

Press Release

HSH Nordbank with solid results for first half of 2003

Hamburg/Kiel, August 27, 2003 – In the first half of 2003, HSH Nordbank AG delivered a successful performance in what continued to be a difficult market environment. After the merger between Hamburgische Landesbank and Landesbank Schleswig-Holstein (LB Kiel), HSH Nordbank today presented its first results. Operating profit before risk provisions and evaluations was up 9.4% on half the previous year's result to € 590.8 million. Operating profit after risk provisions and evaluations was also up 15.2% on half the previous year's result to € 339.4 million. Total assets were down 2.2% to € 173.0 billion (Group: -0.9% to € 180.0 billion), mainly due to the continued weakness of the US dollar – particularly in May and June 2003. This also applies to the loan volume, which declined by 1.8% to € 210.9 billion.

“HSH Nordbank presented a solid result for the first six months,” said Alexander Stuhlmann, Chairman of the Board of Managing Directors of HSH Nordbank AG, at today's press conference in Hamburg. “This shows that the merger was the right move to ensure that we will remain competitive even after the abolition of guarantee obligation and maintenance obligation in 2005.”

Increased operating income

The first-half **operating income** was up 7.0% on half the previous year's result to € 911.6 million. The largest contribution was again made by **net interest income**, which climbed 3.2% or € 22 million to € 732.9 million, benefiting from a moderate increase in the business volume and improved margins on new business. This growth is all the more gratifying as net interest income was impacted by the weakening dollar and the lower dividend distributions by participations.

At € 86.2 million, **net commission income** remained almost unchanged from half the previous year's result. In this context, it should be noted that the income from securities settlement has been

booked by PLUSBANK, HSH Nordbank's transaction bank subsidiary, since July 1, 2002. The general decline in commission income from securities business was almost fully offset by income from other services.

Net income from trading increased by € 10 million or almost 30% to € 45.2 million, mainly driven by FX trading.

Other operating income rose by € 27.6 million to € 47.3 million in the first six months of 2003. Note that the previous year's figure included special tax effects and pro-rata expenses for the merger. Adjusted for these effects, other operating income was more or less unchanged from the previous year.

Cost-income ratio slightly improved to 35.2 %

Administration expenses increased by 3.0% to € 320.8 million, of which € 155.7 million were accounted for by personnel expenses (+2.5%) and € 165.1 million by operating expenses (+3.4%). The increase in personnel expenses was due to higher wages and salaries. As of June 30, 2003, HSH Nordbank, employed 3,808 people at Bank level (Dec 31, 2002: 4,014) and 4,631 people at Group level (Dec 31, 2002: 4,788). The increase in operating expenses is attributable to higher administration and consulting expenses in conjunction with the merger.

Despite the moderate increase in administration expenses, the **cost-income ratio** for the first half of 2003 improved by 1.4 percentage points to 35.2%, which is an excellent figure even for a wholesale bank.

Operating profit before risk provisions and evaluations amounted to € 590.8 million (half 2002: € 540.1 million).

Risk provisions and evaluations almost unchanged

At € 251.4 million, risk provisions and evaluations remained almost unchanged from half the previous year's results. However, last year's figure was distorted by non-recurrent special effects resulting from the disclosure of hidden reserves in the context of the sale of investments. Adjusted for these effects, risk provisions and evaluations were down by roughly a third. "Risk provisions and evaluations are on a still too high level for our standards," said Alexander Stuhlmann. **Operating profit after risk provisions and evaluations** rose by 15.2% to € 339.4 million.

Despite higher income taxes (+ € 10 million) and increased partial profit transfers (+ € 20 million) due to new capital raised, **net income** was boosted by 14.2% to € 122.4 million (half 2002: € 107.2 million).

Improved Return on Equity

TIER I capital amounted to € 6.4 billion as of June 30, 2003. The TIER I capital ratio, which initially had deteriorated due to the merger-related deconsolidation of participations, increased from 6.3% to 6.8% (as of June 30, 2003) as a result of the very successful Resparc II capital transaction. Return on equity (ROE) improved by 0.4 percentage points to 10.9% (Group: 11.9%).

Outlook

“Overall, HSH Nordbank again reported a solid result in what continues to be a difficult environment,” said Alexander Stuhlmann. “We are therefore optimistic about the Bank’s full-year result.”

HSH Nordbank AG officially emerged from the merger between Hamburgische Landesbank and Landesbank Schleswig-Holstein (LB Kiel) on June 2, 2003. Total assets of € 180 billion and 4,600 employees worldwide make HSH Nordbank AG a leading Northern European bank. Together with the savings banks, HSH Nordbank AG is the market leader in the Hamburg/Schleswig-Holstein region. It continues the tradition of its predecessors through its commitment to this region.

Further information:

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Key figures of HSH Nordbank (Bank)

HSH Nordbank (in € m)	6/2003	½ 2002	Change over half the previous year's result in %
Total assets*	172,980	176,853	- 2.2
Business volume*	213,195	215,676	- 1.2
Loan volume*	210,899	214,852	- 1.8
Equity capital*	6,247	5,770	+ 8.3
TIER I capital*	6,438	5,962	+ 8.0
Operating income	911.6	851.7	+ 7.0
thereof net interest income	732.9	710.5	+ 3.2
thereof net commission income	86.2	86.3	- 0.1
thereof net trading income	45.2	35.3	+ 28.0
thereof other operating income and expenses	47.3	19.7	+ 140.1
Administrative expenses	320.8	311.6	+ 3.0
thereof personnel expenses	155.7	151.9	+ 2.5
thereof operating expenses	165.1	159.7	+ 3.4
Operating profit before risk provisions and evaluations	590.8	540.1	+ 9.4
Risk provisions/evaluations	251.4	245.7	+ 2.3
Operating profit after risk provisions and evaluations	339.4	294.5	+ 15.2
Net income	122.4	107.2	+ 14.2
Staff*	3,808	4,014	- 5.1
Cost-income ratio*	35.2%	36.6%	
Return on equity* (RoE)	10.9%	10.5%	
TIER I capital ratio*	6.8%	6.3%	

*as of Jan. 1, 2003/June 30, 2003