

Hamburg Commercial Bank

Issuer View • 21 June 2022

Authors: Melanie Kiene, CIAA // Dr Frederik Kunze

Hamburg Commercial Bank (HCOB), which operated as HSH Nordbank until February 4, 2019, is headquartered in Hamburg. HSH was the first Landesbank in Germany to be successfully privatized at the end of 2018. HCOB's shares are now distributed among the owners Cerberus Capital Management (42.41%), J. C. Flowers & Co. (34.93%), GoldenTree Asset Management (12.47%), an acquisition company of Centaurus Capital (7.48%), BAWAG P.S.K (2.49%) and HCOB (0.20%). Since January 01, 2022, HCOB has been assigned to the Compensation Scheme of German Banks (Entschädigungseinrichtung deutscher Banken GmbH; EdB) and also participates voluntarily in the Deposit Protection Fund of the Association of German Banks (Einlagensicherungsfonds des Bundesverbands deutscher Banken e.V.; ESF). HCOB operates as a private commercial bank and specialist financier. The business activities include commercial real estate financing, international corporate customers, a focused corporate client business in Germany, project financing and international ship financing. Segment reporting is based on the categories "Real Estate", "Shipping", "Project Finance" as well as "Corporates" and "Treasury & Group Functions". Sustainability aspects are also an integral part of HCOB's business model through the anchoring of established ESG criteria. One of the bank's milestones for 2022 and beyond in this context is the alignment of new business activities with the Sustainable Development Goals (SDG). Specifically, the institute defines for itself, for example, the goal of more than 10% of net new business being accounted for by green assets in 2025.

Ratings

	Rating	Outlook
Fitch	-	-
Moody's	Baa1	Positive
S&P	BBB	Stable

Homepage

www.hcob-bank.de

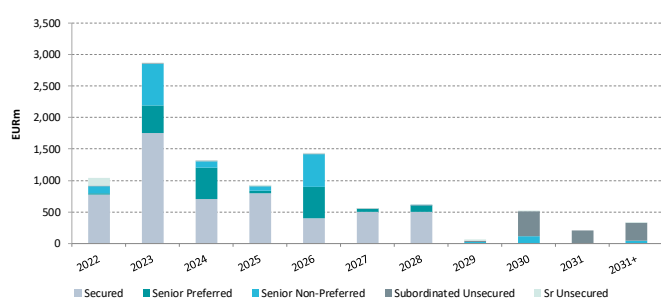
Balance Sheet

(EURm)	2019Y	2020Y	2021Y
Net Loans to Customers	30,000	21,909	19,752
Total Securities	9,044	7,113	5,271
Total Deposits	23,966	13,104	11,141
Tier 1 Common Capital	3,893	4,193	4,055
Total Assets	47,712	33,815	30,271
Total Risk-weighted Assets	21,005	15,523	14,026

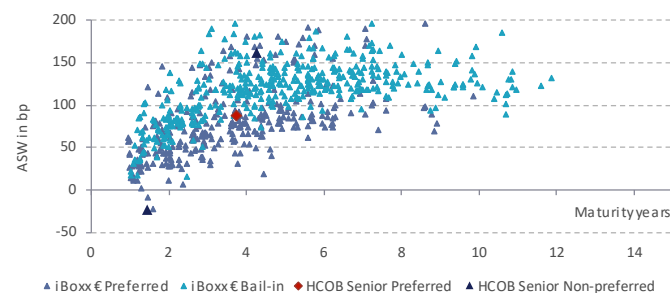
Income Statement

(EURm)	2019Y	2020Y	2021Y
Net Interest Income	321	629	526
Net Fee & Commission Inc,	61	48	38
Net Trading Income	81	-21	78
Operating Expense	463	397	360
Credit Commit, Impairment	-7	189	-32
Pre-tax Profit	77	257	299

Redemption Profile



Senior Unsecured Bonds (EUR BMK)



Company Ratios

	2019Y	2020Y	2021Y		2019Y	2020Y	2021Y
Net Interest Margin	0.64	1.60	1.70	Liquidity Coverage Ratio	192.86	169.67	160.38
ROAE	0.27	2.35	7.75	IFRS Tier 1 Leverage Ratio	8.70	12.89	13.67
Cost-to-Income	77.68	56.55	52.86	NPL/ Loans at Amortised Cost	-	-	-
Core Tier 1 Ratio	18.53	27.01	28.91	Reserves/Loans at Amort. Cost	2.49	2.70	2.35

As of: 21.06.2022; Source: Bloomberg, S&P Global Market Intelligence, NORD/LB Markets Strategy & Floor Research

Strengths / Opportunities

- Capitalization
- Deleveraging

Risks / Weaknesses

- Risk concentration
- Reliance on market-based funding

Covered Bonds

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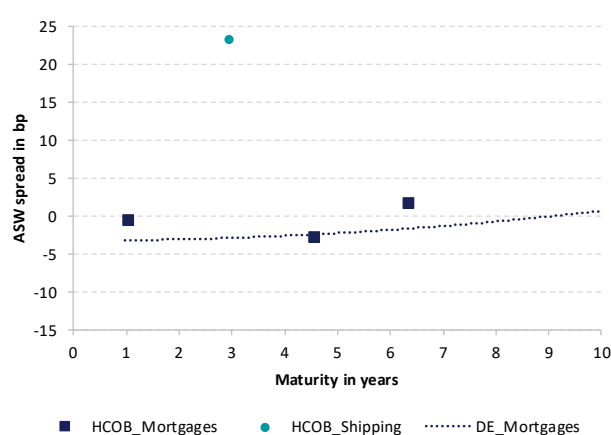
Three programs for issuing Pfandbriefe

HCOB has outstanding mortgage and public sector Pfandbriefe as well as ship Pfandbriefe. With a volume of EUR 3.3bn, there are significantly more Mortgage Pfandbriefe outstanding than Public Pfandbriefe (EUR 0.9bn) and Ship Pfandbriefe (EUR 1.9bn). The cover assets for the mortgage pool add up to EUR 4.0bn, for the public pool to EUR 1.0bn and those for the ship pool to EUR 2.4bn, resulting in OC ratios of 18.9% (Hypfe), 12.0% (Öpfe) and 24.8% (Schipfe), respectively. As of June 2022, HCOB has four outstanding bonds in iBoxx EUR Covered. Three bonds are mortgage-backed covered bonds (total volume: EUR 1.5 billion), while one issue is a ship covered bond (EUR 500 million).

Programme data

31 March 2022	Mortgage
Covered bonds outstanding	EUR 3,356.8bn
Cover pool volume	EUR 3,989.6bn
Current OC (nominal / legal)	18.9% / 2.0%
Main type	83.4% Residential
Main country	92.6% Germany
Main region	17.6% North Rhine-Westphalia
Number of loans	401
Share of 10 largest exposures	29.0%
Fixed interest (Cover Pool / CBs)	51.3% / 99.7%
WAL (Cover Pool / CBs)	2.8y / 2.2y
NPL	0.0%
CB Rating (Fitch / Moody's / S&P)	- / Aa1 / -

Spread overview (BMK) – Germany



Source: Issuer, rating agencies, Bloomberg, NORD/LB Markets Strategy & Floor Research

Mortgage cover pool with high commercial share

HCOB's pool for mortgage covered bonds is composed of 88.1% mortgage-related assets and 11.9% substitute cover. Within the primary cover assets, residential assets again account for 16.6%, while the much larger share of 83.4% are attributable to the commercial sector. 95.9% of the residential financing is allocated to the category "Multi-family assets" and 3.7% to the category "Buildings under construction". In total, the cover pool comprised 150 residential mortgages (against 43 borrowers) and 251 commercial loans (against 196 borrowers) at the reporting date of March 31, 2022. The commercial pool is dominated by the "office" type (42.9%), followed by "retail" (34.3%). Geographically, almost all assets are located in Germany (92.6%), with the Netherlands accounting for a further 7.3%. Regionally, North Rhine-Westphalia dominates (17.6%), followed by Hesse (15.3%) and Berlin (12.1%). The average loan volume in the residential sector is EUR 3.8 million, while in the commercial sector it is EUR 11.6 million. The NPL ratio for both parts of the pool is 0.0%. Almost all mortgage cover assets (99.9%) and mortgage Pfandbriefe (100.0%) are denominated in EUR.

Rating and Regulatory

Moody's rates the mortgage Pfandbriefe as Aa1. Accordingly, the Hypfe benefit from a preferred risk weight under CRR of 10%. Bonds in benchmark format also benefit from classification as a Level 1 asset in the LCR context, in our view. In addition, HCOB covered bonds are eligible for purchase under the ECB's CBPP3 purchase program and can be deposited as collateral in repo transactions with the Eurosystem.

Appendix

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