segments was offset by an increase in loan loss provisions, higher cost allocation and taxes. As a result, the RoE after taxes[1] of the market segments combined was 10.5% (14.2%).

Given the challenging development on the real estate markets, the **Real Estate segment** was managed in a risk-conscious manner and with a focus on the existing portfolio. Accordingly, the selective new business volume remained at the previous year's level of EUR 1.6 (1.6) billion. Total income from operating activities rose to a pleasing EUR 209 (175) million, while additions to loan loss provisions due to the adverse market development had a negative impact, resulting in earnings after taxes of EUR -53 (84) million.

In the **Shipping segment**, total income improved slightly to EUR 180 (177) million, despite a decline in lending volume. Administrative expenses and positive loan loss provisions below the previous year had an offsetting effect, resulting in earnings after taxes of EUR 81 (88) million. Gross new business with national and international shipping companies with good credit ratings amounted to EUR 1.3 (1.6) billion.

In the **Project Finance segment**, earnings after taxes increased significantly to EUR 69 (22) million, driven by total income of EUR 102 (70) million and a positive development in loan loss provisions. New business was expanded to EUR 1.0 (0.7) billion.

The **Corporates segment** benefited from a positive margin trend, particularly in the expanded international business. Total income rose noticeably to EUR 186 (137) million and, together with net reversals in loan loss provisions, made a significant contribution to earnings after taxes of EUR 102 (54) million. With gross new business of EUR 2.3 (1.7) billion, the previous year’s volume was exceeded.

Outlook

Due to the robust development of operating profitability in recent years, efficient cost management and continued solid risk coverage, Hamburg Commercial Bank expects to achieve IFRS net income before taxes in excess of EUR 300 million in the 2024 financial year. The bank will meet the challenges associated with the weaker economic environment on the real estate markets with a consistent NPE reduction plan.
All forecasts are subject to any unforeseeable or significantly more adverse than expected effects, for example from economic or geopolitical developments.

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Hamburg Commercial Bank

Group statement of income (IFRS) 2023

(€ million)	2023	2022	Change in %
Interest income from financial assets categorised as AC and FVOCI	1,447	761	90
Interest income from other financial instruments	65	81*	-20
Negative interest on investments categorised as AC and FVOCI	-	-13	-100
Negative interest on other cash investments and derivatives	-	-32	-100
Interest expenses	-852	-290*	>100
Positive interest on borrowings and derivatives	3	43	-93
Net interest income	**663**	**550**	**21**
Net commission income	23	33	-30
Result from hedging	13	2	>100
Result from financial instruments categorised as FVPL	72	86*	-16
Net income from financial investments	-3	-1	>-100
Result from the disposal of financial assets classified as AC	-6	3	>-100
Total income	**762**	**673**	**13**
Loan loss provisions	-79	11	>100
Total income after loan loss provisions	**683**	**684**	**-0**
Administrative expenses	-332	-332	-
Other operating result	97	75	29
Expenses for regulatory affairs, deposit guarantee fund and banking associations	-21	-30	-30
Net income before restructuring and transformation	**427**	**397**	**8**
Result from restructuring and transformation	-	-34	100
Net income before taxes	**427**	**363**	**18**
Income tax expense	-156	62	>100
Group net result	**271**	**425**	**-36**
Group net result attributable to Hamburg Commercial Bank shareholders	271	425	-36

*Previous year figures have been adjusted (see Annual Report as at 3112/2023, Note 2 of the Group explanatory notes).

Further key figures of the Group	31/12/2023	31/12/2022
Total assets (€ bn)	31.5	31.8
RWA (€ bn)	16.5	15.4
CET1 capital ratio (%)	19.5[3]	20.5[2]
Overall capital ratio (%)	25.0[3]	26.8[2]
Return on equity (RoE) before / after taxes[1] (%)	19.7 / 12.5	17.8 / 20.8
Leverage ratio (%)	9.1[3]	9.5[2,4]
Liquidity coverage ratio (%)	184	197
Net stable funding ratio (%)	116	113
Employees (FTE)	907	868

1) RoE before/after taxes based on standardized regulatory capital backing (average RWA and CET1 ratio of 13%) | 2) The dividend payment of EUR 1.5 billion made in the 2023 financial year was taken into account in advance as a reduction in common equity tier 1 capital. 3) Incl. deduction of an envisaged dividend payment, which is subject to the approval of the Annual General Meeting | 4) Adjusted comparative figure as at 31/12/2022

The bank published its preliminary financial figures for 2023 on February 15, 2024. For further information please visit Investor Relations on our website.