Investor Presentation
Half-year results 2013

HSH NORDBANK AG
HAMBURG 30 AUGUST 2013

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Agenda

1. Significant developments
2. Financial figures H1 2013
3. Outlook second half 2013

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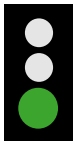
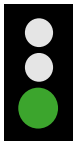
Core Bank profitable – Bank further stabilized

- **Improved earnings structure – group net profit in H1-2013**
  - Profit contribution of Core Bank increased visibly
  - Net margins and quality of total portfolio improved
  - New clients generated– client basis broadened beyond core region
  - Impact from one-off effects declining



- **Risk provisioning in line with expectation**
  - Risk parameters improved; opposite trend in shipping market
  - Further provisioning done for shipping risks as planned

- **Guarantee amount replenished– capital ratios strengthened**
  - Core Tier1 ratio increased to 12.0 percent
  - EU- state aid proceedings initiated – final ruling not expected before 2014



Conversion into ‚Bank for Entrepreneurs‘ progressing well

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Exemplary transactions

DIC AG
Büro Portfolio

160.000.00 €

Rhein-Neckar, Frankfurt
Portfoliofinanzierung
Lead Arranger

2013
HSH Nordbank

Strabag
Upper West

149.000.000 €

Berlin
Projektentwicklung
Mandated Lead Arranger

2013
HSH Nordbank

Deutsche Wohnen AG
Wohnportfolio

161.000.000 €

Berlin, Leipzig, Dresden,
Niedersachsen
Sole Lender

2013
HSH Nordbank

Hansen & Rosenthal

40.000.000 €

Hamburg
Borrowing Base

Mandated Lead Arranger
2013
HSH Nordbank

AKN Eisenbahn AG

60.000.000 €

Kaltenkirchen
Fremdkapitalfinanzierung
Sole Lender
2013
HSH Nordbank

Offshore Windpark
Butendiek

30.000.000 €

Deutschland/ Nordsee
Project Finance
Commercial Lender

2013
HSH Nordbank

Solarpark
Solstice 1A und 1B

81.600.000 €

Frankreich
Project Finance
Sole MLA

2013
HSH Nordbank

Euroports
Netherlands B.V.

61.000.000 €

Europa
Refinanzierung
Mandated Lead Arranger

2013
HSH Nordbank

Scorpio Tankers

50.000 .000US $

New York
Ship Finance
Lead Arranger

2013
HSH Nordbank

Deutsche Tamoil
GmbH

27.500.000 €

Elmshorn
Schuldscheindarlehen
Sole Arranger

2013
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Important milestones in restructuring process achieved

- **Balance sheet total massively reduced**
  - The target of 120 bn euro balance sheet total required by end of 2014 prematurely achieved already by mid-year 2013
  - Core bank balance sheet has ample room for expansion of business activities

- **Concentration on profitable business**
  - Retail operations ceased–clients migrate to savings banks
  - Focus on affluent private banking clients in wealth management

- **Sale of equity holdings in plan**
  - Non-strategic businesses abolished or continued at a much reduced pace
  - HSH Real Estate GmbH divested in August

Essential EU-requirements prematurely fulfilled

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Key financials at a glance

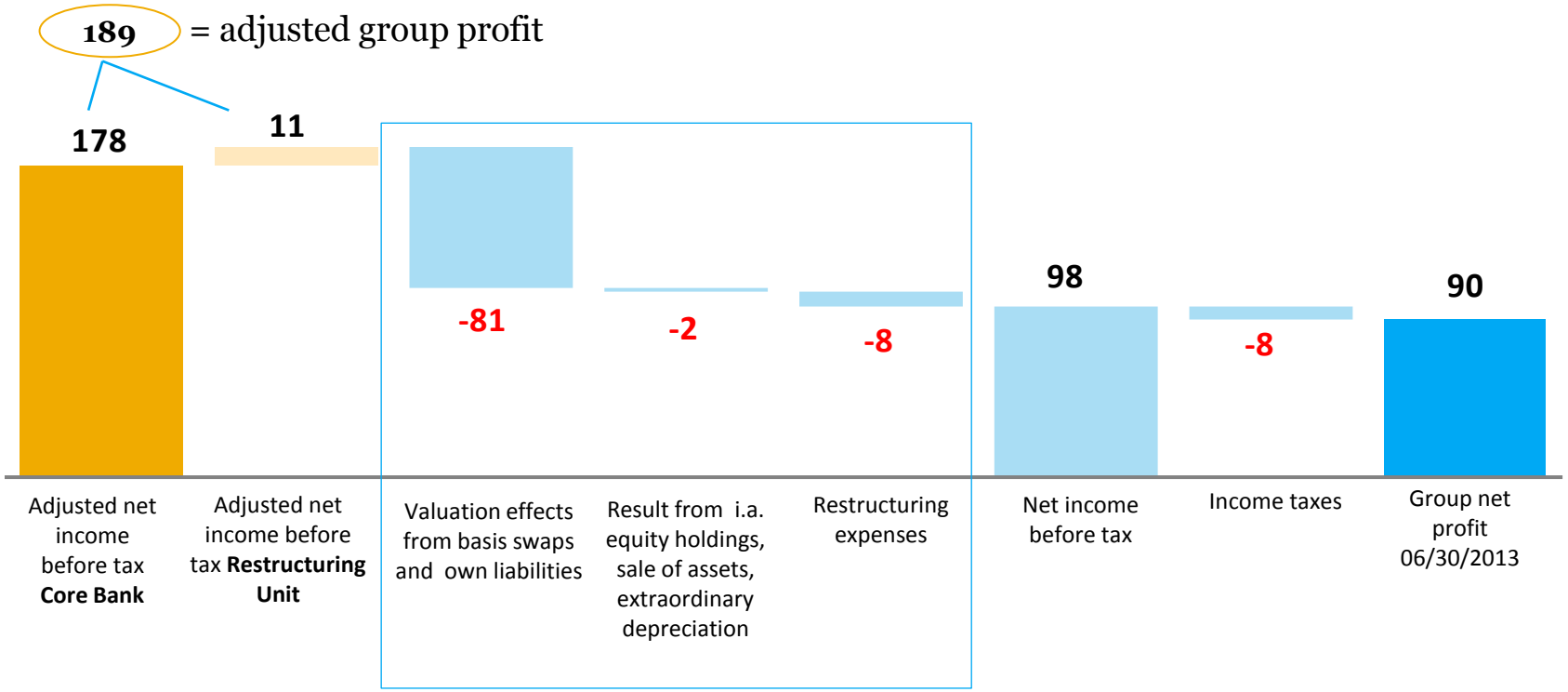
Euro mm	H1 2012	H1 2013	Δ%
Total earnings	438	809	+85
Loan loss provisions	-111	-224	>100
Administrative expenses	-385	-370	-4
Net income before taxes	**19**	**98**	**>100**
thereof Core Bank	-30	131	>100
thereof Restructuring Unit	49	-33	>-100
Group net profit	**54**	**90**	**67**

	12/31/2012	06/30/2013
Total assets (Euro) bn	131	121
thereof Core Bank	75	71
thereof Restructuring Unit	56	50
Core Tier1 ratio (Basel II) in %	9,9	12,0*
Liquidity Coverage Ratio – LCR – (Basel III) in %	134	160

* plus 4.1 % buffer due to debtor warrant re/additional premium

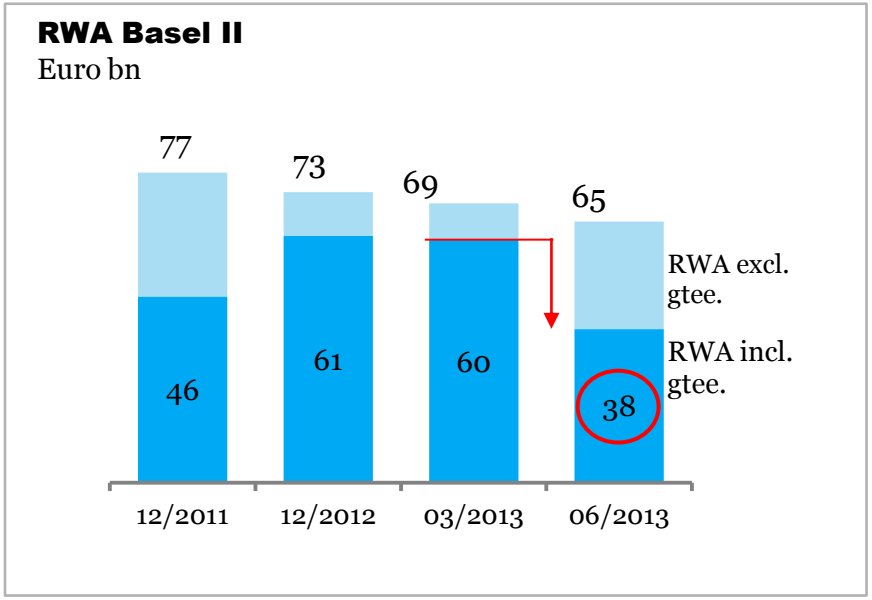
Adjusted net income reveals strength of Core Bank

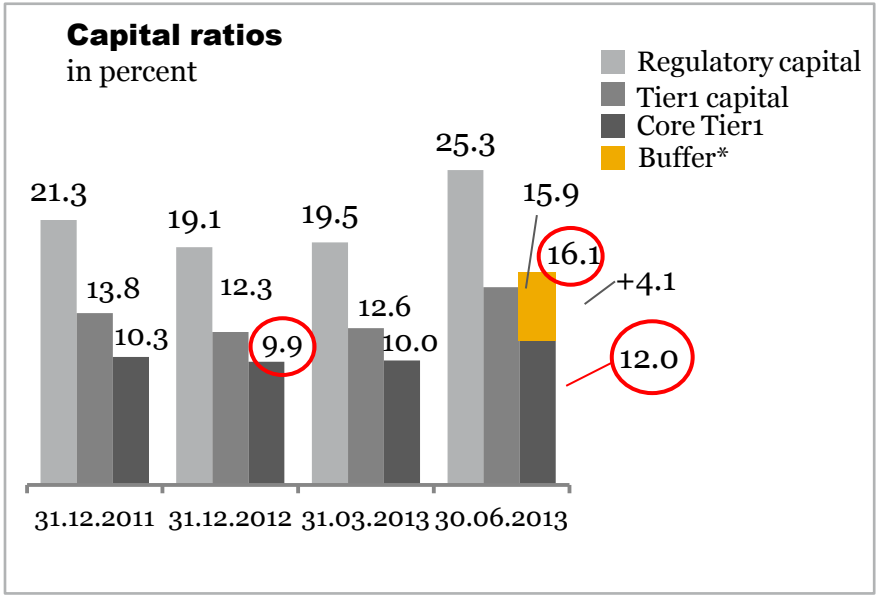
Net income adjusted for extraordinaries (EUR mm)



Business modell is working–
Core Bank with substantial profit contibution

Core Tier1 capital ratio at 12 percent



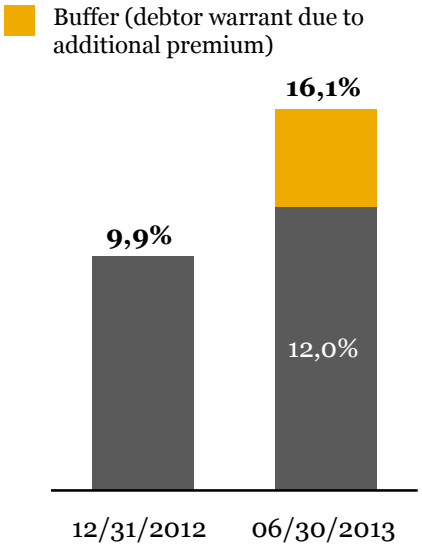


- Risk weights massively reduced by replenishment of guarantee
- Reduction in Restructuring Unit assets and improved risk parameters positively supported capital ratios

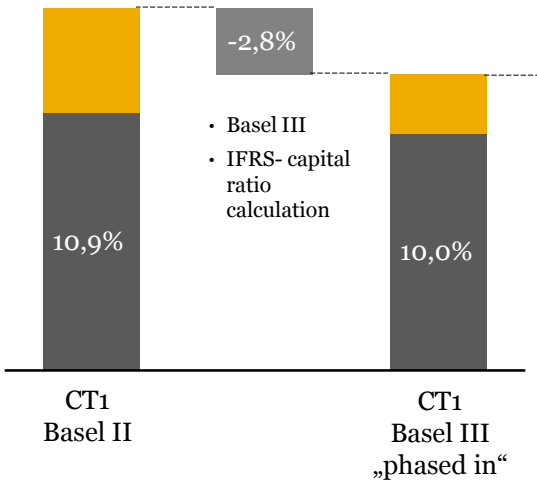
* due to debtor warrant re/ additional premium

HSH with solid capital base Basel III fully loaded

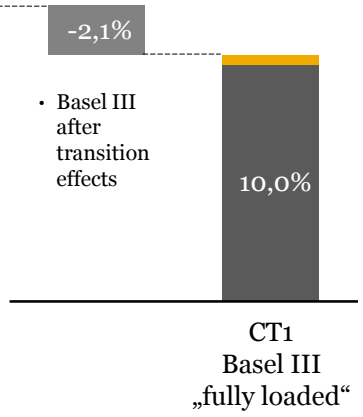
Core Tier1 ratio Basel II



Forecast year end 2013 [1)]



Basel III „fully loaded“ [2)]



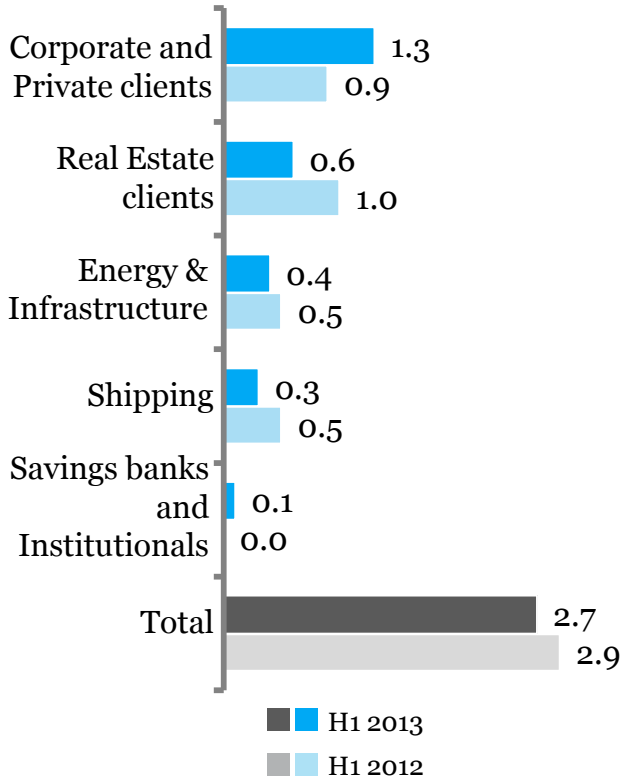
► We expect Core Tier 1 ratio to stay around 10 percent throughout the entire planning period until 2019

We fulfill the capital ratio requirements under Basel III prematurely

1) Forecast Core Tier1 ratio (CT1) according to bank plan
2) Forecast Core Tier1 ratio (CT1); All currently known effects on RWA and Equity considered.

Stable new business generated

New business signed with Core Bank clients
Euro bn



- New business steadily expanded despite sluggish demand for financing
- In particular, business with target customers from corporate client base broadened
- Well-filled pipeline in real estate and energy & infrastructure
- New business margins improved further
- Attractive risk/ return profile and overall quality of the portfolio have improved

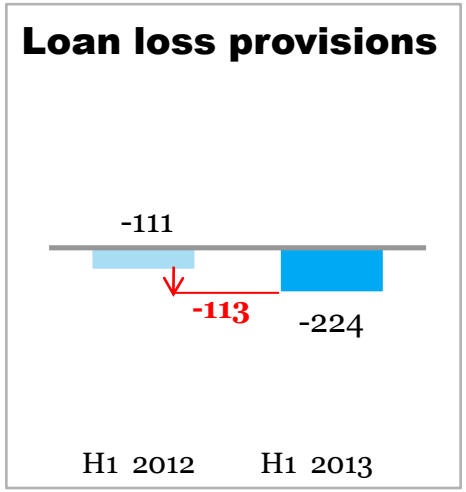
Total earnings markedly above previous year

Euro mm	H1 2012	H1 2013	Δ%
Total earnings	**438**	**809**	**+ 85**
thereof net interest income	453	485	+ 7
thereof net commission income	44	52	+ 18
thereof net trading income	-210	109	>100
thereof net income from financial investments	152	167	+ 10

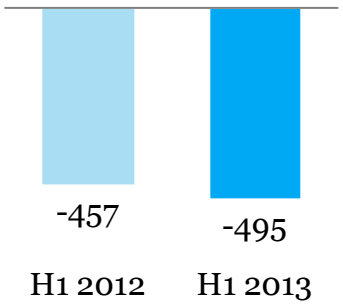
- Total earnings nearly doubled
- Net interest income increased dispite shrinking portfolio – improved new business margins
- Net commission income moderately improved
- Net trading income less impaired by valuation gains/ losses from basis swaps and own liabilities
- Valuation gains in the credit investment portfolio (managed within the RU) improved trading and financial investments results

Risk provisioning mostly covered by risk shield

Euro mm

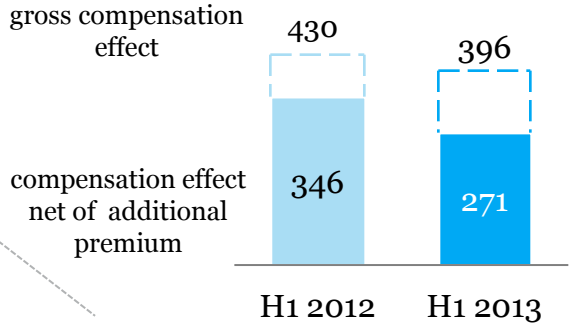


Loan loss provisions before guarantee



- Modest increase of LLP before gtee.
- Main driver is shipping loans from legacy portfolio

Compensation effect of guarantee



- Compensation effect of the guarantee inevitably diluted by the accrual of additional premium

Replenishment of guarantee solely for the purpose of strengthening tier-1 capital ratio

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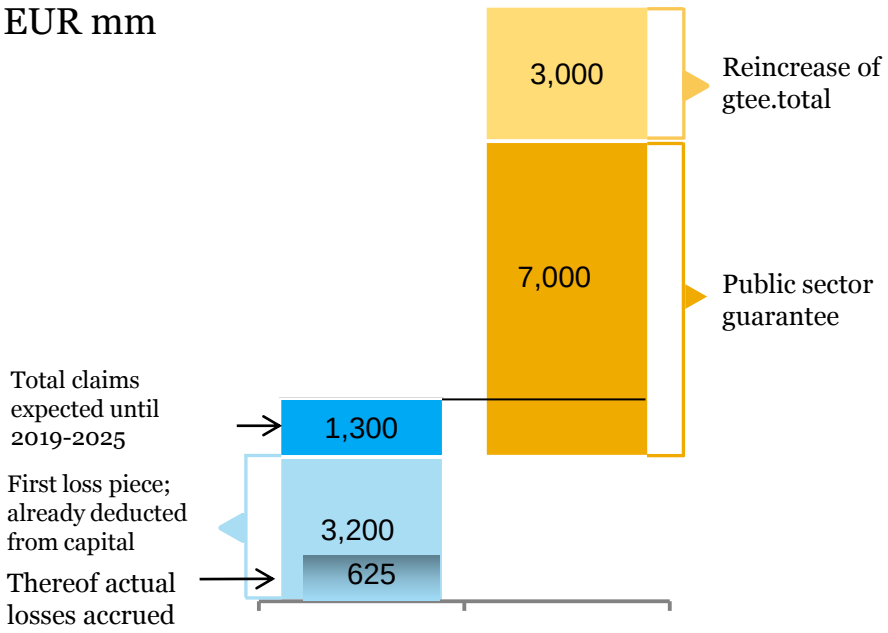
Guarantee

EUR mm

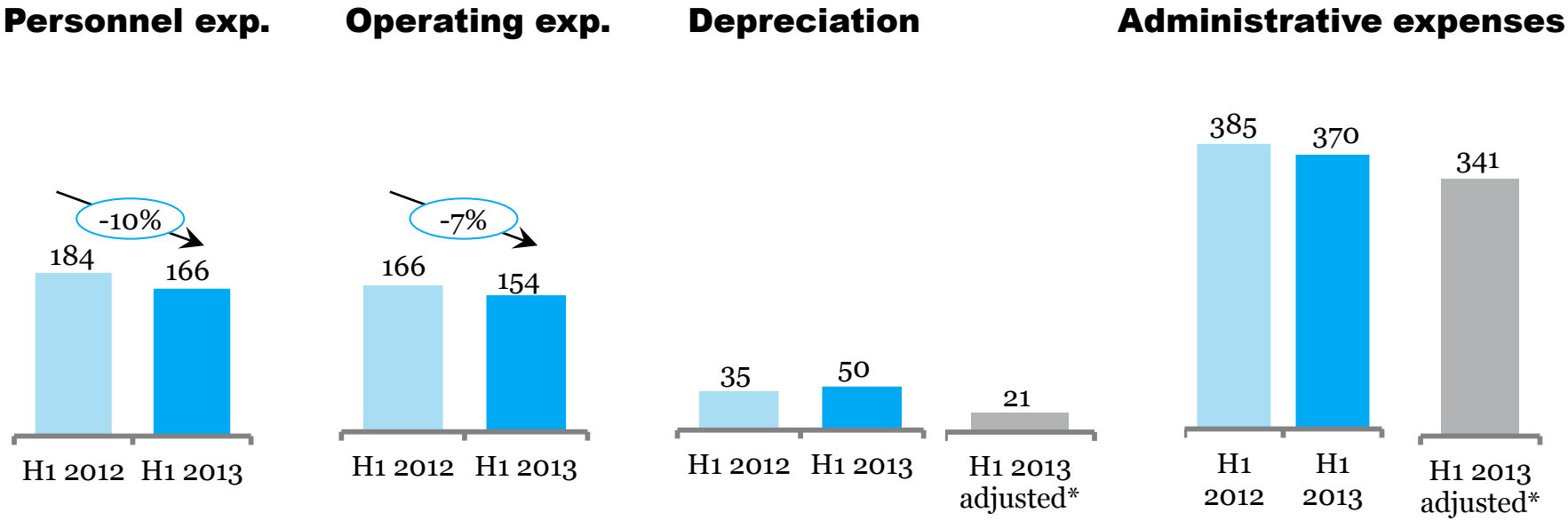


- Replenishment of the guarantee fully supported capital ratios already in H1-2013
- Fees for the increased portion of the guarantee will be expensed in second half of 2013
- Potential claims under the gtee. planned at around 1.3 bn € until 2025 (unchanged)
- Total costs of public sector gtees. 143 mm € (previous year 157 mm €)
- A total sum of two billion euros have already been paid to guarantors in fees
- Another one billion euros in base fee and additional fee went through P&L on an escrow account

Since implementation a total amount of around three billion euros in guarantee fees have been booked through P&L

Costs reduced as planned

Euro mm



- Administrative expenses reduced by 4 percent; adjusted for extraordinary depriciation of 29 €mm even by 11 percent
- Personnel expenses down 10 percent– reduction target for 2014 contractually achieved
- Operating expenses down 7 percent due to a varity of cost cutting measures

*adjusted for extraordinary depriciation

Core Bank profitable–
1. adjusted pre-tax result H1 2013

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Euro mm	Group	Core Bank	Restructuring Unit
Net income pre-tax	**98**	**131**	**-33**
extraordinaries	+91	+47	+44
Adjusted pre-tax result	**189**	**178**	**11**
Cost Income Ratio in %		41	

Strong adjusted result due to successful Core Bank

Core Bank profitable–
2. client business result H1 2013*

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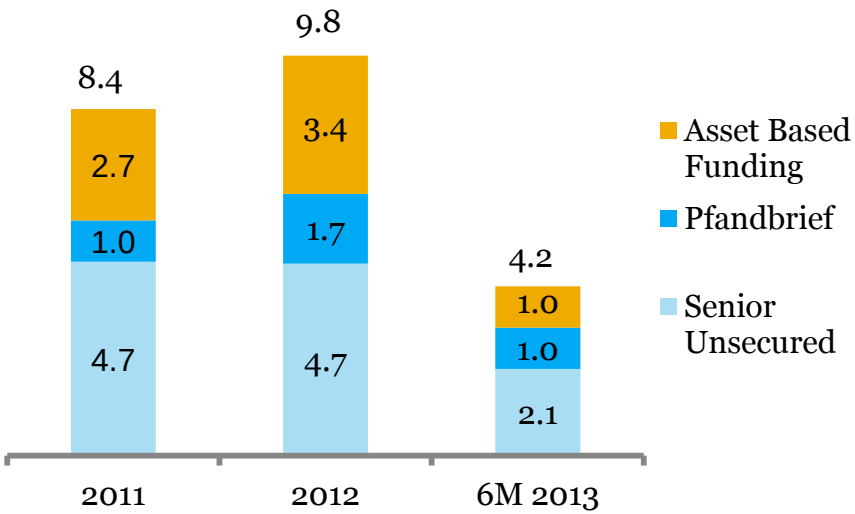
Euro m	year	Shipping, Project & Real Estate Clients				Corporates & Markets			Other	Core Bank
		Sum SPI	Real Estate	Energy & Infra-structure	Shipping	Sum C & M	Corporate and Private Clients	Capital Markets, Products, Savings Banks & Institutionals		
Total earnings	**H1 2013**	**347**	**85**	**71**	**191**	**198**	**128**	**70**	**-81**	**464**
	H1 2012	320	81	63	176	207	124	83	-396	131
Loan loss provisions	**H1 2013**	**-154**	**4**	**0**	**-158**	**-6**	**-6**	**0**	**52**	**-108**
	H1 2012	-142	5	6	-153	-4	-6	2	51	-95
Administrative expenses	**H1 2013**	**-126**	**-33**	**-34**	**-59**	**-118**	**-65**	**-53**	**32**	**-212**
	H1 2012	-123	-35	-24	-64	-131	-58	-73	15	-239
Net before tax	**H1 2013**	**72**	**55**	**41**	**-24**	**78**	**60**	**18**	**-19**	**131**
	H1 2012	62	52	49	-39	79	64	15	-171	-30

Improved earnings from almost all business areas – risk provisioning in Core Bank client areas little changed

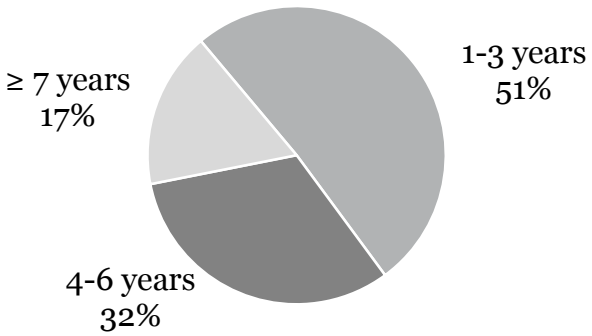
*condensed version w/o adjustments for extraordinary effects

Funding raised from diversified sources

Long-term capital markets
Euro bn



Senior unsecured and pfandbrief
by duration (excl. asset based funding)



- Strong franchise of HSH Nordbank within savings bank group with its broad access to retail clients; increased sales also outside savings banks finance group
- Successful placement of a 3-year, 500 m euro public sector pfandbrief => tapped to 750 m euro in April 2013
- Expansion of asset based funding via two USD-repo trades in longer maturities

NPL volume driven by shipping loans– risks fully covered

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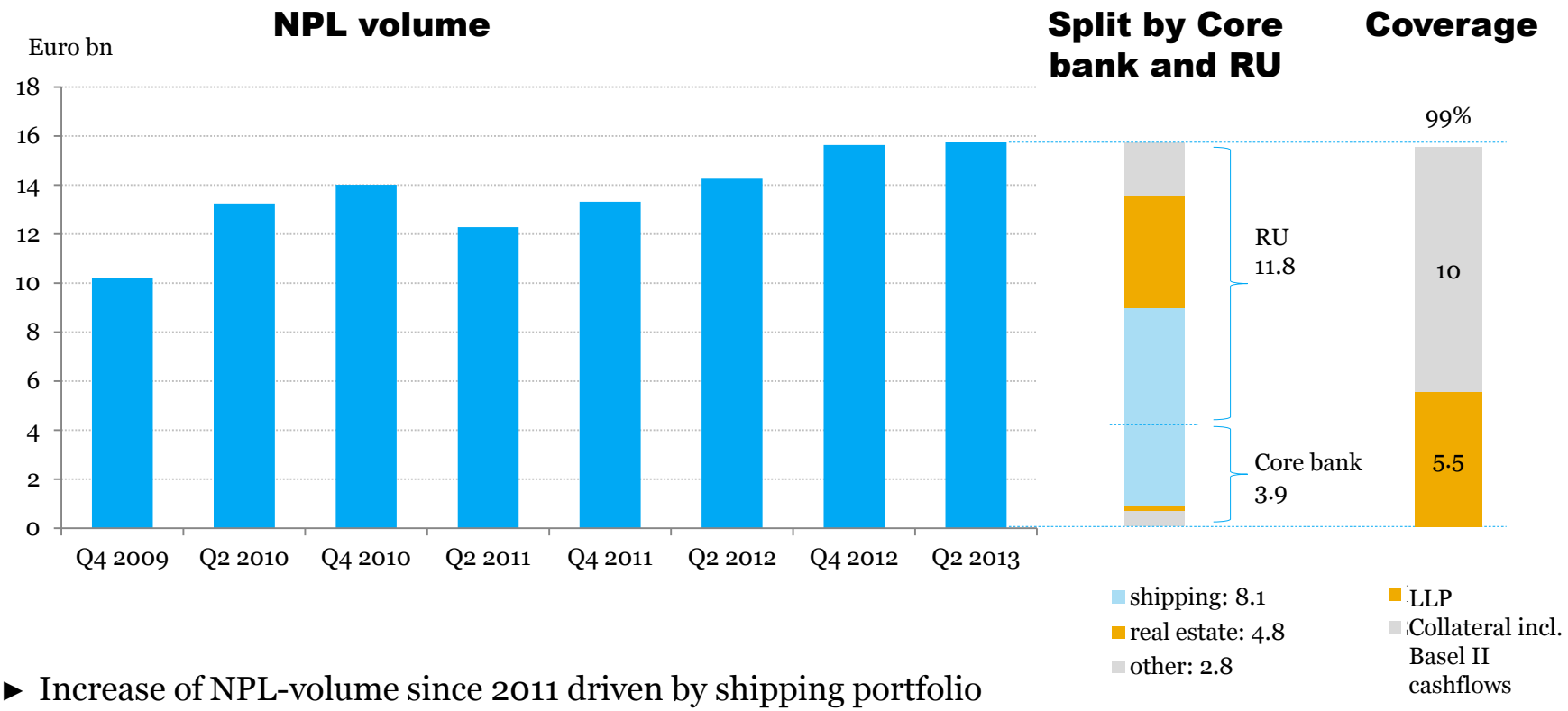

- Increase of NPL-volume since 2011 driven by shipping portfolio
- Risks primarily from shipping and real estate financings
- Completly covered by loan loss provisions, collateral values and expected cashflows
- In addition covered by second loss risk shield

Credit Investment Portfolio (CIP) since the beginning of the crisis reduced by 77 %

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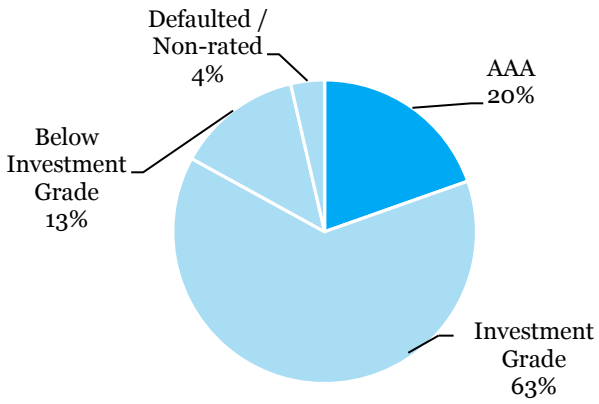
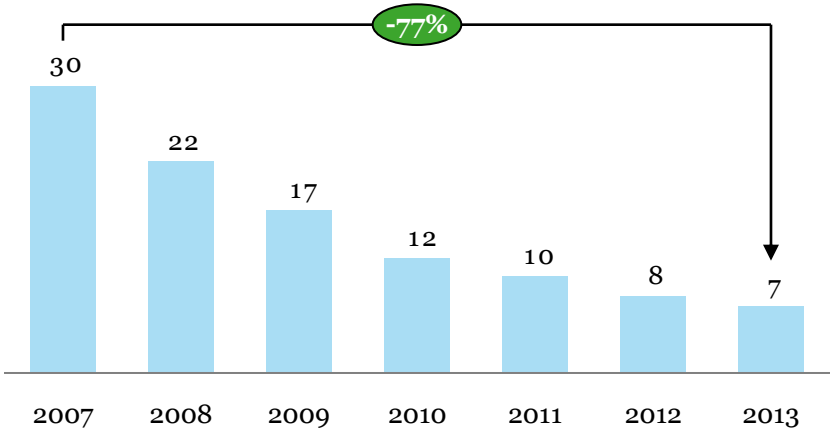
83% Investment grade rating



Succesfull reduction

Notional in EUR m



- Since 2007 CIP reduced by 77 percent; in Q2-2013 alone by 453 million euros
- Portfolio comprises primarily ABS-structures as well as govt. and single name bank bonds; highly volatile portfolio assets have been divested already early on
- Substantial valuation gains in H1-2013 from southern European government, local state and bank bonds as well as US real estate loans

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Significant charges in second half 2013

- **Increased risk provisioning in shipping expected**
  - Only next year a reduction in provisioning need expected
  - A sustainable recovery in shipping markets expected not before 2015
  - Shipping risks in Restructuring Unit portfolio under scrutiny of regulator
- **Roughly 130 mm Euro additional guarantee fee expenses**
  - Some 60 mm Euro additional base fee
  - Retroactive payment of saved guarantee fees cost another 70 mm Euro

The expected P&L charges in H2 2013 will outpace the Core Bank success and lead to a group net loss for full 2013

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