

Investor Presentation

IFRS Group Result as at 30 June 2017

INVESTOR RELATIONS

HAMBURG, 31 AUGUST 2017

HSH Nordbank AG – Strong market position in the region of Northern Germany



- ➔ Almost **1/5 of Germany's economic output** is generated in the Northern German states¹
- ➔ **Pioneer in wind energy:** Around 50% of German wind power plants are located in the North. Almost all large producers and utility companies are based in this region²
- ➔ **Hamburg is one of the “big 7” when it comes to commercial real estate:** Transaction volume rose by 14% to EUR 4.8bn in 2016³
- ➔ **Foreign trade:** Around 18% of German imports and exports originated in the North. Ports are major hubs for nationwide foreign trade⁴
- ➔ **Healthcare:** Around 6,100 companies from the healthcare sector and 56 hospitals provide care for 490,000 patients in our core region of Hamburg⁵
- ➔ **Centre of education:** Around 15 percent of all students in Germany are enrolled at 75 universities and other higher education institutions in the North⁴
- ➔ **One of Germany's technology hubs:** Ideal conditions for entrepreneurs. With 25 start-ups for every 1,000 inhabitants, Hamburg comes in 2nd in the city rankings as a centre for the media and digital economy⁶
- ➔ **Hamburg as a maritime hub:** Around 350 shipping companies are based in the North, with around 1/3 of them in Hamburg⁷
- ➔ **Port of Hamburg:** Thanks to positive economic development, cargo handling is expected to increase by 4% per year. Good connections with the hinterland give Hamburg a key competitive advantage⁸

¹ German Federal Statistics Office (2015); ² German Wind Energy Association (2016); ³ JLL transaction volume for commercially used properties; ⁴ Hamburg Chamber of Commerce;

⁵ Clusterplattform Deutschland of the Federal Ministry for Economic Affairs, Gesundheitswirtschaft Hamburg; ⁶ KfW Start-up Monitor 2016; ⁷ Association of Shipping Companies;

⁸ Study on the Hamburg metropolitan region in 2020: Transport infrastructure and its utilisation, HWWI and HSH

Business performance overview

Positive interim results as at 30 June 2017

Privatisation	<ul style="list-style-type: none"> ▶ Intensive support for owners in the privatisation process ▶ Key milestone reached with the receipt of extended indicative bids as at 30 June 2017 ▶ Privatisation between the poles of the forward-looking Core Bank, the considerable burdens resulting from legacy loans in the Non-Core Bank and the complex second loss guarantee
Core Bank	<ul style="list-style-type: none"> ▶ New business progresses as expected and has been expanded considerably, risen by +25% up to EUR 4bn year-on-year thanks to a stable customer base, thereof almost EUR 1bn with new clients ▶ The focus was on concluding new business with a reasonable risk and return profile in the Corporate Clients and Real Estate Clients business units
Wind-down portfolio	<ul style="list-style-type: none"> ▶ After EUR 10bn legacy burdens reduction in 2016 alone, another EUR 4.2bn forcedly wound-down in H1 2017 and hence, high NPE volume and concentration risks again reduced ▶ NPE ratio reduced to 14.6% ▶ Signs of stabilisation in Shipping, although a sustainable recovery is yet to emerge
Costs	<ul style="list-style-type: none"> ▶ Cost savings potential realised, administrative expenses down by 11% year-on-year, CIR currently 31% within the Group, but not representative for the entire year ▶ Annual contributions to bank levy and deposit guarantee burden the half year result with EUR -41mn
Capital and liquidity	<ul style="list-style-type: none"> ▶ Capital and liquidity, as key management indicators, remain at a comfortable level ▶ CET1 ratio at a high level of 18.9% (phase in), pro-forma excl. guarantee of 15.0%¹ (phase in), LCR stands at 208% ▶ Funding above pro rata plan in 2017



The first half of the year is characterised by a privatisation process that is running according to plan and satisfactory operational business

¹ Indicative, not taking into account the regulatory relief effect of the federal state guarantee via recognition as a securitisation transaction in the “Supervisory Formular Approach”

HSH Nordbank AG at a glance



EaD: EUR 81.2bn
Net income before taxes: EUR 173mn

Core Bank	Non-Core Bank	Other and Consolidation				
<ul style="list-style-type: none"> ▶ The Core Bank comprises the strategic market units and the services offered by the Treasury & Markets and Transaction Banking divisions ▶ Major restructuring measures have been undertaken to create the current basis and organisational structure of the Core Bank, which already resulted in the first significant efficiency gains ▶ Segments: <table border="1" data-bbox="142 839 772 996"> <tr> <td>Corporate Clients EUR 14.2bn</td> <td>Real Estate Clients EUR 12.5bn</td> </tr> <tr> <td>Shipping EUR 6.1bn</td> <td>Treasury & Markets EUR 22.6bn</td> </tr> </table> ▶ Main earnings components of the product division Transaction Banking allocated to the market units <p data-bbox="131 1162 741 1239">EaD: EUR 55.5bn Net income before taxes: EUR 506mn</p>	Corporate Clients EUR 14.2bn	Real Estate Clients EUR 12.5bn	Shipping EUR 6.1bn	Treasury & Markets EUR 22.6bn	<ul style="list-style-type: none"> ▶ The Non-Core Bank includes non-strategic and non-performing assets (mainly legacy burdens from the period prior to 2009), the aim being to reduce them ▶ At the moment, loans from Shipping (51%), Divestments (18%) and Real Estate clients (16%) dominate the portfolio of the Non-Core Bank ▶ The NPE share is largely covered by the guarantee ▶ High loan loss provisions for legacy burdens of EUR -251mn and guarantee fees of EUR -70mn having a negative impact on the half-year result ▶ Since 2009, the guaranteed portfolio has been actively reduced from EUR 183bn to an EaD of EUR 22.8bn, with EUR 14.5bn attributable to the Non-Core Bank as at the end of June 2017 <p data-bbox="838 1162 1391 1239">EaD: EUR 17.2bn Net income before taxes: EUR -348mn</p>	<ul style="list-style-type: none"> ▶ Includes segments not subject to a reporting requirement, administrative functions and Total Bank positions at Group level ▶ Equity and liquidity portfolio (mainly liquidity reserve) ▶ Net income from restructuring and privatisation <p data-bbox="1464 1162 1819 1239">EaD: EUR 8.5bn Net income b. t.: EUR 15mn</p>
Corporate Clients EUR 14.2bn	Real Estate Clients EUR 12.5bn					
Shipping EUR 6.1bn	Treasury & Markets EUR 22.6bn					

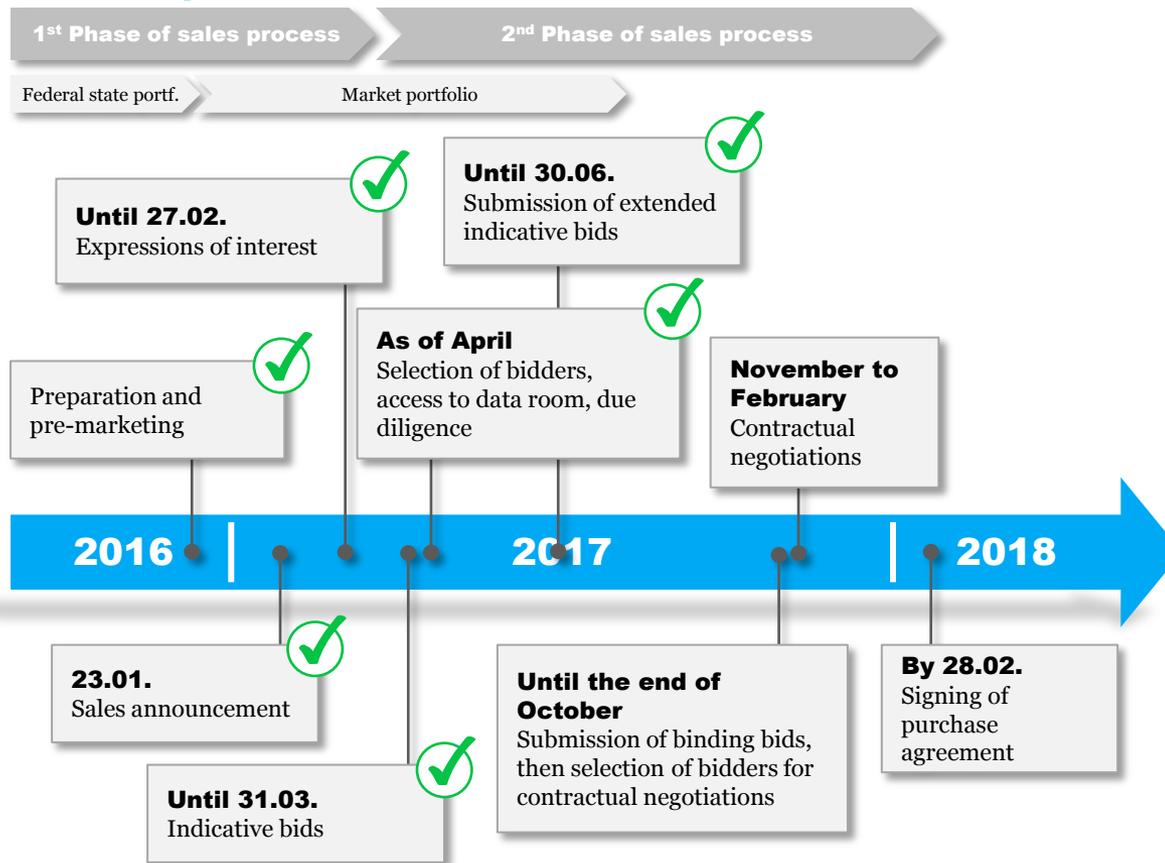
Agenda

- ▶▶▶ 1. Change in ownership p. 6
2. Financial key figures H1 2017 – Core Bank /
Non-Core Bank p. 10
3. Financial key figures H1 2017 – Group p. 28
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Privatisation process going to plan, milestones completed successfully

Change in ownership

Federal states of Hamburg and Schleswig-Holstein are managing the sales process



Excerpt from the owners' statement



“The bids that the federal states were expecting had been received on time by 30 June 2017. Following an initial assessment, these offers provide a good basis for the successful continuation of the sales process.

A careful assessment will now be performed to identify the bidders that will make it to the next round of privatisation and will receive further information on HSH Nordbank.

Binding bids are now to be submitted in autumn and will form the basis for the final contractual negotiations.”

(Statement made by the federal states, Hamburg/Kiel, 2 July 2017)

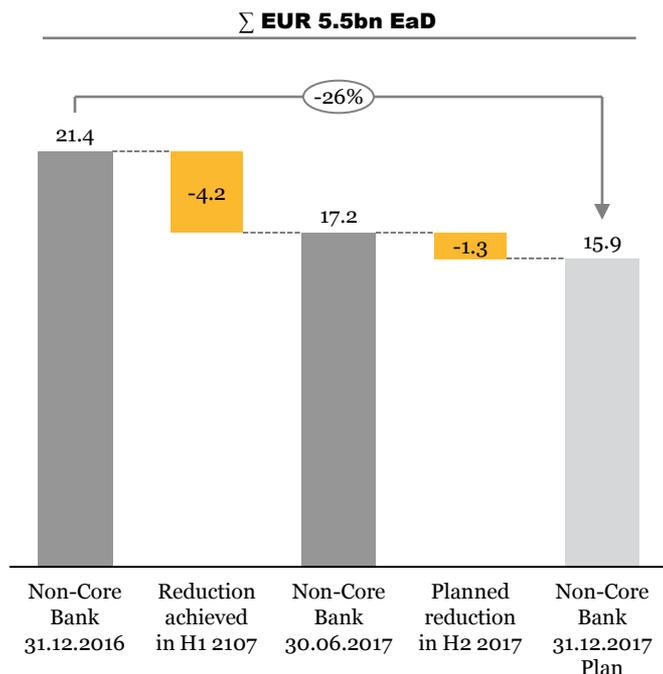
Considerable reduction in legacy burdens and balance sheet relieved, market portfolio of EUR 2.5bn sold

Change in ownership

– Simplified chart –

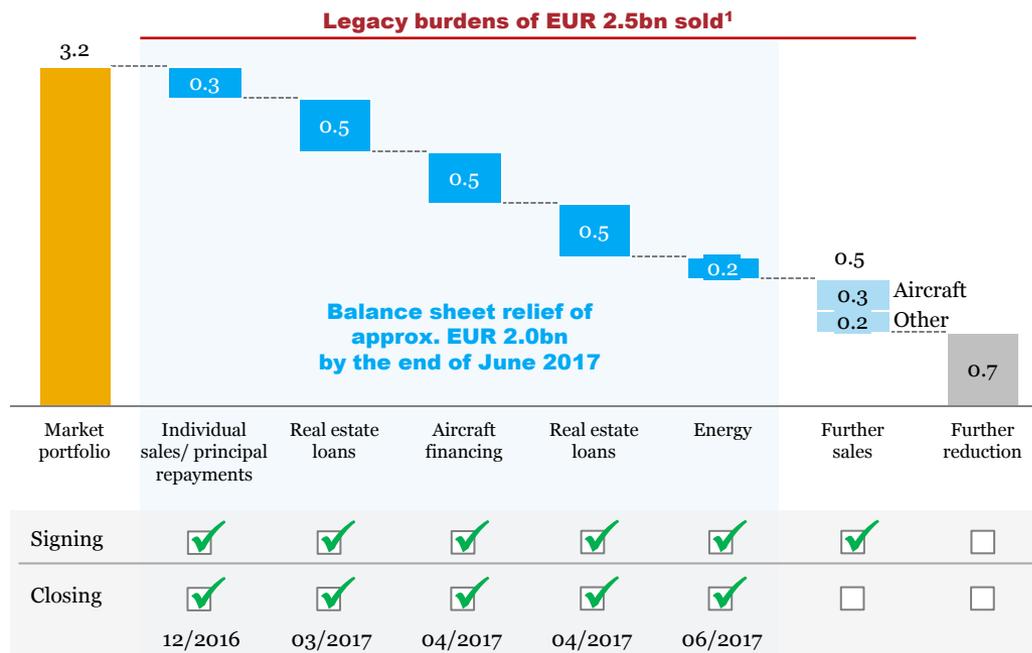
Legacy burdens reduction 2017

EUR bn, EaD



Market portfolio

EUR bn, EaD



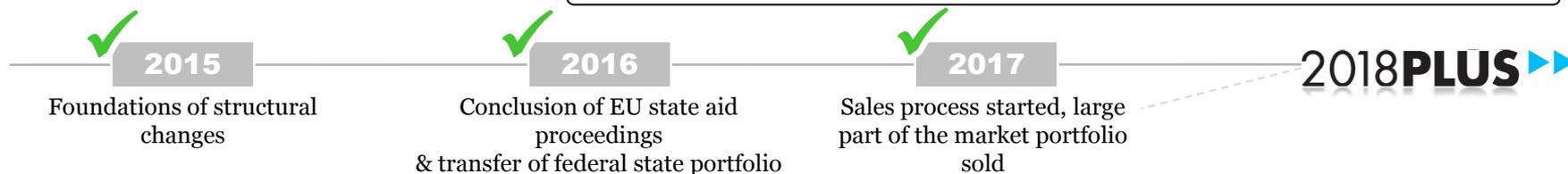
- ▶ In 2017, plans to reduce legacy burdens totalling EUR 5.5bn, bringing the total number down to EUR 15.9bn in the Non-Core Bank
- ▶ To date, EUR 2.5bn of the market portfolio has been sold¹/settled, thereof EUR 2.0bn with balance sheet relief as at 30 June 2017
- ▶ Signing of other sales (EUR 0.2bn EaD) in August 2017

¹The parties agreed to not disclose the purchase price

Target level 2018PLUS provides good outlook for potential new owner

Change in ownership

– Indicative illustration / segment analysis - excluding privatisation effects –



Competitiveness of Core Bank in focus:

- ▶ Capital
- ▶ Liquidity
- ▶ Efficiency

Target achievement via:

- ▶ Growth of income from new business
- ▶ Cost reduction programme
- ▶ Measures to strengthen CET1

	Core Bank	Non-Core Bank
Total income potential in EUR mn	750 to 800	30 to 50
Net income potential before taxes in EUR mn	350 to 450	-150 to -200
Return on equity before taxes, in %	> 10.0	negative
CIR¹ in %	< 40	> 100
Total Bank (incl. Other and Consolidation: approx. EUR -70mn ²)		
CIR¹ in %	~50	
CET1 ratio phase-in	> 13.0	
Leverage ratio in %	~7.0	
NPE ratio in %	~11	
Coverage ratio (thereof Shipping) in %	~ 48 (~ 60)	

¹ Calculated as the ratio of administrative expenses to total income, plus "other operating result"; ² Income potential before taxes

Agenda

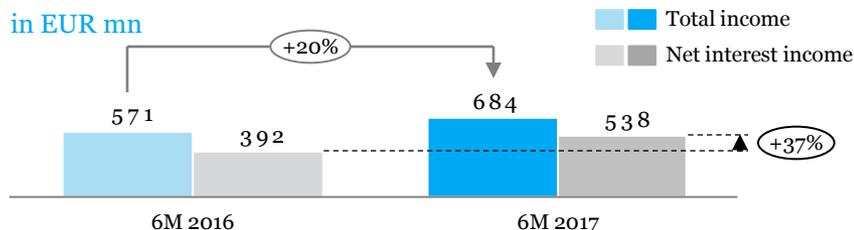
1. Change in ownership p. 6
- ▶▶▶ 2. Financial key figures H1 2017 – Core Bank /
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Core Bank results exceed expectations

Financial key figures H1 2017 – Core Bank

Total income / net interest income

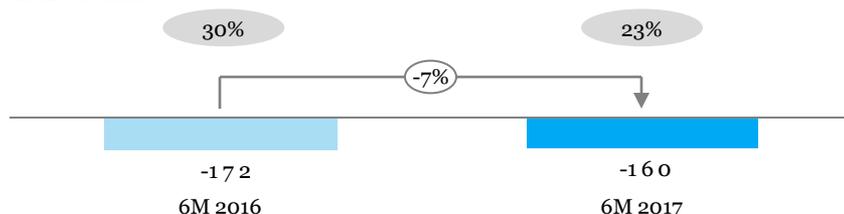
in EUR mn



- ▶ **Total income** of the Core Bank increased by 20% to EUR 684mn (PY: EUR 571mn), incl. realisation of hidden reserves of EUR 307mn (PY: EUR 160mn) via sale of promissory notes to cover high losses of EUR -348mn net income before taxes from legacy burdens in the Non-Core Bank, mainly loan loss provisions

Administrative expenses / CIR¹

in EUR mn



- ▶ **Administrative expenses** further decreased thanks to implementation of the cost reduction programme as scheduled
- ▶ **CIR** improved due to operating success and reduced administrative expenses, overstated in total income due to other effects

Loan loss provisions in the lending business

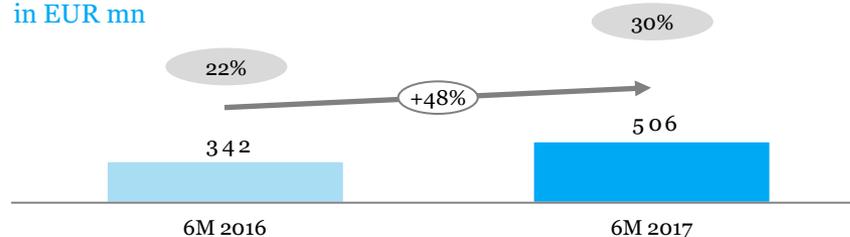
(after guarantee and hedging effect of the credit derivative)
in EUR mn



- ▶ **Loan loss provisions** after guarantee of EUR 9mn marginal, EUR 1mn in loan loss provisions before guarantee confirms good portfolio quality of the Core Bank

Net income before taxes / RoE²

in EUR mn



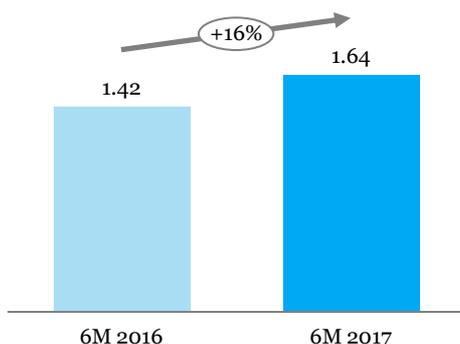
- ▶ **Net income before taxes** up significantly year-on-year
- ▶ Substantial earnings contribution made by net interest income of EUR 538mn and net trading income of EUR 93mn
- ▶ RoE also overstated due to other effects as at H1 2017

¹ Calculated as the ratio of administrative expenses to total income, plus "other operating result"; ² Calculated as the ratio of net income before taxes to average reported equity

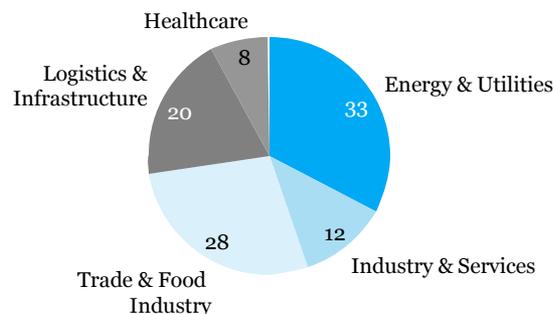
Corporate Clients – Good new business and increased earnings contribution

Financial key figures H1 2017 – Core Bank

New business in EUR bn



New business by focus sectors in %



Focus sectors



Development in 2017 & strategic direction

- ▶ **Corporate Clients** has increased the earnings contribution to EUR 52mn (PY: EUR 33mn)
- ▶ Significantly improved market penetration in a competitive environment that remains challenging resulting in increased new business of EUR 1.64bn and a well filled new business pipeline
- ▶ Structured project financing in the rail traffic and data infrastructure sectors, as well as the wind energy segment concluded
- ▶ At the same time, stable risk requirements stringently adhered to in order to ensure consistently good portfolio quality

Overview of key figures in EUR mn

	6M 2016	6M 2017
EAD (EUR bn)	14.2 ¹	14.2
Total income	109	117
Loan loss provisions in the lending business ²	0	4
Administrative expenses	-69	-66
Net income before taxes	33	52
CIR ³ (in %)	62	55

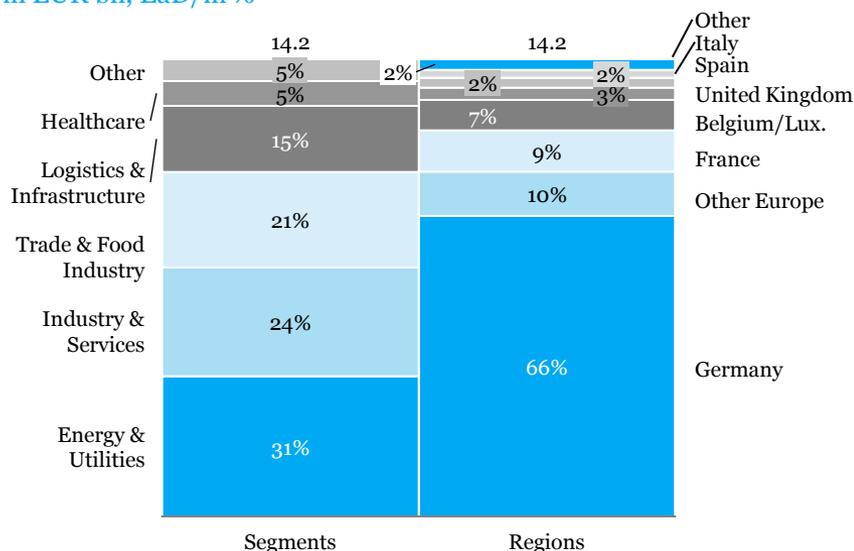
¹ Ead as at 31 December 2016; ² After guarantee effects, foreign exchange result, hedging effect of credit derivative; ³ Represents the ratio of administrative expenses to total income plus "other operating income"

Corporate Clients – Very solid portfolio quality

Financial key figures H1 2017 – Core Bank

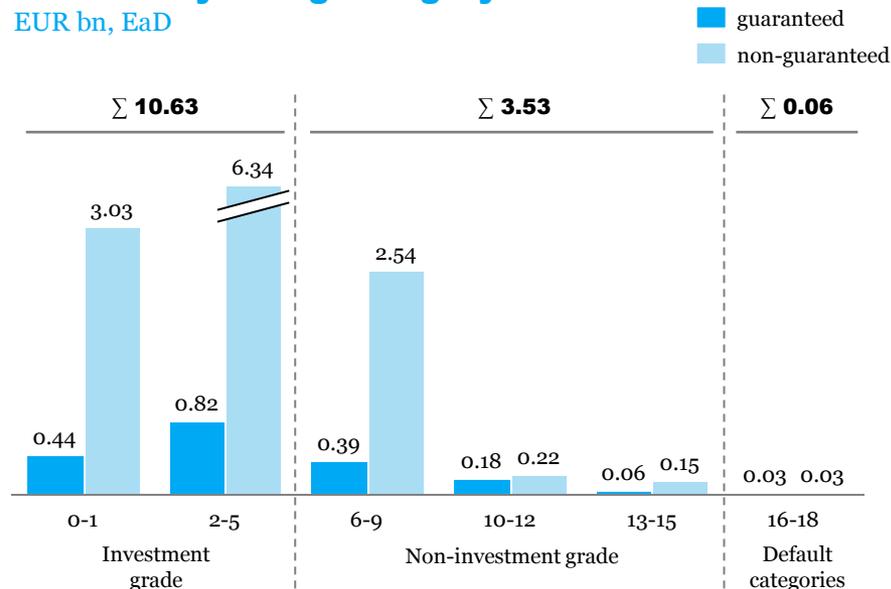
Portfolio by segment and region

in EUR bn, EaD/in %



Portfolio by rating category

EUR bn, EaD



- ▶ Project finance in the focus sector Energy & Utilities dominate the portfolio with EUR 4.4bn (31%)
- ▶ Domestic borrowers account for EUR 9.3bn (66%) and international, mainly European, borrowers for EUR 4.9bn (34%) of the financing transactions
- ▶ Good diversification across the focus sectors

- ▶ Corporate Clients portfolio of EUR 14.2bn EaD in total, of which EUR 10.6bn (75%) in investment grade and EUR 3.6bn (25%) in rating categories 6 to 15
- ▶ NPE ratio of 0.4% with an NPE of EUR 60mn
- ▶ Total loan loss provisions of EUR 58mn equivalent to a coverage ratio of 95%

Corporate Clients – Selected deals closed in 2016 / 2017

Financial key figures H1 2017 – Core Bank



WIND FARM OBERNWOHLDE II-IV

EUR 74,109,000

Germany
Project finance
Sole MLA

2016 HSB NORDBANK



WIND FARM GRÜNOW I

EUR 41,170,000

Germany
Project finance
Sole MLA

2017 HSB NORDBANK



WIND FARM RATIPERÄ

EUR 66,099,000

Germany
Project finance
MLA

2017 HSB NORDBANK



WIND FARM STEINAU HINTERSTEINAU

EUR 77,111,200

Germany
Project finance
Sole MLA

2017 HSB NORDBANK



WIND FARM LOHKAMP

EUR 30,400,000

Germany
Project finance
Sole MLA

2017 HSB NORDBANK



WIND FARM FLEURY WF LES RENARDIERES

EUR 88,814,000

France
Project finance
Sole MLA

2017 HSB NORDBANK



EDGE CONNEX

EUR 165,500,000

Ireland
Senior debt
Mandated lead arranger
Facility agent

2017 HSB NORDBANK



ALKION TERMINALS

EUR 185,000,000

France + Spain
Acquisition financing
Mandated lead arranger

2017 HSB NORDBANK



BEACON RAIL

**EUR 259,000,000
GBP 322,000,000**

Luxembourg
Acquisition financing
Mandated lead arranger

2017 HSB NORDBANK



RIVERSIDE RESOURCE RECOVERY LTD

GBP 520,000,000

UK
Refinancing arranger

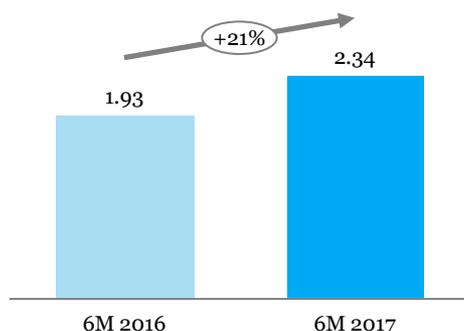
2017 HSB NORDBANK

Real Estate Clients – New business expanded at a high level, loan portfolio maintained

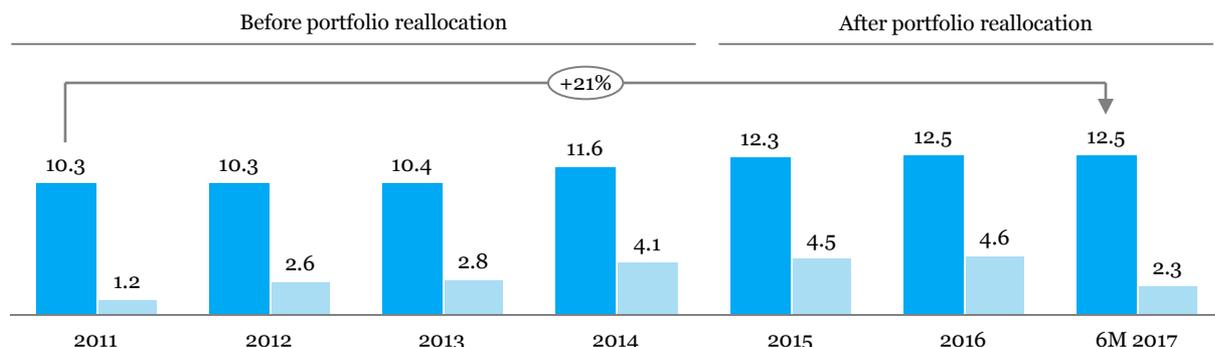
Financial key figures H1 2017 – Core Bank



New business in EUR bn



Development of existing and new business in EUR bn



Development in 2017 & strategic direction

- ▶ **Real Estate Clients** making a key earnings contribution with net income before taxes of EUR 77mn, reflecting the Bank's good market position
- ▶ Despite ongoing intense competition, new business expanded to EUR 2.34bn
- ▶ Business in the Western German metropolitan areas and with international institutional investors showed encouraging development, as in the previous quarters
- ▶ High market penetration maintained in the core region of Northern Germany
- ▶ Loan portfolio maintained despite considerable unscheduled principal repayments

Overview of key figures in EUR mn

	6M 2016	6M 2017
EaD (EUR bn)	12.5 ¹	12.5
Total income	100	111
Loan loss provisions in the lending business ²	1	0
Administrative expenses	-25	-28
Net income before taxes	64	77
CIR ³ (in %)	25	25

¹ EaD as at 31 December 2016; ² After guarantee effects, foreign exchange result, hedging effect of credit derivative; ³ Represents the ratio of administrative expenses to total income plus "other operating income"

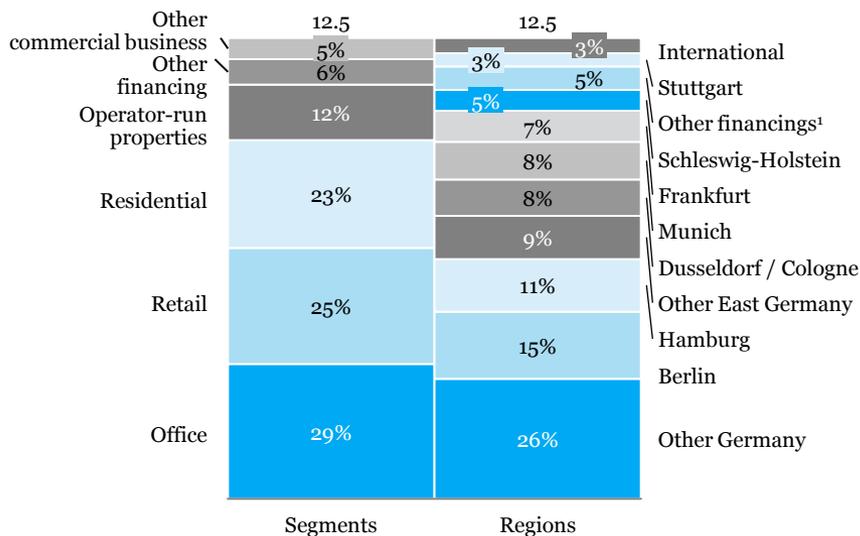
Real Estate Clients – Good level of diversification by segment and region

Financial key figures H1 2017 – Core Bank



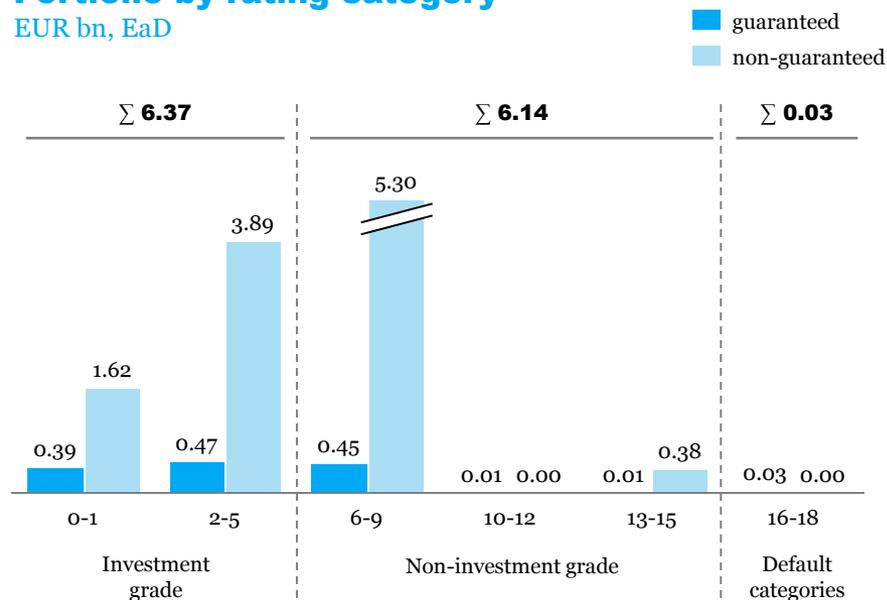
Portfolio by segment and region

in EUR bn, EaD/in %



Portfolio by rating category

EUR bn, EaD



- ▶ EUR 6.5bn (52%) of the portfolio is attributable to financing in German metropolitan areas
- ▶ Portfolio shows good diversification in all segments
- ▶ Project development accounts for a share of < 20% of the total portfolio
- ▶ Continued expansion of transactions eligible for the cover pool

- ▶ Real Estate Client portfolio of EUR 12.5bn EaD in total, of which EUR 6.4bn (51%) investment grade and EUR 12.1bn (97%) in rating categories 0 to 9
- ▶ NPE ratio of 0.2% with a fully guaranteed NPE of EUR 29mn
- ▶ Total loan loss provisions of EUR 16mn equivalent to a coverage ratio of 56%

¹No regional allocation because no property collateral

Real Estate Clients – Selected deals closed in 2017

Financial key figures H1 2017 – Core Bank



GARBE.
Industrial Real Estate

**LOGISTIKANLAGE
WESTFALENHÜTTE**

EUR 26,650,000

Dortmund
Project development
Sole lender

2017 HSH NORDBANK

**MADISON
INTERNATIONAL
REALTY**

**BÜRO-OBJEKT
AIRPORT CENTER**

EUR 115,000,000

Frankfurt
Acquisition financing
Arranger

2017 HSH NORDBANK

FC FIDUCIARY
CAPITAL

**BÜROPARK „M-PARK“
MÜNCHEN-OBER-
SENDLING, 80.000 M²**

Munich
Investment financing
Sole lender

2017 HSH NORDBANK

B&L GRUPPE

**WOHNEN UND
GEWERBE**

EUR 91,950,000

Frankfurt
Project development
Sole lender

2017 HSH NORDBANK

Hines

BÜRO-OBJEKT

EUR 42,500,000

Stuttgart-Möhringen
Acquisition financing
Sole lender

2017 HSH NORDBANK

J.P.Morgan
Asset Management

BÜRO-OBJEKT

EUR 30,584,154

Stuttgart-Degerloch
Acquisition financing
Arranger

2017 HSH NORDBANK

**IMVEST
OBOTRITIA CAPITAL
KGaA**

MUNDSBURG-TOWER

EUR 53,350,000

Hamburg
Investment financing
Sole lender

2017 HSH NORDBANK

IC
INTERNATIONAL
CAMPUS

**STUDENTISCHES
WOHNEN**

EUR 92,000,000

Hamburg
Investment financing
Sole lender

2017 HSH NORDBANK

BECKEN
EST. 1978

BÜRO-OBJEKT AXA

EUR 61,800,000

Wiesbaden
Developer financing
Sole lender

2017 HSH NORDBANK

PANDION
Partner für Lebensräume

**FRANZISKANER
KLOSTER**

EUR 49,680,000

Dusseldorf
Construction project
Sole lender

2017 HSH NORDBANK

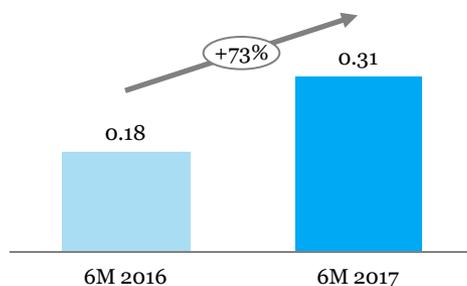
Shipping – Winding-down of the portfolio continues, only very selective new business

Financial key figures H1 2017 – Core Bank



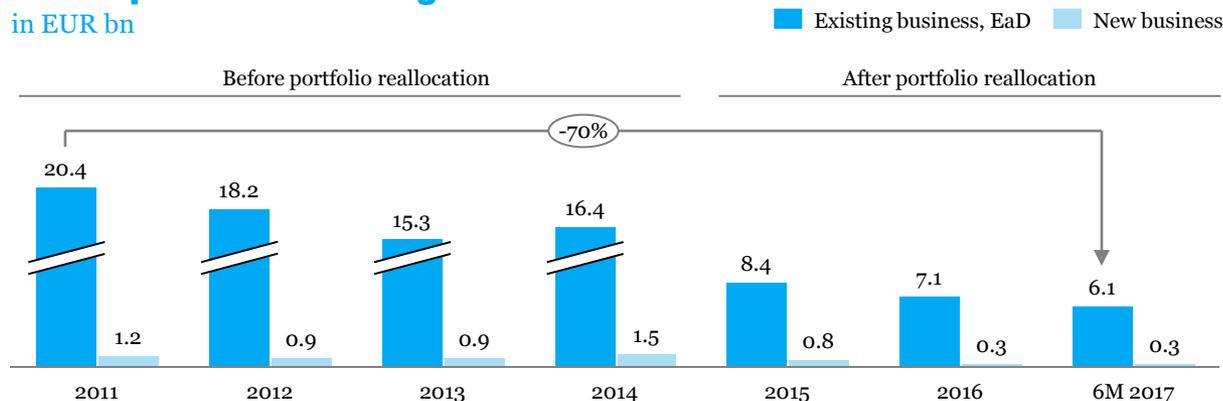
New business

in EUR bn



Development of existing and new business

in EUR bn



Development in 2017 & strategic direction

- ▶ **Shipping** results are up considerably on the prior year with net income before taxes of EUR 18mn with falling net interest income from a lower receivables volume, loan loss provisions of EUR 4mn and guarantee fees of EUR -8mn
- ▶ Given the ongoing challenging market environment, selective new business with international clients with good credit ratings
- ▶ The focus is on further developing and diversifying the portfolio

Overview of key figures

in EUR mn

	6M 2016	6M 2017
EAD (EUR bn)	7.1 ¹	6.1
Total income	67	47
Loan loss provisions in the lending business ²	-13	4
Administrative expenses	-28	-22
Net income before taxes	12	18
CIR ³ (in %)	41	46

¹ EaD as at 31 December 2016; ² After guarantee effects, foreign exchange result, hedging effect of credit derivative; ³ Represents the ratio of administrative expenses to total income plus "other operating income"

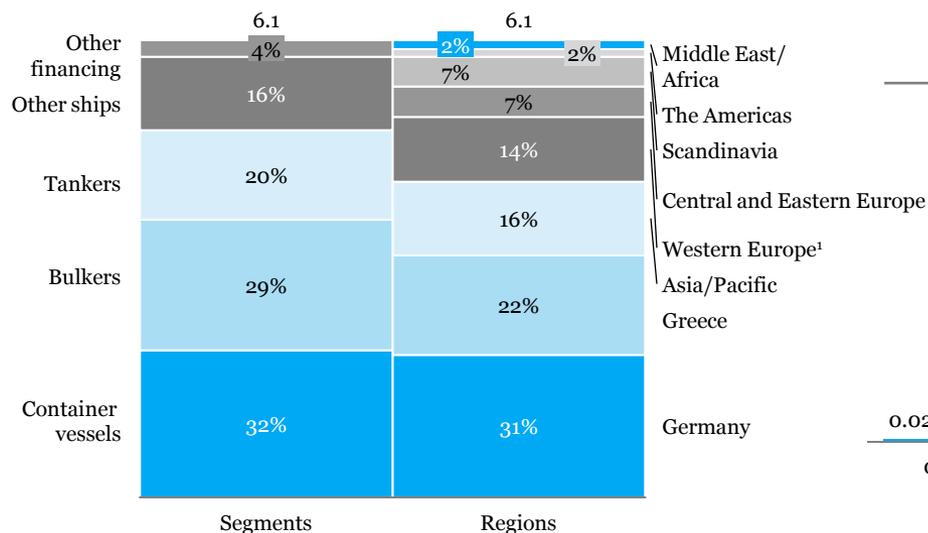
Shipping – Portfolio characterised by challenging market situation

Financial key figures H1 2017 – Core Bank



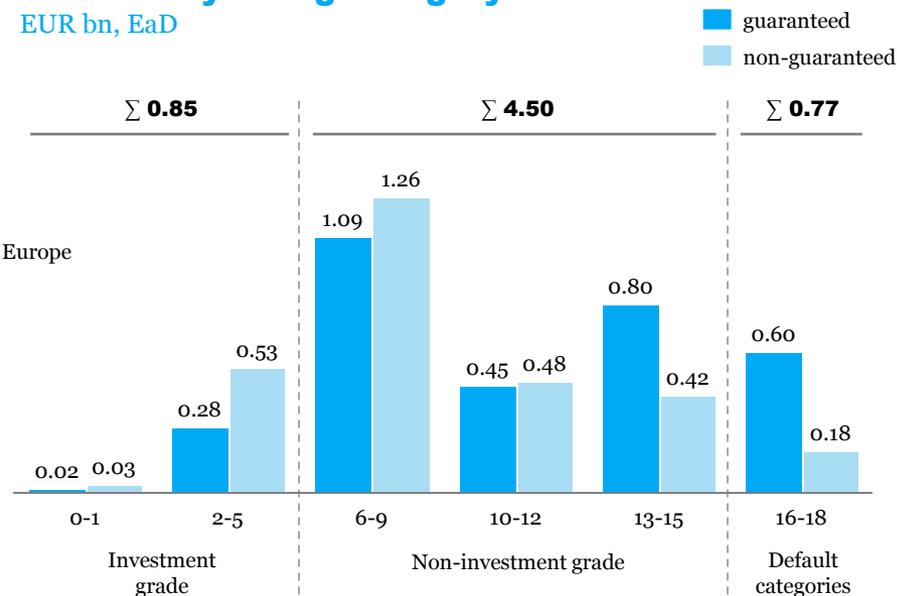
Portfolio by segment and region

EUR bn, EaD/in %



Portfolio by rating category

EUR bn, EaD



- ▶ EUR 4.2bn (69%) of loans attributable to international and EUR 1.9bn (31%) to domestic shipping clients
- ▶ Container vessels account for a significant proportion (EUR 2.0bn, or 32%) of the Core Bank's Shipping portfolio, but the proportion is significantly lower compared with 2015 (44%)
- ▶ The average age of the ships is 7.3 years
- ▶ Number of financed ships comes to 677

- ▶ Shipping portfolio of EUR 6.1bn EaD in total, of which EUR 0.9bn (14%) in investment grade and EUR 3.2bn (52%) in rating categories 0 to 9
- ▶ NPE ratio of 12.7% with an NPE of EUR 777mn, of which EUR 598mn guaranteed
- ▶ Total loan loss provisions of EUR 437mn equivalent to a coverage ratio of 56%

¹ Excl. Germany, Scandinavia and Greece

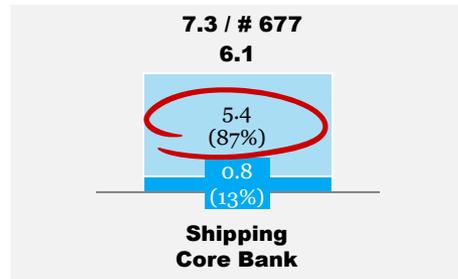


Shipping – Nearly 90% “performing” assets

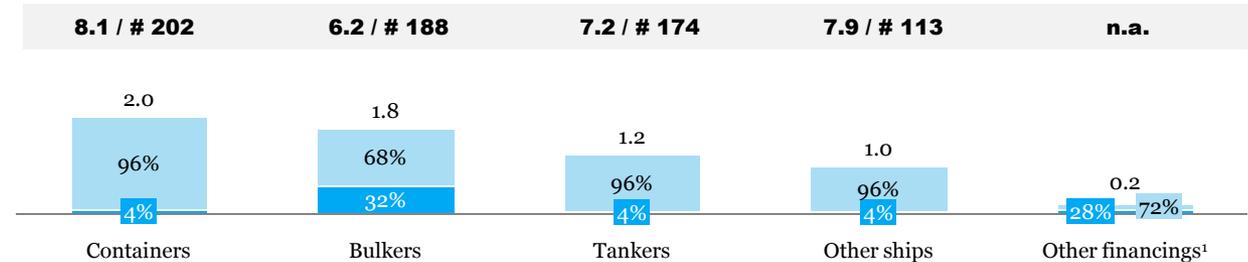
Financial key figures H1 2017 – Core Bank

Portfolio by performing and non-performing exposure

in EUR bn, EaD

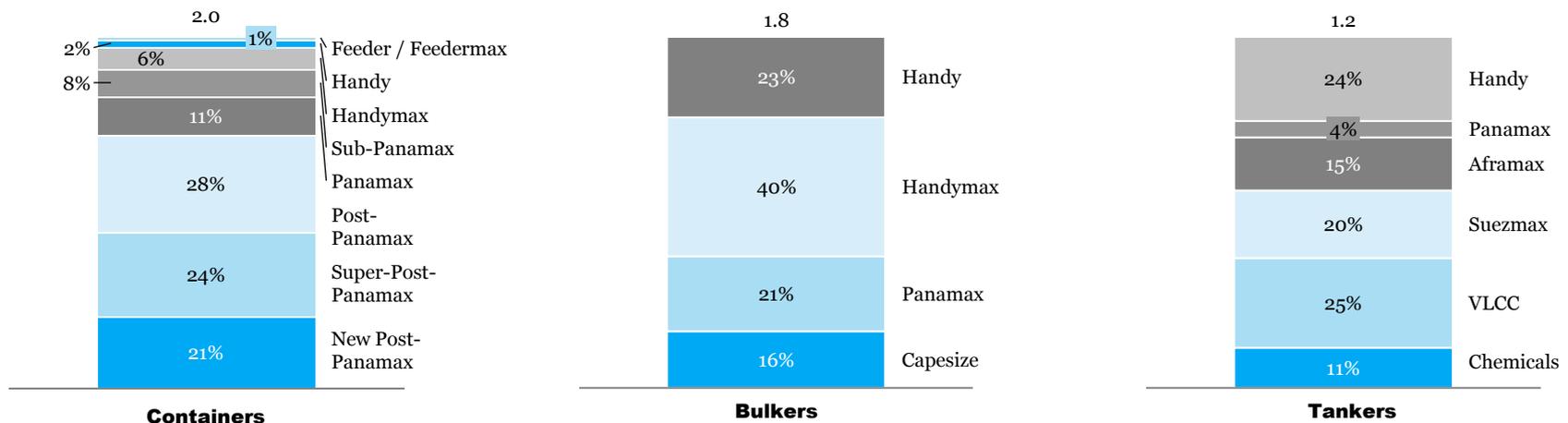


Average age / number of ships



Diversification within the three large ship classes

in EUR bn, EaD



¹ Incl. working capital finance



Initial signs of stabilisation on the shipping market

Financial key figures H1 2017 – Core Bank

1

Global economy / demand

- ▶ Continuation of global economic recovery accompanied by growth in trade
- ▶ Low oil price and high supply encourage demand
- ▶ Trade in iron ore picking up again
- ▶ Uncertainty associated with political situation could put a damper on the economy/global trade

2

Ship offering

- ▶ Currently very few new orders for ship tonnage relating to containers and bulkers could provide relief in the future
- ▶ Shipyard reductions leading to higher new construction prices on the whole
- ▶ Historically, large number of container vessels scrapped
- ▶ Accelerated consolidation in the “container vessels” segment

3

Development of market equilibrium

- ▶ Stronger growth of demand than supply leads to an increase in fleet utilisation for bulkers and container vessels
- ▶ In the tanker segment: Ongoing drop in fleet utilisation

4

Development of charter rates and ship values

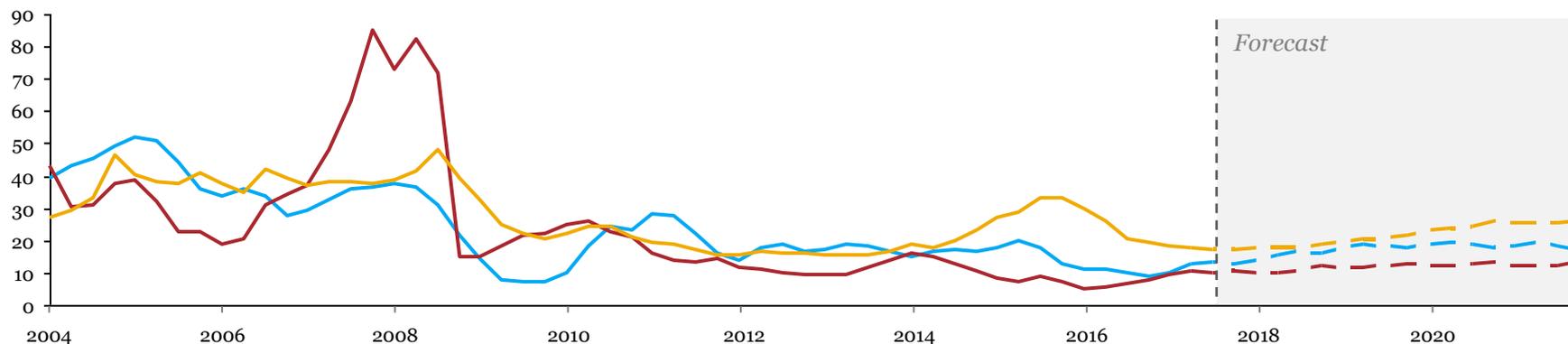
- ▶ In a historical comparison, moderate increase in charter rates and ship values from an all-time low for container vessels and bulkers
- ▶ Tankers: The oil tanker market is expected to achieve a turnaround in the course of 2018
- ▶ With charter rates as they are, debt servicing ability will not be consistently achieved in the medium term

Most recent forecasts support a stabilisation on the shipping market

Financial key figures H1 2017 – Core Bank



One-year time charter rates for containers, bulkers, tankers (in USD thousands)¹



Progressive consolidation

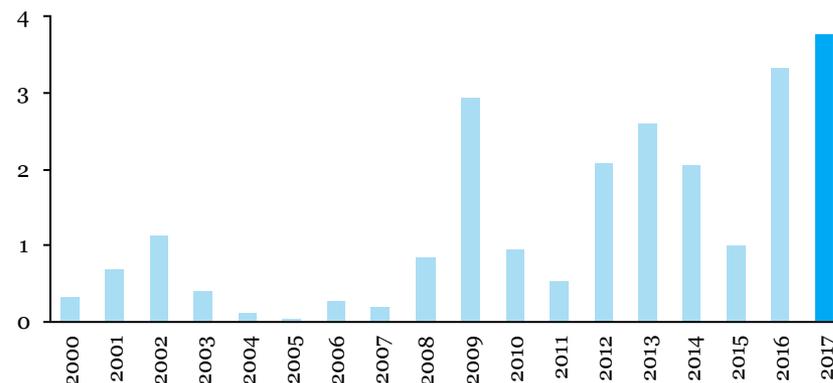
- 2015** ▶ Takeover of NOL by CMA CGM
- 2016** ▶ Merger COSCO and CSCL into China COSCO
- ▶ Takeover of Hamburg Süd by Maersk
- ▶ Joint venture MOL, NYK Line, K Line
- 2017** ▶ Takeover of UASC by Hapag Lloyd
- ▶ Takeover of OOCL by COSCO

Total capacity at top 10 shipping lines²

1996	45%
2016	75%

Increase in scrapping – Containers³

percentage of fleet



¹Sources: History – Clarkson; forecast up to Oct. 2021: MSI & Marsoft, as at: July 2017; ² 2016 after consolidation, source: Clarkson; ³ History: Clarkson, forecast 2017: Alphaliner

Treasury & Markets – Exceptional profit contribution from hidden reserves, funding above plan

Financial key figures H1 2017 – Core Bank



Treasury & Markets

- ▶ Development, sales and distribution of products for risk and investment management
- ▶ Support for savings banks, municipal clients and financial institutions
- ▶ Capital markets financing - arrangement of promissory notes for Corporate Clients, municipalities and federal states
- ▶ Service provider for all business units
- ▶ Central operational management of liquidity and market price risks of the Bank's positions
- ▶ Refinancing of the Bank
- ▶ Implementation of measures to strengthen capital

Funding

- ▶ Regular issuer of Pfandbrief benchmark bonds
- ▶ Strengthening of primary USD long-term funding using the ABF platform



Development in 2017 & strategic direction

- ▶ **Treasury & Markets** net income before taxes of EUR 359mn boosted by the realisation of hidden reserves of EUR 307mn (PY: EUR 160mn) resulting from the sale of promissory notes to optimise the cover pool for public Pfandbriefe
- ▶ Increase in exposure in the first half of 2017 as part of liquidity management
- ▶ Funding in 2017 above pro rata plan; USD refinancing ratio of Core Bank of 108% considerably higher than the requirement set out in the EU catalogue of 55%
- ▶ Deposit business with institutional clients at a high level
- ▶ Liquidity ratios well above regulatory requirements: LCR 208%, NSFR 109% and LiqV of 1.87

Overview of key figures in EUR mn

	6M 2016	6M 2017
EAD (EUR bn)	18.0 ¹	22.6
Total income	295	409
Loan loss provisions in the lending business ²	0	1
Administrative expenses	-50	-44
Net income before taxes	233	359
CIR ³ (in %)	17	11

¹EaD as at 31 December 2016; ² After guarantee effects, foreign exchange result, hedging effect of credit derivative; ³ Represents the ratio of administrative expenses to total income plus "other operating income"

Treasury & Markets – Debt Capital Markets 2017

Financial key figures H1 2017 – Core Bank




**LAND RHEINLAND-
PFALZ**

EUR 250,000,000

Federal state treasury
note
Joint lead manager

2017  HSH
NORDBANK



LAENDER JUMBO 52

EUR 1,000,000,000

Federal state treasury
note
Joint lead manager

2017  HSH
NORDBANK



STATE OF BERLIN

EUR 250,000,000

Federal state treasury
note
Joint lead manager

2017  HSH
NORDBANK



HAPAG-LLOYD AG

EUR 450,000,000

High yield bond
Joint bookrunner

2017  HSH
NORDBANK



HAPAG-LLOYD AG

EUR 250,000,000

High yield bond
Joint bookrunner

2017  HSH
NORDBANK



**UNIVERSITÄTSKLINIKUM
EPPENDORF**

EUR 19,300,000

Registered bonds
Sole arranger

2017  HSH
NORDBANK



dortmund.de

CITY OF DORTMUND

EUR 30,000,000

Promissory notes
Sole arranger

2017  HSH
NORDBANK



CITY OF HAGEN

EUR 45,000,000

Promissory notes
Sole arranger

2017  HSH
NORDBANK



NORD/LB

NORD/LB

EUR 500,000,000

Public Pfandbrief
Joint lead manager

2017  HSH
NORDBANK



**HAMBURG
ENERGIENETZE**

**HAMBURGER
ENERGIENETZE GMBH**

EUR 30,000,000

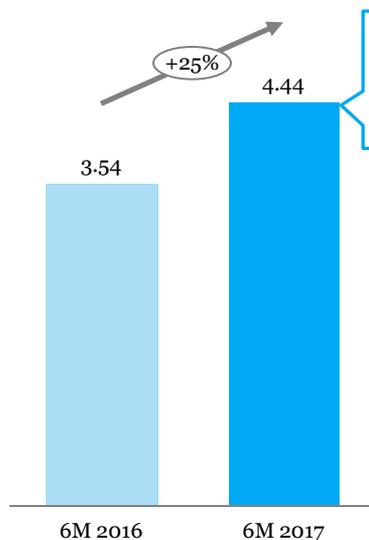
Registered bonds
Sole arranger

2017  HSH
NORDBANK

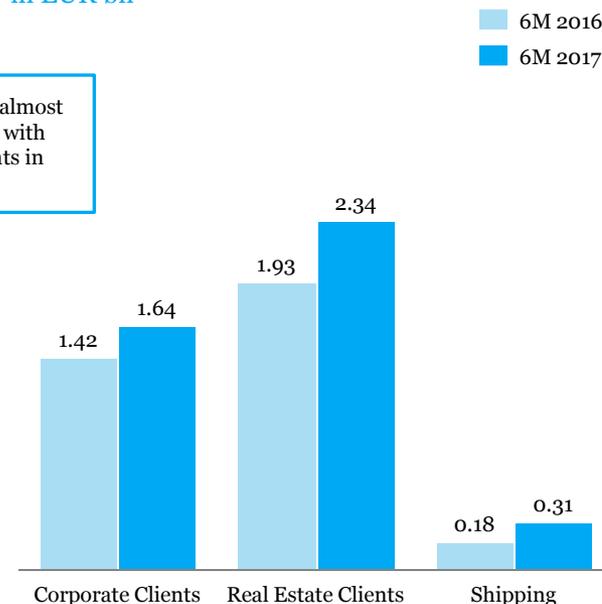
Core Bank increases new business in a challenging environment by 25% to EUR 4.4bn

Financial key figures H1 2017 – Core Bank

New business in EUR bn



Breakdown of new business¹ in EUR bn



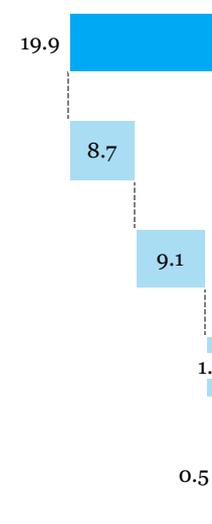
Thereof, almost EUR 1bn with new clients in 2017

- ▶ The focus is on generating new business with an appropriate risk/return profile in a market environment that remains challenging
- ▶ New business has shown good development, at EUR 4.4bn, and is in line with expectations

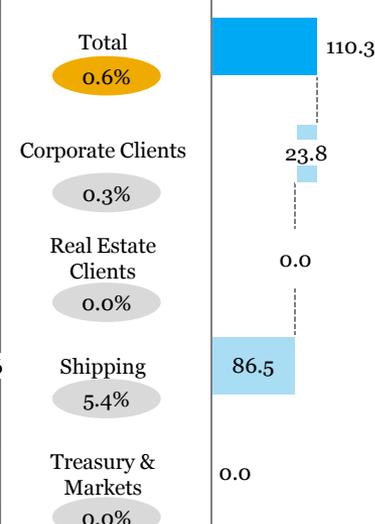
New business / NPE since 2011²

● NPE ratio in new business

New business² in EUR bn



NPE in EUR mn



- ▶ New business of EUR 19.9bn concluded since 2011²
- ▶ NPE ratio in new business 0.6%
- ▶ Shipping main driver with an NPE ratio of 5.4% in new business

¹New business 6M 2017, plus EUR 0.15bn Treasury & Markets; ²Cumulative on-balance sheet new business since 2011 and still in the Core Bank portfolio

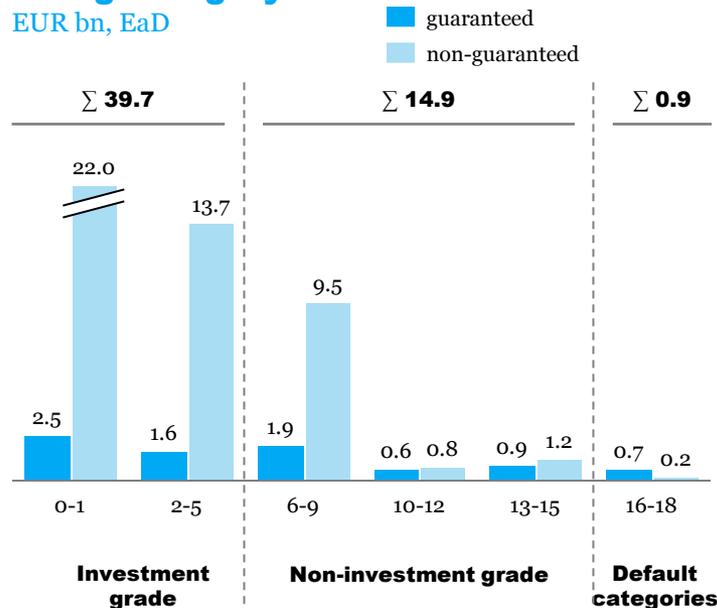
Core Bank with solid portfolio quality and good NPE ratio of 1.6%

Financial key figures H1 2017 – Core Bank

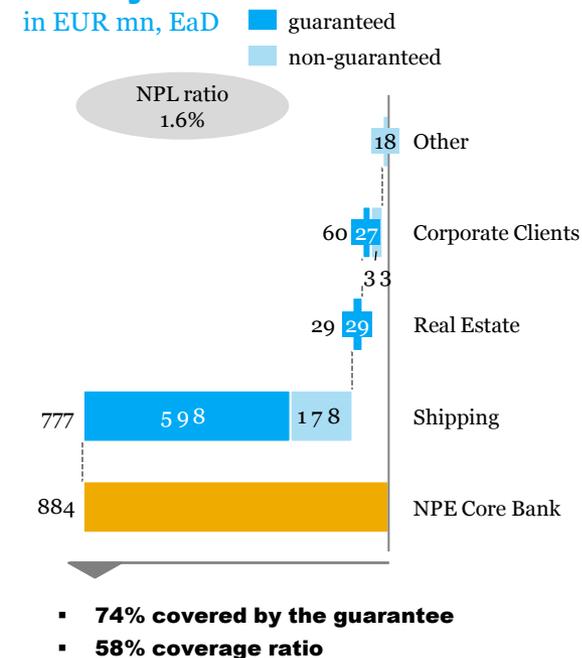
Existing client business



Core Bank portfolios by rating category



NPE by client divisions



- ▶ Core Bank portfolio of EUR 55.5bn EaD¹ in total, of which EUR 39.7bn (72%) in investment grade and EUR 51.2bn (92%) in rating categories 0 to 9
- ▶ NPE volume of EUR 884mn corresponds to an NPE ratio of 1.6%
- ▶ Shipping dominates NPE with a share of EUR 777mn/88% and corresponds to an NPE ratio of 12.7%
- ▶ Solid coverage ratio of 58% in the Core Bank

¹Incl. EUR 22.6bn EaD Treasury & Markets

Legacy burdens reduced by further 20% in H1 – negative impact due to wind-down, guarantee fees and LLPs

Financial key figures H1 2017 – Non-Core Bank

Net income before taxes

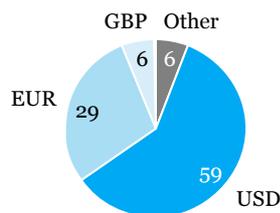
in EUR mn



- ▶ As expected, **net income before taxes** of EUR -348mn structurally negative (PY: EUR -41mn) due to continued winding down of the portfolio, setting of loans to a non-accrual basis and uncompensated loan loss provisions and guarantee fees
- ▶ Loan loss provisions after guarantee and hedging effect of the credit derivative of EUR -251mn (PY: EUR 157mn)

Portfolio by currency

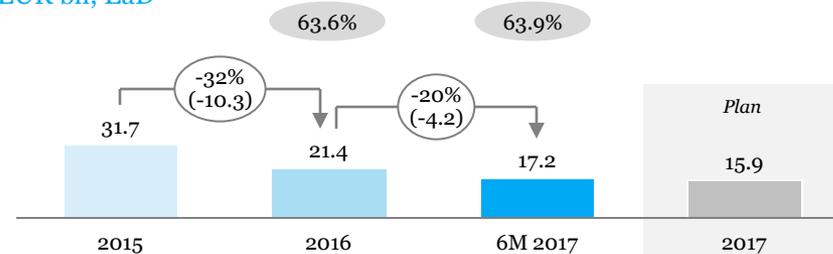
in %



- ▶ Portfolio largely (59%) denominated in USD
- ▶ Shipping loans account for a large part of the USD exposure

Asset reduction and NPE ratio

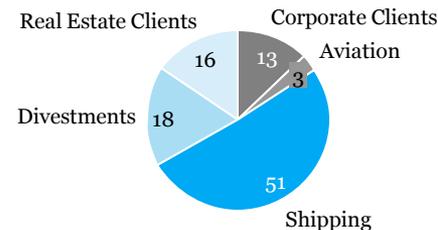
EUR bn, EaD



- ▶ Active measures contributing to forcedly reduction in legacy burdens
- ▶ NPE ratio in the Non-Core Bank is very high for structural reasons
- ▶ Coverage ratio of 55% reflects solid risk coverage
- ▶ Coverage ratio of 62% in Shipping

Portfolio by asset class

in %



- ▶ Shipping dominates the portfolio with 51%/EUR 8.7bn (Average age: 8.2; number of ships: 539)
- ▶ Divestments account for the second-largest share with 18% or EUR 3.0bn

Agenda

1. Change in ownership p. 6
2. Financial key figures H1 2017 – Core Bank /
Non-Core Bank p. 10
-  3. Financial key figures H1 2017 – Group p. 28
4. Outlook for 2017 p. 42
5. Appendix p. 44

Group net result before tax satisfactory on the whole in H1 2017

Financial key figures H1 2017 – Group

in EUR mn, IFRS

	Core Bank		Non-Core Bank		Other and Consolidation		Group	
	6M 2016	6M 2017	6M 2016	6M 2017	6M 2016	6M 2017	6M 2016	6M 2017
Net interest income	392	538	28	-6	-46	25	374	557
Net commission income	39	38	14	11	-3	-17	50	32
Result from hedging	-	-	-	-	2	-9	2	-9
Net trading income	77	93	-43	32	6	26	40	151
Net income from financial investments ¹	63	15	15	12	-3	1	75	28
Total income	571	684	14	49	-44	26	541	759
Loan loss provisions in the lending business ²	-12	9	157	-251	6	1	151	-241
Administrative expenses	-172	-160	-100	-95	-5	9	-277	-246
Other operating income	1	8	21	28	21	11	43	47
Expenses for bank levy and deposit guarantee fund	-34	-25	-20	-9	-9	-7	-63	-41
Net income before restructuring and privatisation	354	516	72	-278	-31	40	395	278
Net income from restructuring and privatisation	-	-	-	-	-98	-25	-98	-25
Expenses for government guarantees ³	-12	-10	-113	-70	-1	0	-126	-80
Net income before taxes	342	506	-41	-348	-130	15	171	173
Income taxes							-11	-15
Net income after taxes							160	158

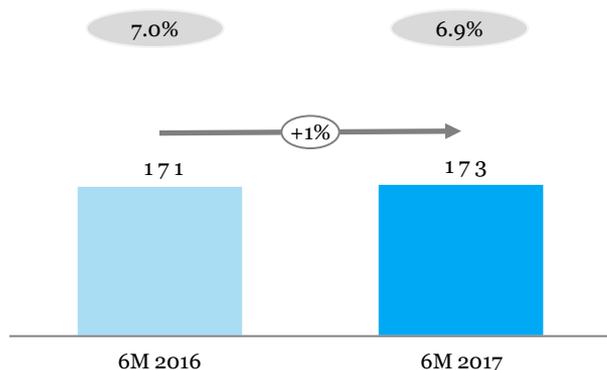
¹ Incl. result from the financial investments accounted for under the equity method; ² Net loan loss provisions after effects relating to the guarantee, foreign exchange result and hedging effect of credit derivative; ³ Base premium and subsequent payments

Positive Group net result supported by Core Bank

Financial key figures H1 2017 – Group

Net income before taxes / RoE¹

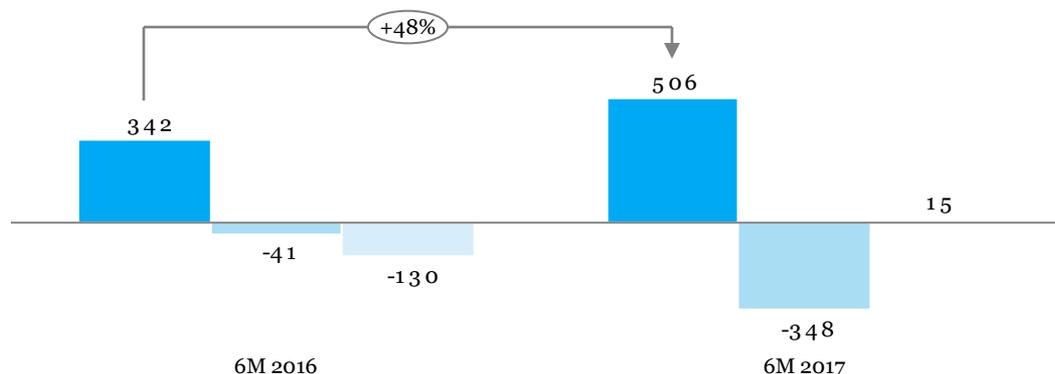
in EUR mn ● RoE



Distribution of net income before taxes

in EUR mn

■ Core Bank ■ Non-Core Bank ■ Other & Consolidation



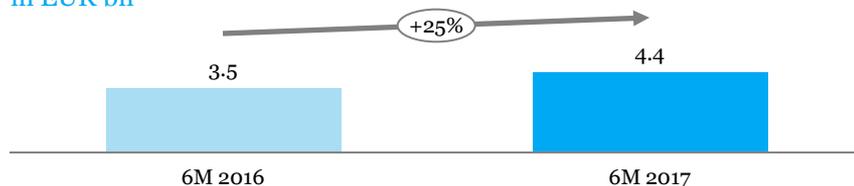
- ▶ **Group net income before taxes of EUR 173mn** (PY: EUR 171mn), which exceeds expectations, based on total income of EUR 759mn and net interest income of EUR 557mn. Annual contributions for bank levy and deposit guarantee fund already processed in full in Q1
- ▶ **Core Bank** result up considerably on the prior year with net income before taxes of EUR 506mn (EUR 342mn) and also above plan. This was due not only to positive operating performance within the segments, but also to the realisation of hidden reserves of EUR 307mn (PY: EUR 160mn) via sales of promissory notes (EUR 271mn in net interest income, EUR 21mn in net trading income, EUR 15mn in net income from financial investments) to cover high losses from legacy burdens in the Non-Core Bank, mainly loan loss provisions
- ▶ **Non-Core Bank** reporting structurally negative net income before taxes of EUR -348mn as expected due to the continued winding down of the portfolio, setting of loans to a non-accrual basis and the recognition of loan loss provisions for legacy burdens of EUR -251mn, as well as expenses for the second loss guarantee of EUR -70mn
- ▶ **Other and Consolidation** includes administrative functions, Total Bank positions and the result from restructuring of EUR -25mn (PY: EUR -98mn), which includes expenses for the planned job cuts and privatisation

¹ Calculated as the ratio of net income before taxes to average reported equity capital

CET1 ratios at a high level due to positive half-year result, RWA reduction and weaker US dollar

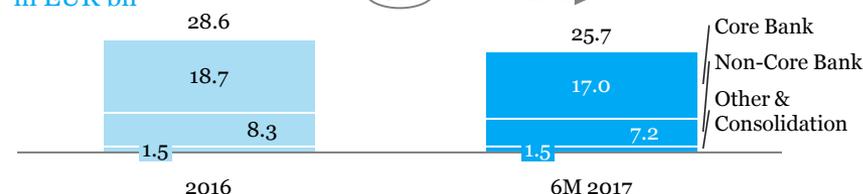
Financial key figures H1 2017 – Group

New business in EUR bn



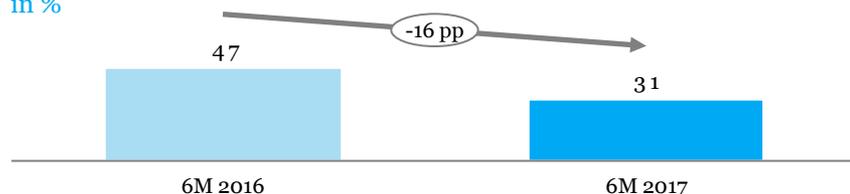
- ▶ EUR 4.4bn shows good development in **new business** (PY: EUR 3.5bn) and a stable customer base
- ▶ New business with appropriate risk / return profile

RWA¹ in EUR bn



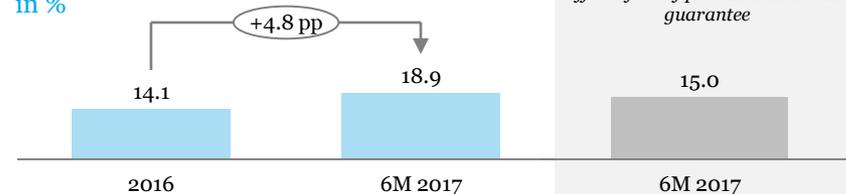
- ▶ **RWA¹** cut by 10% since the end of 2016 to EUR 25.7bn thanks to winding down measures and reduction of market price risks

CIR² in %



- ▶ **CIR²** of 31% at a much better level as against both the previous year and the planned level
- ▶ Improved thanks to operating success in the Core Bank and reduced administrative expenses, overstated in total income due to other effects

CET1 ratio (phase in) in %



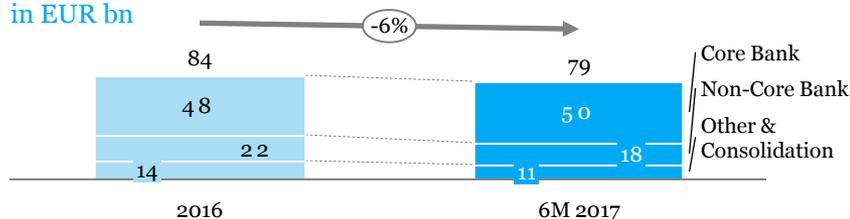
- ▶ **Core Tier 1 capital ratios** improved mainly thanks to the half-year result, the further RWA reduction and a weaker US dollar³
- ▶ Further winding down of legacy burdens expected to put pressure on the CET1 ratio in H2 after accounting for the regulatory relief effect of the guarantee

¹ After guarantee; ² The cost-income ratio represents the ratio of administrative expenses to total income, plus "other operating result"; ³ See also page 39

Systematic deleveraging improves balance sheet structure, comfortable liquidity ratios

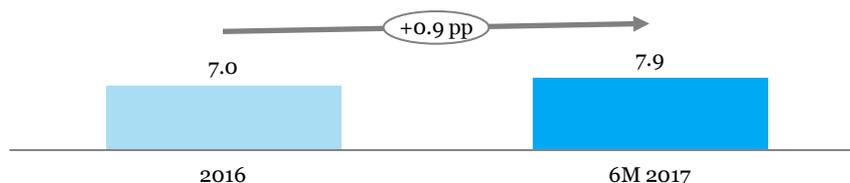
Financial key figures H1 2017 – Group

Total assets¹ in EUR bn



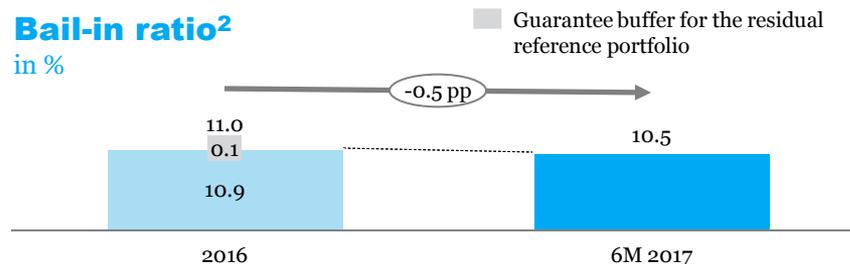
- ▶ **Total assets** up due to increase in cash reserve within the Core Bank, down due to reduction of legacy burdens in the Non-Core Bank
- ▶ Sale of market portfolio proving successful; further balance sheet relief expected in H2

Leverage ratio in %



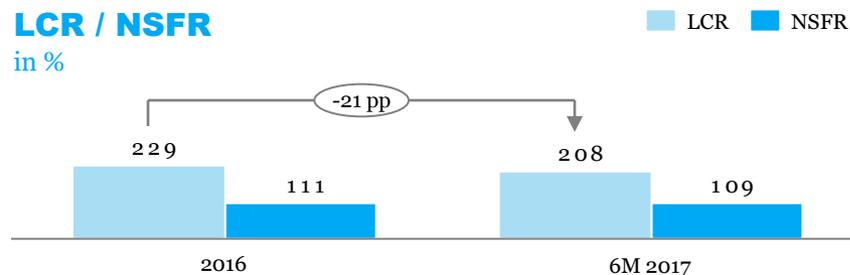
- ▶ **Leverage ratio** comes to a very solid 7.9% and takes into account the increase in regulatory capital in the first half of the year

Bail-in ratio² in %



- ▶ **Bail-in ratio** of around 10.5% (before senior unsecured) above the bail-in threshold of 8%
- ▶ Maturity of subordinated capital of EUR 0.9bn in Feb. 2017 reduces the bail-in ratio as against 31 December 2016

LCR / NSFR in %



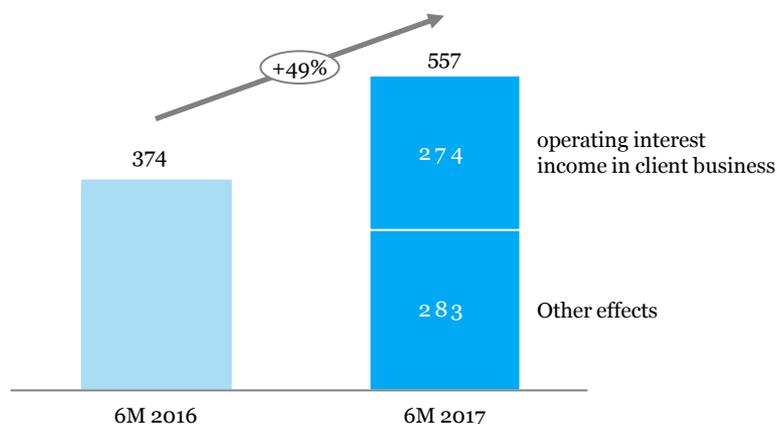
- ▶ **Liquidity position** considerably above the minimum regulatory requirements following the transfer of the federal state portfolio and the first few sales from the market portfolio
- ▶ Liquidity ratio pursuant to the German Liquidity Regulation (LiqV) of 1.87 (31 Dec. 2016: 1.92)

¹ Segment assets; ² If there are 8% bail-in liabilities in relation to total assets before senior unsecured (bail-in threshold), an application for additional support (up to 5% of total assets) can be submitted to the European resolution fund, but there is no legal entitlement to this (see also SAG/SRM Regulation), see also page 38

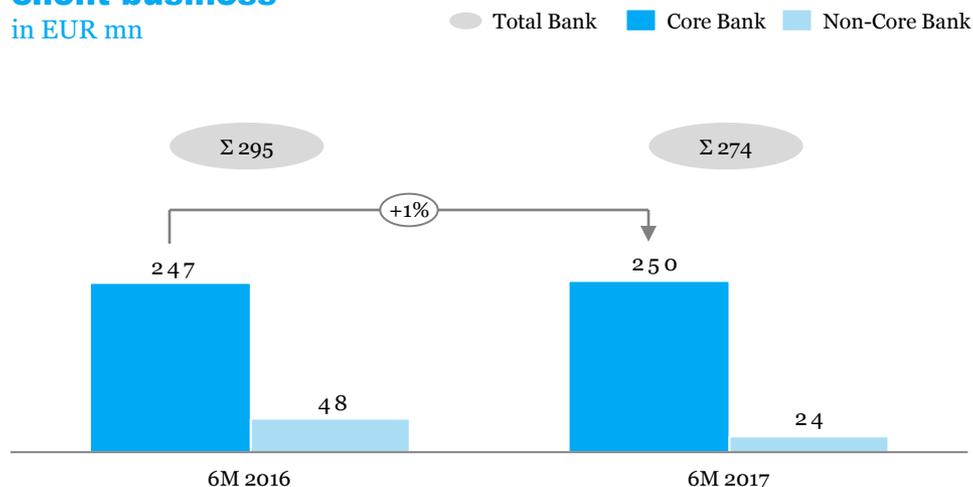
Net interest income from Core Bank's operating business above plan

Financial key figures H1 2017 – Group

Net interest income in EUR mn



Net operating interest income generated by client business in EUR mn



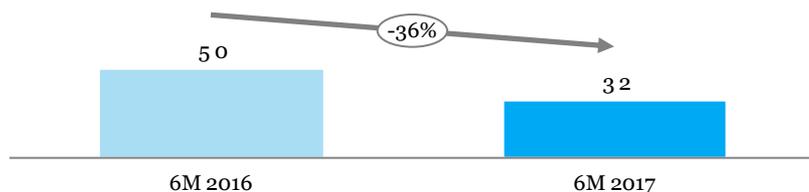
- ▶ **Net interest income within the Group** of EUR 557mn with operating interest income that is above plan based on a lower interest-bearing receivables volume of EUR 35.0bn (EUR 37bn as at 31 Dec. 2016)
- ▶ **Core Bank's net operating interest income** of EUR 250mn from client business up slightly as against the previous year (EUR 247mn)
- ▶ **Other effects** of EUR 283mn, also due to the planned realisation of hidden reserves from sales of promissory notes, meaning that the sales planned for the year as a whole have already been largely implemented in the first half
- ▶ **Interest-bearing receivables volume in the Non-Core Bank** has fallen significantly from EUR 7.3bn in the previous year to EUR 4.7bn (-36%), with a resulting drop in operating interest income

Net commission income and net trading income benefit from operating client business

Financial key figures H1 2017 – Group

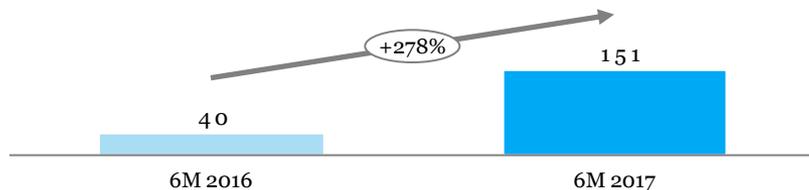
Net commission income

in EUR mn



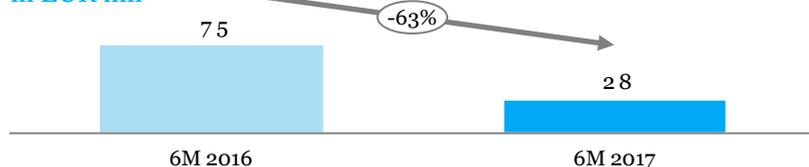
Net trading income¹

in EUR mn



Net income from financial investments²

in EUR mn



- ▶ **Net commission income** of EUR 32mn down on previous year and driven by the Core Bank, with EUR 38mn
- ▶ Drop due to the premium expense for the synthetic securitisation transaction executed in Q4 2016
- ▶ **Cross-selling result** showed positive development and exceeds the pro rata plan
- ▶ Operating successes in the client business (EUR 53mn), the foreign exchange result (EUR 46mn) and increases in value in the Credit Investment Portfolio (EUR 42mn), as well as valuation effects relating to derivatives (EUR 32mn) had a positive impact on **net trading income**
- ▶ Valuation effects relating to basis swaps had an opposite effect (EUR -19mn)
- ▶ In line with the EU decision of 20 September 2011, the Bank is involved exclusively in client trading (no proprietary trading)
- ▶ **Net income from financial investments²** came to EUR 28mn and mainly includes value increases from the Credit Investment Portfolio (EUR 20mn). This figure came to EUR 75mn in the same period of the previous year, largely due to gains from the disposal of securities

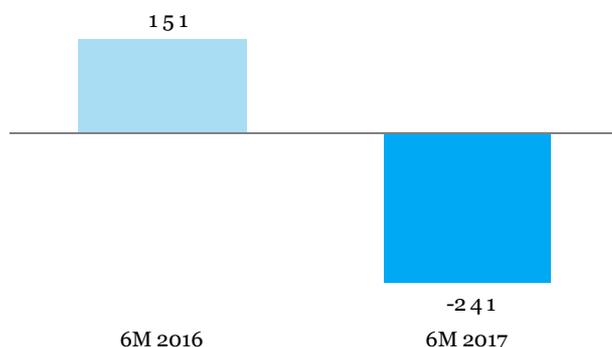
¹ Excl. hedge result; ² Incl. result from financial investments accounted for under the equity method

Loan loss provisions remain high due to market development in the shipping industry and the legacy portfolio in the Non-Core Bank

Financial key figures H1 2017 – Group

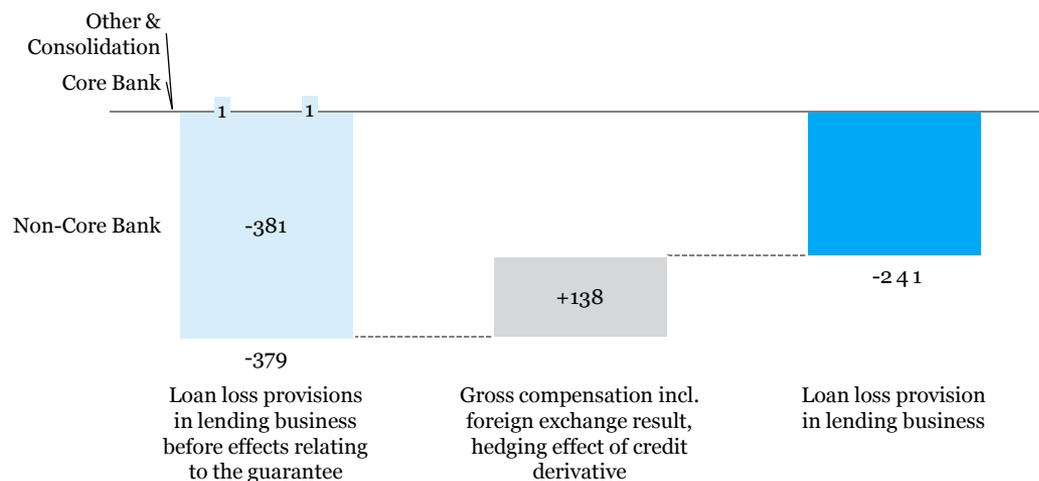
Loan loss provisions in the lending business¹

in EUR mn



Components of loan loss provisions

in EUR mn



- ▶ **Loan loss provisions** before guarantee effects and foreign exchange result of EUR -379mn (PY: EUR -520mn), of which EUR 1mn is attributable to the Core Bank, EUR -381mn to the Non-Core Bank. EUR -439mn is attributable to the guaranteed and EUR 60mn to the non-guaranteed portfolio
- ▶ **Effects of the guarantee** due to gross compensation of EUR 138mn, incl. foreign exchange result and hedging effect of the credit derivative. The loan loss provisions recognised once again for legacy burdens, in particular, were no longer compensated for in full in the first quarter of 2017 due to the full balance sheet utilisation of the second loss guarantee
- ▶ **Income statement disclosure** after guarantee effects of EUR -241mn (PY: EUR 151mn)

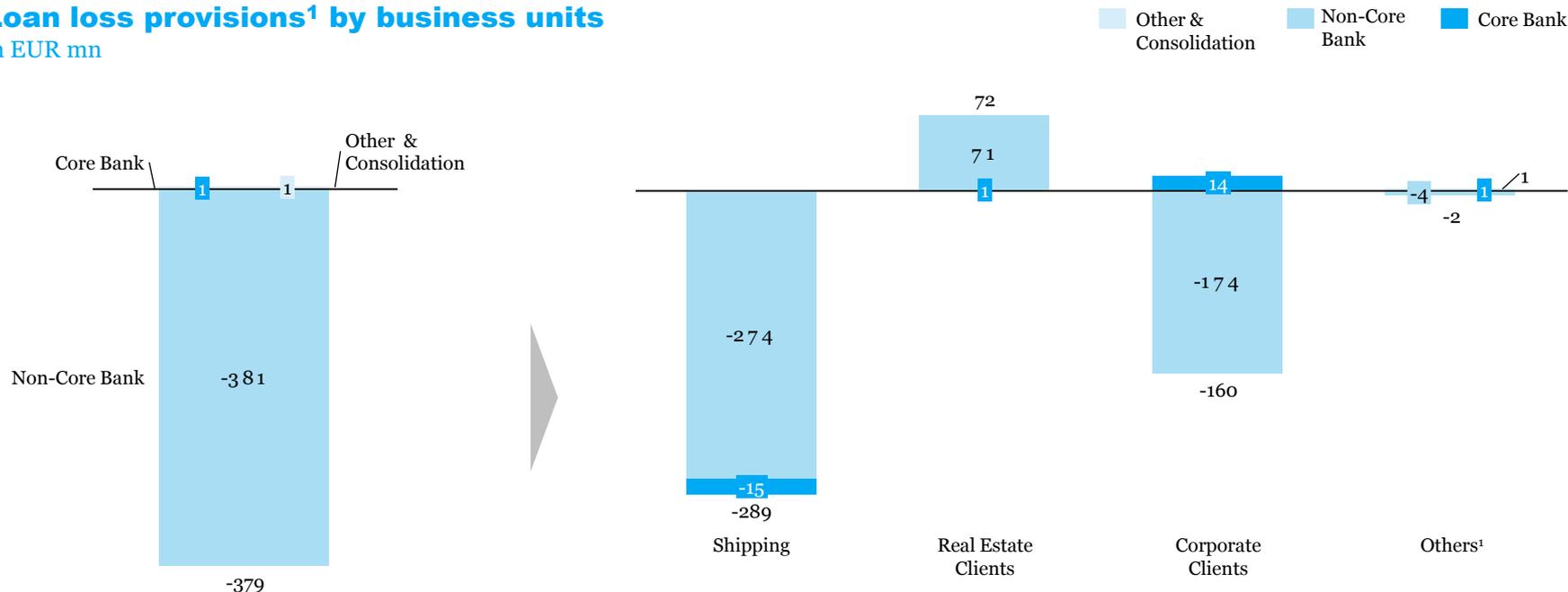
¹ After effects relating to the guarantee, foreign exchange result and hedging effect of credit derivative, i.e. the separate income statement item “hedging effect of credit derivative” of EUR -89mn has been recognised in the loan loss provisions of EUR -241mn

High loan loss provisions for legacy burdens from shipping and energy loans in the Non-Core Bank

Financial key figures H1 2017 – Group

Loan loss provisions¹ by business units

in EUR mn



- ▶ Loan loss provisions in the lending business of EUR -379mn before foreign exchange effects and compensation, mainly driven by the legacy burdens from ship loans of EUR -289mn and a small number of individual commitments relating to the Corporate Clients - Energy division (Poland, Italy) in the Non-Core Bank
- ▶ Reversals largely relating to Real Estate Clients in the amount of EUR 71mn in the Non-Core Bank and relating to Corporate Clients in the amount of EUR 14mn in the Core Bank

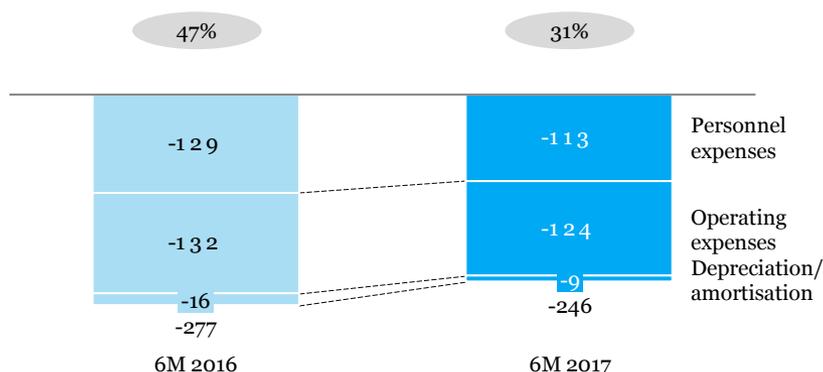
¹ Before effects relating to the guarantee, foreign exchange result and hedging effect of credit derivative

Cost reduction still successful – administrative expenses down by 11%

Financial key figures H1 2017 – Group

Administrative expenses

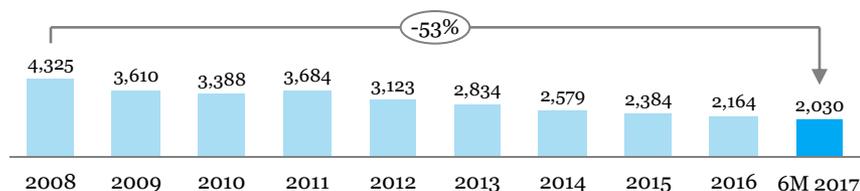
in EUR mn, ● CIR¹



- ▶ **Personnel expenses** of EUR -129mn (PY) down by 12% to EUR -113mn due to further reduction in headcount
- ▶ **Operating expenses** of EUR -132mn (PY) down by 6% to EUR -124mn; savings thanks to lower building expenses. These savings continue to be offset by high costs incurred in implementing regulatory and accounting requirements
- ▶ **Depreciation/amortisation** came to EUR -9mn (PY: EUR -16mn), in particular due to the impact of unscheduled write-downs of EUR -3mn from the revaluation of aircraft to be consolidated (related to the market transaction)
- ▶ **CIR¹** of 31% (PY: 47%)

Employees

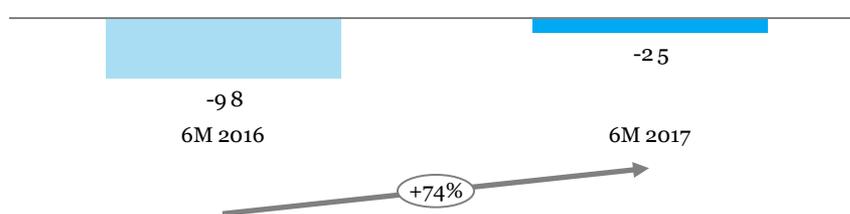
Number of full time employees



- ▶ HR strategy of a purely socially acceptable reduction in headcount
- ▶ HR work is focusing on further professional development measures for employees and measures to promote up-and-coming talents

Net income from restructuring and privatisation

in EUR mn



- ▶ **Restructuring result** burdened by restructuring and privatisation expenses (inter alia for personnel measures, advisory services, data rooms and audit activities)

¹ The cost-income ratio represents the ratio of administrative expenses to total income, plus “other operating result”

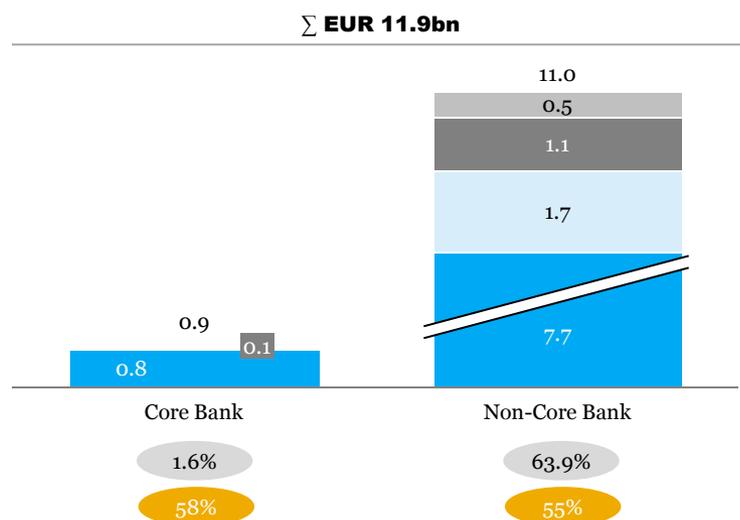
NPE ratio down by 3 percentage points in H1 to 14.6%, portfolio adequately secured

Financial key figures H1 2017 – Group

NPE by asset class

in EUR bn

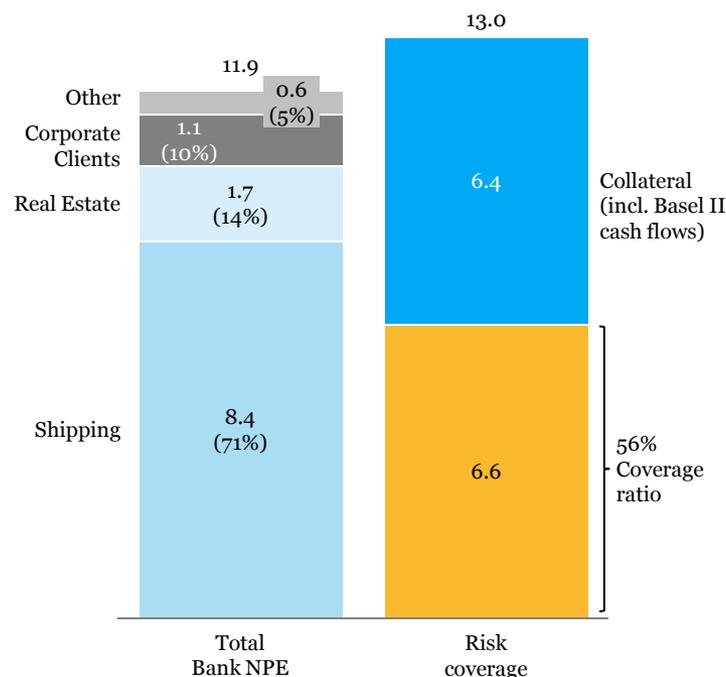
Others Corporate clients Real Estate Shipping
NPE ratio Coverage ratio



- ▶ NPE reduced from EUR 14.6bn (31 December 2016) to EUR 11.9bn (EUR 81.2bn total EaD)
- ▶ NPE ratio reduced from 17.5% to 14.6% due to reduction in risks
- ▶ NPE ratio in Shipping of 57% in total, 88% in the Non-Core Bank and 13% in the Core Bank
- ▶ NPE ratio is 1.6% for the Core Bank

Risk coverage

EUR bn



- ▶ Solid coverage ratio of 56%, in Shipping of 61%
- ▶ Total coverage > 100% including collateral

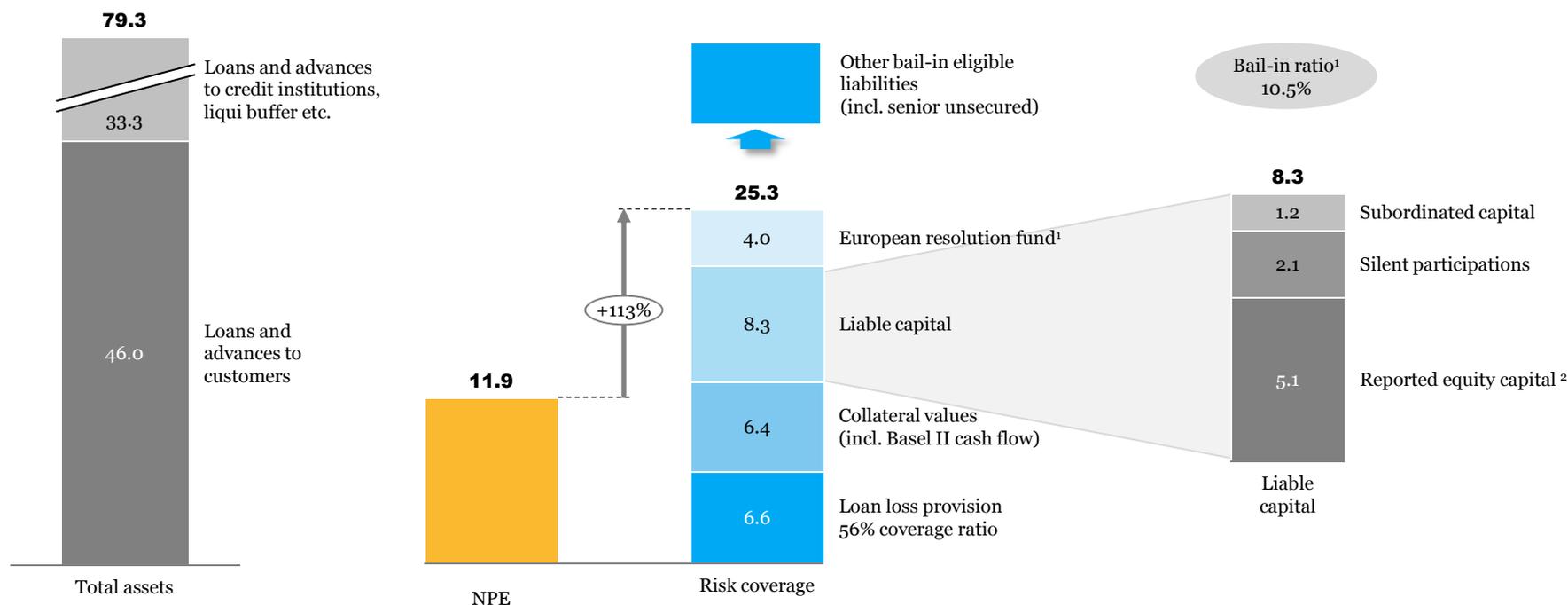
¹ Loss provisions before compensation, incl. SLLP and GLLP

10.5% bail-in ratio and extensive risk coverage thanks to loan loss provisions, collateral and liable capital

Financial key figures H1 2017 – Group

Risk coverage before senior unsecured

IFRS, in EUR bn, EaD



- ▶ **Bail-in ratio** of around 10.5% based on reported equity¹, silent participations and subordinated capital
- ▶ The bail-in ratio is expected to be > 8% in the future, too
- ▶ The calculation of the bail-in ratio is based on the BRRD definition of a threshold (8%) for a drawdown from the resolution fund

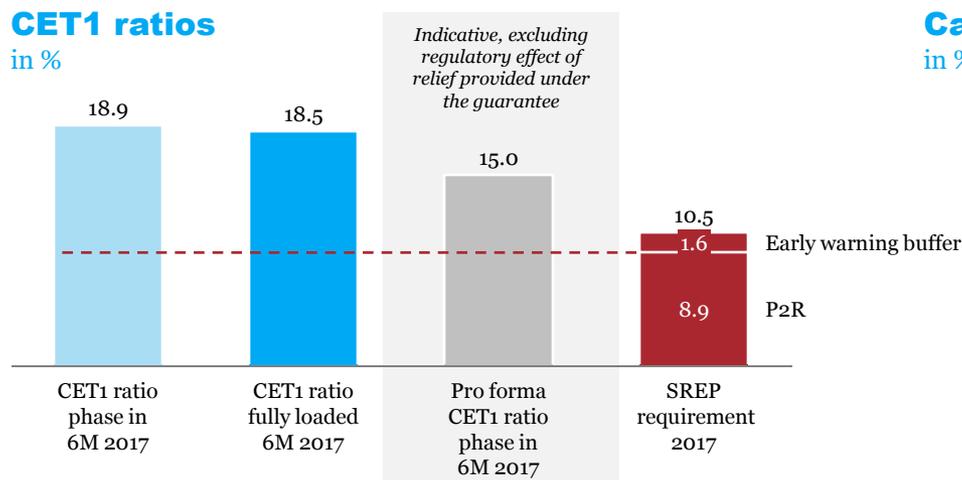
¹ If there are 8% bail-in liabilities in relation to total assets before senior unsecured (bail-in threshold), an application for additional support (up to 5% of total assets) can be submitted to the European resolution fund, but there is no legal entitlement to this (see also SAG/SRM Regulation); ² Reported equity capital adjusted to reflect "Other Comprehensive Income" items (OCI); NB: This presentation includes assessments and forecasts based on numerous assumptions and subjective valuations both of HSH Nordbank AG and other sources and only represents a non-binding view

18.9% CET1 ratio at a high level; even without the guarantee at 15%, well above regulatory requirements

Financial key figures H1 2017 – Group

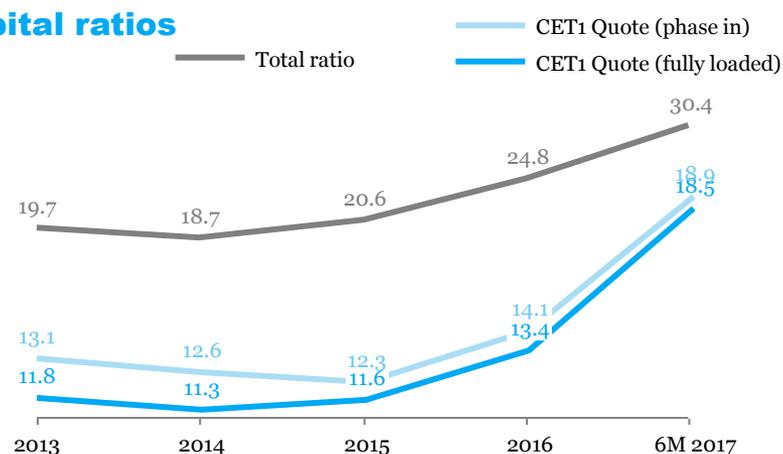
CET1 ratios

in %



Capital ratios

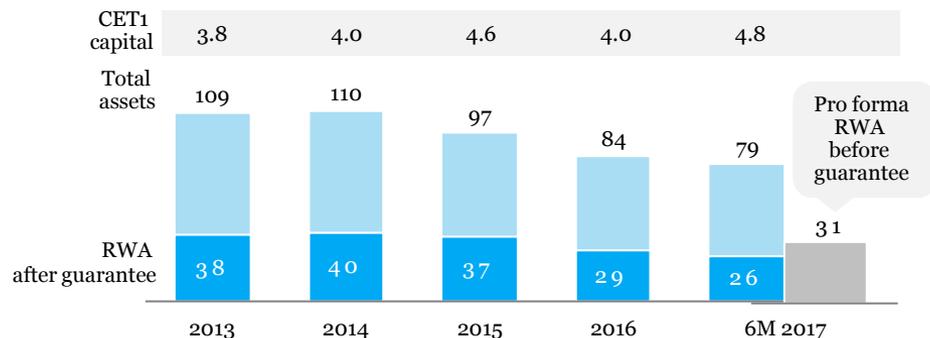
in %



- ▶ **CET1 ratio “phase in”** characterised by positive half-year result and RWA-reduction, as well as lower than planned RWA from new business
- ▶ RWA down by around EUR 3bn as against 31 December 2016 to EUR 26bn due to the active management of currency risks, portfolio wind-down in the Non-Core Bank and a much weaker US dollar
- ▶ Further winding down of legacy burdens expected to put pressure on the CET1 ratio in H2 after accounting for the regulatory relief effect of the guarantee
- ▶ **SREP requirements in 2017: Regulatory early warning threshold (P2G) of 10.5%** (phase-in), consisting of an SREP requirement of 8.9% (P2R) and early warning buffer of 1.6%

RWA, total assets, CET1 capital

in EUR bn



Solid key financials

Financial key figures H1 2017 – Group

Ongoing positive earnings development in the run-up to the change in ownership

-  Group net result before taxes of EUR 173mn (PY: EUR 171mn)
-  Core Bank pre-tax income of EUR 506mn exceeds expectations (PY: EUR 342mn)
-  New business of EUR 4.4bn (PY: EUR 3.5bn) shows ongoing positive development
-  NPE ratio of 1.6% in the Core Bank and 0.6% in new business¹
-  CET1 ratios at a high level: Phase in 18.9%, fully loaded 18.5% and without guarantee 15.0%² (phase in)
-  Liquidity ratios: LCR 208%, NSFR 109%; funding above plan
-  Leverage ratio of 7.9%

¹ Cumulative on-balance sheet new business since 2011 and still in the Core Bank portfolio; ² Indicative, not taking into account the regulatory relief effect of the guarantee

Agenda

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2. Financial key figures H1 2017 – Core Bank /
Non-Core Bank p. 10
3. Financial key figures H1 2017 – Group p. 28
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2017 expected to bring positive Group result before taxes at prior-year level

Outlook for 2017

- ▶ Based on how the **privatisation process has been progressing** to date, the Bank remains confident that it will be able to master the further challenges of a sales process (that is, by its very nature, a complex one) together with the federal state owners. Privatisation is taking place between the poles of the forward-looking Core Bank, the considerable burdens resulting from the legacy loans in the Non-Core Bank and the complex guarantee structure with regard to the guarantee settlement terms and the regulatory mechanism. It should be borne in mind that a considerable part of the guarantee is committed to the present Non-Core Bank and is therefore an essential element of the Non-Core Bank's capital base. A solution is therefore required in the context of the privatisation that ensures a sustainable business model with a resilient profitability, capital, risk and liquidity profile. In this regard, alternative solutions are also not excluded, which will then have to be determined between the owners and potential investors.
- ▶ The Bank will do the following **in the second half of 2017**:
 - Continue to pursue the stringent implementation of its restructuring policy
 - Systematically drive forward with its client business, which is showing encouraging development, on the basis of the operating progress achieved
 - Implement the ongoing strategic and operational optimisation measures in a targeted manner
 - Continue to wind down non-performing loans in order to further reduce the very high level of legacy loans covered by the guarantee that were entered into as part of the substantial business expansion in the period leading up to 2009 and were not reduced decisively by the EU decision of 2016, within the framework of the narrow boundaries set by the guarantee conditions.
- ▶ These varied measures will further strengthen the progress that has already been made in the realignment of the Core Bank. This will create a business model for HSH Nordbank that is convincing not least for clients, employees, investors and potential bidders, and that should facilitate a successful change in ownership
- ▶ **Considerable challenges and uncertainty** for the future development of HSH Nordbank result, in particular, from:
 - a sales process that does not go to plan
 - the difficult market situation in the shipping industry
 - the low interest rate level and environment of intense competition
 - volatility in the financial and currency markets (particularly US dollar)
 - changes in the assessments by the rating agencies
 - rising requirements imposed by the European Banking Authority
- ▶ For **2017 as a whole**¹ the Bank still expects to achieve **positive net income before taxes on par with the previous year** at Group level. The environment will remain challenging

¹The assumption of the Bank as a going concern for accounting and measurement purposes is based on assumptions set out in the Interim Report as at 30 June 2017

Agenda

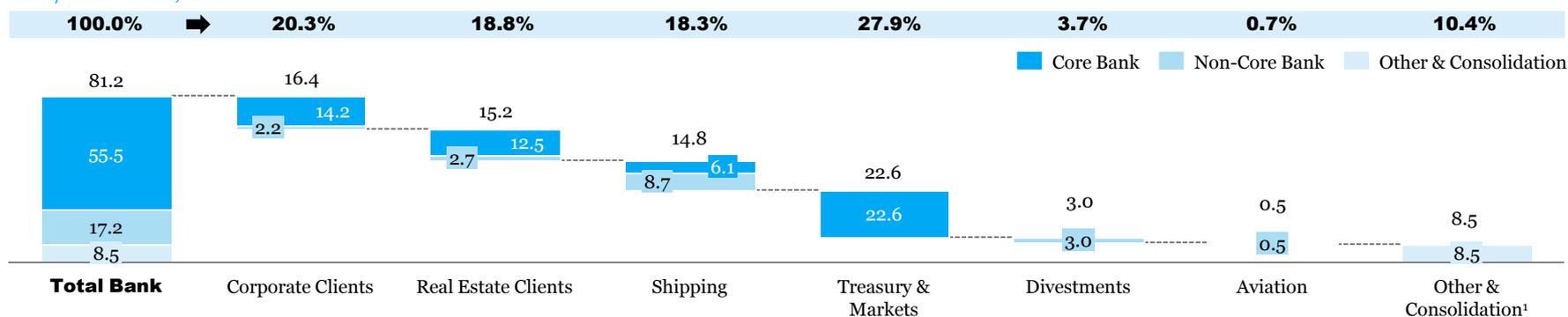
1. Change in ownership p. 6
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Risk coverage by the guarantee: 73% of the Shipping and 23% of the Real Estate exposures

Exposure breakdown/guarantee

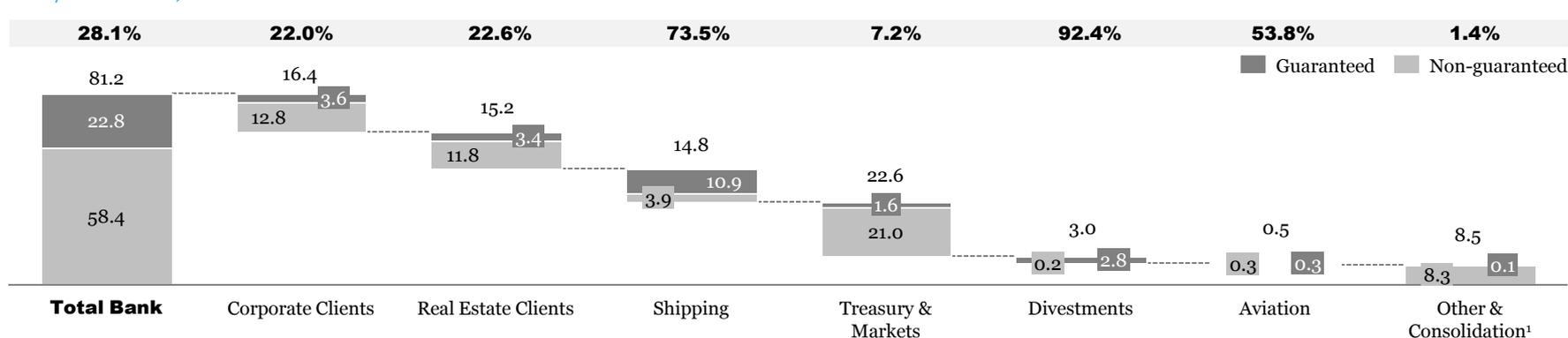
Distribution of exposure at default (EaD) within the Group

in %/in EUR bn, EaD



Risk coverage by the guarantee²

in %/in EUR bn, EaD



¹ Incl. liquidity reserve; ² Percentage risk coverage provided by the guarantee in relation to total EaD of the respective division

Core Bank with good risk profile - Majority of legacy burdens held in the Non-Core Bank

Loan loss provisions/guarantee

Core Bank

Total loan loss provisions¹, in EUR bn



EaD distribution, in EUR bn

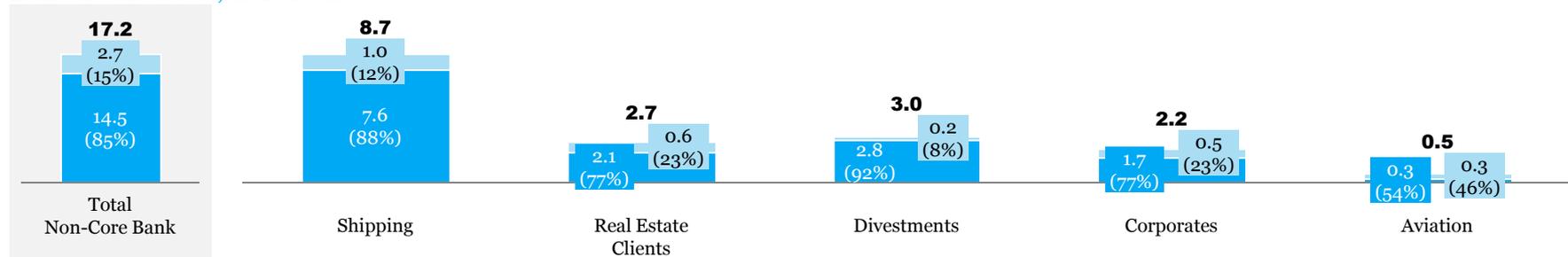


Non-Core Bank

Total loan loss provisions¹, in EUR bn



EaD distribution, in EUR bn



¹ Deviations possible due to rounding, portfolio prior to consolidation incl. loan loss provisions for contingent liabilities/securities in the reference portfolio excl. compensation

Reference portfolio and guarantee components

Guarantee

	Core Bank	Non-Core Bank	Group
Reference portfolio (in EUR bn, EaD/percentage distribution)	8.2 / 36%	14.5 / 64%	22.8
NPE total / guaranteed (EUR bn)	0.9 / 0.7	11.0 / 9.5	11.9 / 10.2
Loan loss provisions¹ total / guaranteed (EUR bn)	0.5 / 0.3	6.1 / 5.5	6.6 / 5.7
RWA after guarantee² (EUR bn/percentage distribution)	0.5 / 12%	3.9 / 88%	4.4
Expenses for government guarantees (In EUR mn/percentage distribution)	-10 / 12%	-70 / 88%	-80

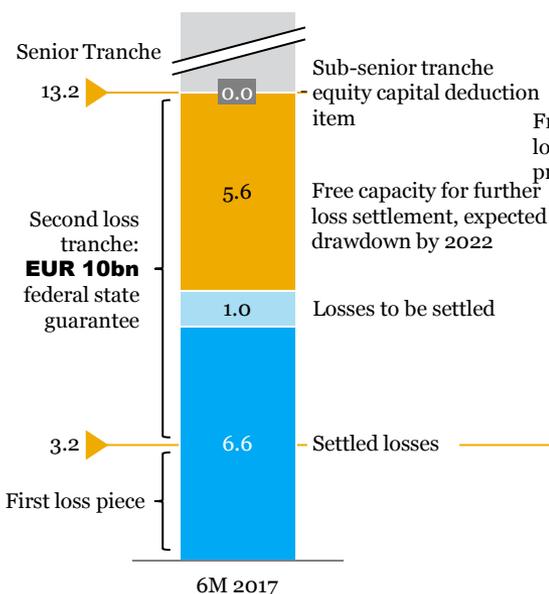
- ▶ At EUR 14.5bn, the vast majority (64%) of the reference portfolio of EUR 22.8bn in total that is secured by the guarantor is attributable to the Non-Core Bank. 36% is attributable to the Core Bank
- ▶ 86% of the non-performing exposure of EUR 11.9bn is covered by the guarantee
- ▶ The portfolio share with the highest risk is in the Non-Core Bank, with RWA of EUR 3.9bn
- ▶ The guarantee fees are distributed on the basis of regulatory capital committed, with 88% attributable to the Non-Core Bank and 12% to the Core Bank

¹ Before consolidation, incl. loan loss provisions on contingent liabilities/securities in the reference portfolio excl. compensation; ² Exclusive cost of capital deduction item pursuant to page 47

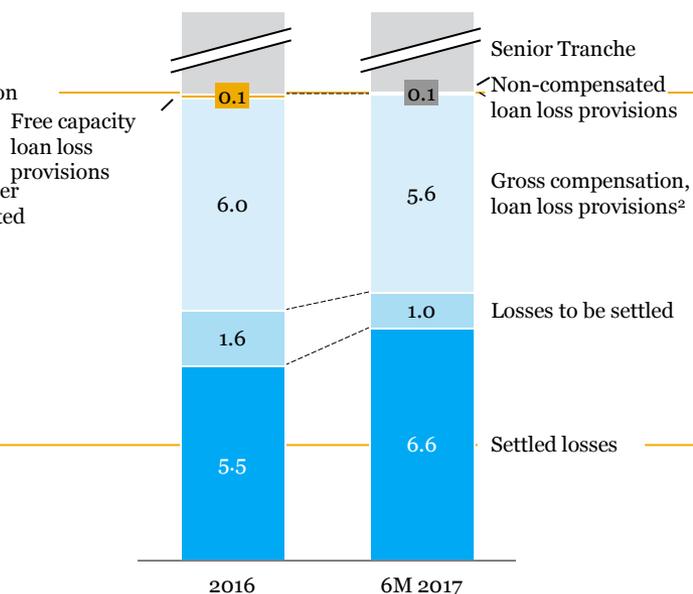
Balance sheet and regulatory utilisation of guarantee – potential for settlement of further losses of EUR 5.6bn

Guarantee

Guarantee structure in reference portfolio in EUR bn



Balance sheet breakdown in EUR bn



Regulatory breakdown in EUR bn



- ▶ Since Q4 2016, creation of a so-called sub-senior tranche within the framework of the regulatory presentation. The senior tranche is split into two sub-tranches. The sub-senior tranche assigned a risk weight of 1.250%, is reduced by eligible loan loss provisions that have not been compensated for and is deducted from the regulatory equity capital (EUR 0bn as at 30 June 2017³)
- ▶ Also since Q4 2016, the full loss settlement of the loan loss provisions that have been booked out, but not yet settled with the guarantor, has been assumed. This proportion is EUR 1.0bn as at 30 June 2017
- ▶ For the remaining senior tranche, the risk weight currently amounts to around 24%

¹Regulatory surcharge for foreign exchange risk, residual amount and other; ² Incl. credit risks under partial guarantee 2 (credit derivative) and excl. losses to be settled;

³ Sub-senior tranche is independent of the consideration of the regulatory surcharge

Moody's and Fitch confirm HSH Nordbank ratings

Rating¹

	Moody's	Fitch
Public Pfandbrief	Aa2	-
Mortgage Pfandbrief	Aa3	-
Ship Pfandbrief	Baa1	-
Long term deposits	Baa3, dev. ²	BBB-
Senior-senior unsecured bank debt ³	Baa3, dev. ²	BBB-
Senior unsecured, long term	Baa3, dev. ²	BBB- neg.
Short term liabilities	P-3	F3
Subordinated capital	B2	B-
Hybrid capital T1	Ca	-
Financial Strength (BCA)/Viability Rating (VR)	BCA: b3	VR: b

MOODY'S

07.02./03.07.2017

- “Despite large NPL divestments, HSH’s asset quality remains poor and NPL ratios high compared with peers”
- “HSH’s portfolio divestments have resulted in a better matched maturity profile. The €5.0bn NPLs transferred out in June 2016 and ongoing asset sales imply structural benefits”
- “Large volumes of non-performing exposures are a major obstacle to HSH’s privatisation”
- “If its privatisation is successful, HSH will emerge as a smaller, financially stronger bank. It would no longer be burdened with high-risk legacy assets and would have fair prospects of sustainable profits”

Fitch Ratings

09.06./18.08.2017

- “We believe risk reduction efforts over the last two years and stronger impaired coverage had a positive impact on the risk profile of the overall bank, because of measures undertaken in preparation for the sales process, but the viability of its business model remains uncertain”
- “Lower risk-weighted assets (RWAs) and profit retention strengthened HSH’s fully loaded common equity Tier 1 (CET1) ratio to 14.4% at end-1Q17. We believe the buffer to its regulatory requirements will underpin adequate capitalisation through the privatisation process despite vulnerability to asset deterioration”
- “Management’s strategic objectives have focused on the short term with a view to optimise the bank for its expected privatisation. Consequently, the bank has concentrated on complying with EC restrictions, and on profitability and efficiency metrics, including the initiation of a cost-cutting programme. At the same time, management needed to maintain investor confidence and ensure uninterrupted access to funding markets as the bank remained at risk from a crisis of confidence. We believe management has delivered on these objectives and also managed to generate new business with a volume of EUR8.9bn at end 2016 (8.8 end-2015)”

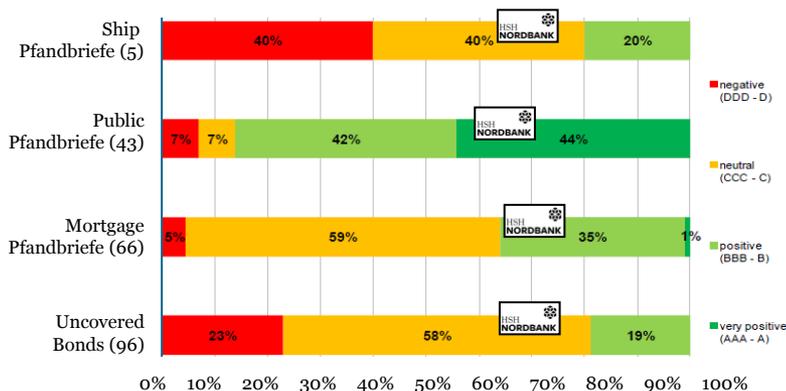
¹ See also latest publications by the rating agencies on the HSH Nordbank homepage: www.hsh-nordbank.de/de/investorrelations/rating/rating.jsp; ² Developing (dev.); ³ Includes what are known as complex structured bonds of German banks that are to be given preferential treatment over non-structured bonds in a bail-in under the new German insolvency law as of 2017 (KWG §46f (6) and (7))

HSH Nordbank with positive rating for sustainability

Sustainability rating



Rating distribution by asset class¹



- ▶ Further improvement in the imug sustainability rating for HSH Nordbank bank bonds
- ▶ Improvement of one notch in rating for public Pfandbriefe from BBB (positive) to A (very positive). The other ratings are unchanged
- ▶ HSH Nordbank is at the upper end of average compared with other banks (see graphic on the left)

¹ Source: imug Beratungsgesellschaft für sozial-ökologische Innovationen mbH - sustainability rating of bank bonds in 2016; 96 issuers, 13 promotional and development banks not listed

Membership of the protection scheme of the German Savings Banks Finance Group (SFG)

Change in ownership

STATUS QUO – protection scheme of the German Savings Banks Finance Group

1

Voluntary institutional protection

The objective of the guarantee scheme is to protect the member institutions and to avert imminent or existing financial difficulties at these institutions. To achieve this, the protection scheme can, for example, contribute new liability funds, provide guarantees or sureties vis-à-vis third parties or even satisfy third-party claims. These measures can be combined with each other. This is designed to rectify the problems faced by the institution in question and prevent the liquidation of the institution pursuant to the SAG.

The guarantee scheme has set up a risk monitoring system with corresponding organisational structures for preventative purposes. This system helps imminent financial difficulties to be identified early on/to prevent such difficulties from arising in the first place, and allows suitable counter-measures to be taken. The aim is to prevent a compensation case (see item 2) and allow business relationships with clients to be continued in line with the contractual agreements.

All the securities (not of an equity / regulatory capital nature¹) that HSH Nordbank AG has issued will therefore continue to fall under the institutional protection of the guarantee system of the Savings Banks Finance Group (Art. 39 (1) of the statutes).

2

Statutory deposit protection

If the German Federal Financial Supervisory Authority identifies a compensation case pursuant to the Deposit Guarantee Act (e.g. if the voluntary institutional guarantee has not resulted in the continued existence of the credit institution), then the customer is entitled to a reimbursement of his/her deposits from the guarantee scheme up to EUR 100,000. This compensation must be provided within seven working days.

More information can be found at <https://www.dsgv.de/en/index.html>.

¹In particular pursuant to paragraphs 41, 44 of the Communication from the European Commission 2013/C 216/01 of 30 July 2013 (“Banking Communication”)

Membership of the SFG protection system beyond 2018

Change in ownership

Simplified sample presentation

LOOKING AHEAD

	Protection scheme	Viability assessment of business model by EU COM
Change in ownership within DSGV	Continued membership of the DSGV ✓	Sustainable profitability confirmed ✓
Change in ownership outside DSGV	<ul style="list-style-type: none"> Member of protection scheme of SFG for another 2 years³ Protection scheme of the successor institution, e.g. Association of German Banks (BdB) ✓	Sustainable profitability confirmed ✓
No change in ownership: New business suspension	Continued membership of the DSGV ¹ ✓	Profitability not confirmed ✗

CONTINUED MEMBERSHIP OF THE SFG PROTECTION SCHEME²

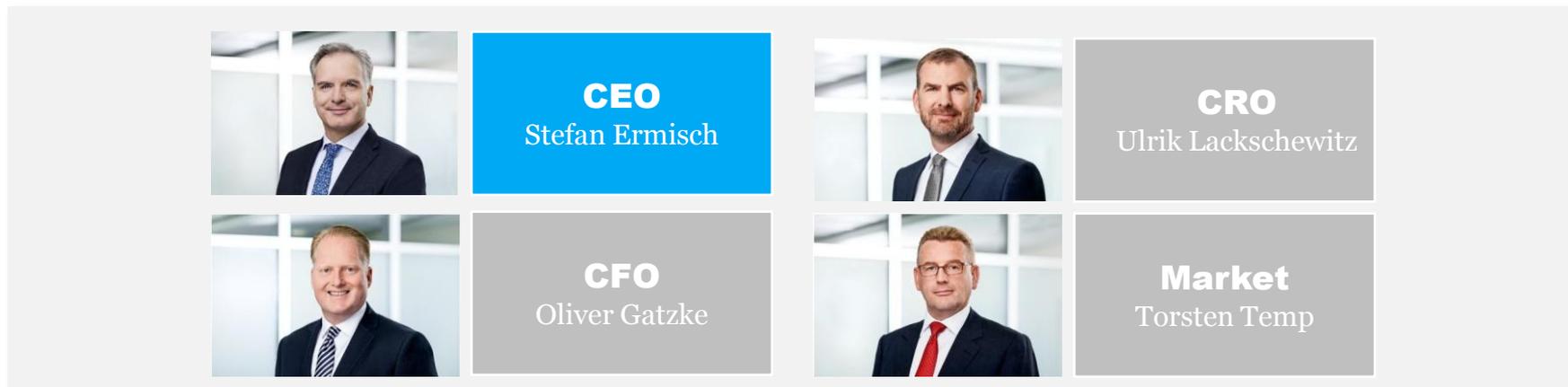


If HSH Nordbank's membership of the DSGV ends at a point in time that is not currently known (but at the earliest on 28 February 2018), then its membership of the protection scheme of the German Savings Banks Finance Group³ shall continue for another two years, i.e. at least until 28 February 2020. During this period, the institutional protection provided by SFG will remain in force for HSH Nordbank

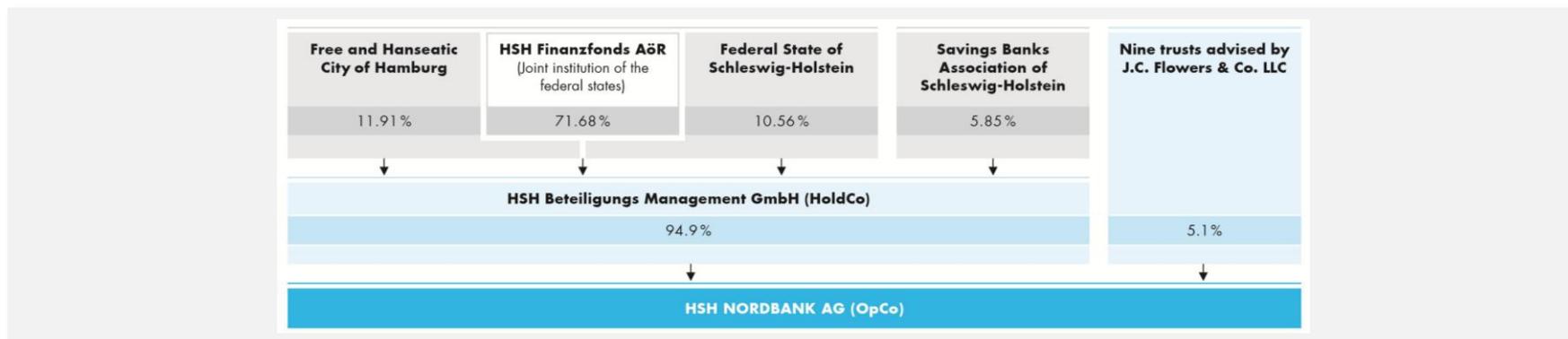
¹ Assumption that the requirements for DSGV membership set out in the statutes are still met; ² Exit from DSGV following change in ownership ("closing"), a shift in the earliest possible date (28 February 2018) could also result in a shift in the continued membership of the SFG protection scheme (28 February 2020); ³ In accordance with Section 94(4) of the Framework Statute

Management Board and shareholder structure of HSH Nordbank

Management Board of HSH Nordbank



Shareholder structure of HSH Nordbank



Overview of the Group income statement

Financial key figures over time

in EUR mn, IFRS	6M 2017	12M 2016	6M 2016	12M 2015	6M 2015	12M 2014	6M 2014	12M 2013	6M 2013	12M 2012	6M 2012	12M 2011	6M 2011
Net interest income	557	607	374	1,032	448	586	231	929	480	1,520	453	1,350	635
Net commission income	32	87	50	114	62	130	73	104	52	119	44	120	61
Result from hedging	-9	-4	2	12	8	-40	-12	9	10	6	9	4	-10
Net trading income	151	88	40	84	71	61	112	193	114	-238	-210	-173	1
Net income from financial investments ¹	28	143	75	54	56	171	242	261	153	39	142	23	62
Total income	759	921	541	1,296	645	908	646	1,496	809	1,446	438	1,324	749
Loan loss provisions in the lending business ²	-241	156	151	304	127	577	337	-833	-192	-656	-111	389	317
Administrative expenses	-246	-634	-277	-634	-302	-724	-338	-755	-382	-821	-385	-837	-382
Other operating income	47	58	43	38	53	123	54	44	53	191	253	36	13
Expenses for bank levy and deposit guarantee fund	-41	-56	-63	-50	-54	-1	-	-	-	-	-	-	-
Net income before restructuring and privatisation	278	445	395	954	469	883	699	-48	288	160	195	912	697
Net income from restructuring and privatisation	-25	-110	-98	-31	-12	-84	-8	-56	-8	-43	-19	-235	2
Expenses for government guarantees ³	-80	-214	-126	-473	-235	-521	-259	-414	-143	-302	-157	-883	-211
Net income before taxes	173	121	171	450	222	278	432	-518	137	-185	19	-206	488
Income taxes	-15	-52	-11	-352	-75	-118	-131	-251	-7	61	35	-59	-150
Group net results	158	69	160	98	147	160	301	-769	130	-124	54	-265	338

¹ Incl. result from the financial investments accounted for under the equity method; ² Net loan loss provisions after effects relating to the guarantee and hedging effect of credit derivative;

³ Base premium and subsequent payments

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Abbreviations

ABF	Asset-based Funding	Lux.	Luxembourg
AG	Aktiengesellschaft [German public limited company]	Mn	Million
AöR	Anstalt öffentlichen Rechts [German institution under public law]	Bn	Billion
BRRD	Bank Recovery and Resolution Directive	NPE /NPL	Non-Performing Exposure / Loan
Ca.	Circa [German text only]	NSFR	Net Stable Funding Ratio
CEO	Chief Executive Officer	OCI	Other Comprehensive Income
CET1	Core Equity Tier 1	GLLP	General Loan Loss Provisions
CFO	Chief Financial Officer	pp.	percentage point(s)
CIR	Cost-Income Ratio	P2G	Pillar 2 Guidance
CRO	Chief Risk Officer	P2R	Pillar 2 Requirements
EaD	Exposure at Default	Q1	1st quarter
EinSiG	Einlagensicherungsgesetz [German Deposit Guarantee Act]	RoE	Return on Equity
EL	Expected Loss	RP	Risk Provision
EU	European Union	RWA	Risk-Weighted Assets
EUR	Euro	SAG	Sanierungs- und Abwicklungsgesetz [German Act on the Recovery and Resolution of Credit Institutions]
EU COM	European Commission	SFG	Sparkassen-Finanzgruppe [Savings Banks Finance Group]
SLLP	Specific Loan Loss Provisions	SREP	Supervisory Review and Evaluation Process
Excl.	Excluding	UL	Unexpected Loss
Feb.	February	Unsec.	Unsecured
GBP	British pound	USD	US Dollar
P&L	Profit and Loss	PY	Previous year
HSH	HSH Nordbank AG	e.g.	for example
imug	Institut für Markt-Umwelt-Gesellschaft	<i>Ø age</i>	<i>Average age</i>
IFRS	International Financial Reporting Standards	<i>6M 2016/6M 2017</i>	<i>First 6 months of the 2016/2017 financial year</i>
Incl.	Including	#	Number
KWG	Kreditwesengesetz [German Banking Act]	\$	Paragraph
LCR	Liquidity Coverage Ratio	%	Percent (figures in percent)
LiqV	Ratio pursuant to the German Liquidity Regulation	∑	Total
		<20%	Less than 20%

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Management system and defined management indicators of the IFRS Group

The Bank's integrated management system is aimed at the management of key value drivers – income, efficiency & profitability, risk, capital and liquidity – on a targeted basis. For this purpose the Bank uses a risk-adjusted key indicator and ratio system that ensures that the Total Bank, Core Bank and Non-Core Bank are managed in a uniform and effective manner. The HSH Nordbank Group is managed mainly on the basis of figures for the Group prepared in accordance with the International Financial Reporting Standards (IFRS).

Within the framework of management reporting the Bank focuses on the most important management indicators for the individual value drivers of the IFRS Group. The focus is, on the one hand, on the trend of these indicators during the year to date compared to the same period in the previous year and, on the other hand, on their expected change during the rest of 2017 (forecast, opportunities and risk report section). Further information on the management system and defined management indicators of the HSH Nordbank Group can be found in the HSH Nordbank's Group Management Report for the 2016 financial year in the "Management system" subsection in the "Basis of the Group" section.