

## COMPANY PROFILE

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### Analyst Contacts:

FRANKFURT	+49.69.70730.700
Katharina Barten	+49.69.70730.765
<i>Senior Vice President</i>	
katharina.barten@moodys.com	
Maximilian Denkmann,	+49.69.70730.930
CFA	
<i>Associate Analyst</i>	
maximilian.denkmann@moodys.com	
Carola Schuler	+49.69.70730.766
<i>Managing Director – Banking</i>	
carola.schuler@moodys.com	

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## HSH Nordbank AG

Hamburg, Germany, and Kiel, Germany

### Company Overview

HSH Nordbank AG (HSH) is one of the larger German Landesbanken. Based in northern Germany, with headquarters in Hamburg and Kiel, HSH is a regional commercial bank mainly providing services to the business community in northern Germany. The bank offers a range of financial services to higher-end medium-sized companies, high-net-worth-individuals, savings banks and other institutional clients. HSH is a specialist real estate financial provider and the world's largest ship financier, and is also active in the renewable energy and infrastructure sectors. As of 30 June 2015, HSH reported total consolidated assets of €107.9 billion, representing a 1.4% share of total German banking system assets.

HSH was established in June 2003 as a German public limited company, following a merger between Hamburgische Landesbank Girozentrale (HLB) and Landesbank Schleswig-Holstein Girozentrale (LB Kiel). After its near failure in 2008, the bank received capital and liquidity support and underwent significant restructuring. As of 30 June 2015, the main shareholders in HSH were the state of Schleswig-Holstein and the city of Hamburg, with a combined share of 85.4%, which also provide a guarantee for a significant part of HSH's balance sheet assets.

Following a sharp decline of the asset quality in the portfolio under the guarantee shield, the bank's majority shareholders – Schleswig-Holstein and Hamburg – decided to restore the second loss guarantee to its previous amount of €10 billion at the end of June 2013, after a reduction to €7 billion in 2011. The restoration of the guarantee triggered an in-depth investigation by the European Commission (EC) into the compatibility of the renewed aid measure with European Union (EU) state aid rules.

On October 19, 2015, HSH announced that it had reached an informal agreement with the EC in the EU state aid proceeding. According to the agreement, the EC has committed to formally approving the re-increase of the second loss guarantee; the bank is to be split into a holding company and an operating company that must be privatised within 24 months after the final approval by the EC expected for the first half-year 2016; and the operating company may be relieved by the disposal of non-performing loans in an amount of up to €8.2 billion as well as from materially decreased guarantee fees.

Source: Company reports (interim report June 2015, annual report Dec 2014 and Dec 2011) and announcements (Oct 2015), Company data, Moody's research, [www.bundesbank.de](http://www.bundesbank.de)

## Financial Highlights (as Reported)

Note: The financials presented below are those reported by the entity and are not adjusted for Moody's analytic purposes. For Moody's generated ratios on HSH Nordbank AG, please see <[HSH Nordbank AG](#) page on [moody's.com](#)>.

### EXHIBIT 1

#### Latest Full-Year Results

HSH Nordbank AG

(in € Million)	31-Dec-14	31-Dec-13	31-Dec-12	% Change 14/13	% Change 13/12
Total Assets	110,082	109,111	130,606	0.89	(16.46)
Total Shareholders' Equity	4,672	4,579	5,272	2.03	(13.14)
Shareholders' Equity excluding Minority Interest	4,685	4,592	5,278	2.03	(13.00)
Tier 1 Capital (in € Billion)	5.7	5.4	7.0	5.56	N/M
Tier 1 Ratio (%)	14.4	14.3	12.3	10 bps	N/M
Net Income	160	(769)	(124)	N/M	N/M
Net Income Attributable to Equity Holders	159	(767)	(120)	N/M	N/M

#### Notes:

- 1) Based on consolidated financial figures
- 2) "Tier 1 Capital" and "Tier 1 Ratio" for Dec 2014 and Dec 2013 are stated in accordance with the Basel III transitional framework, while the corresponding figures for Dec 2012 are in accordance with the Basel II framework.

Source: Company Reports (annual report Dec 2014 and Dec 2013)

### EXHIBIT 2

#### Latest First-Half Results

HSH Nordbank AG

(in € Million)	30-June-15	30-June-14	% Change 15/14
Total Assets	107,862	112,571	(4.18)
Total Shareholders' Equity	4,897	4,824	1.51
Shareholders' Equity excluding Minority Interest	4,910	4,834	1.57
Tier 1 Capital (in € Billion)	5.5	5.6	(1.79)
Tier 1 Ratio (%)	13.8	14.4	(60) bps
Net Income	147	301	(51.16)
Net Income Attributable to Equity Holders	147	300	(51.00)

Note: Based on consolidated financial figures

Source: Company Reports (interim report June 2015 and June 2014)

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on [www.moody's.com](#) for the most updated credit rating action information and rating history.

## Business Activities

HSH is a regional commercial bank based in northern Germany. Domestically, it provides financial services to high-end medium-sized companies, savings banks and other institutional clients. Internationally, the bank services the shipping, renewable energy and infrastructure sectors. The core bank operates through three segments: Shipping, Project & Real Estate Financing; Corporates & Markets; and Corporate Centre. HSH also maintains a Restructuring Unit segment. In the financial year ended 31 December 2014 (2014), the Shipping, Project & Real Estate Financing segment was the largest contributor to HSH's net interest income.

**Shipping, Project & Real Estate Financing:** Accounting for 65.6%<sup>1</sup> of the bank's net interest income in 2014, this segment mainly provides loans, financing and other financial products to shipping and real estate clients. As of 31 December 2014, the segment reported total consolidated assets of €30 billion. With the reorganisation of the bank's business segments from 1 January 2015, the Corporate Finance division<sup>2</sup> from the Corporates & Markets segment was allocated to the Shipping, Project & Real Estate Financing segment.

**Corporates & Markets:** Accounting for 11.9% of the bank's net interest income in 2014, this segment develops, sells and trades financial products, wealth management and special financing solutions to companies, high-net-worth individuals, foundations, non-profit organisations and savings banks. It also services banks and insurance companies. As of 31 December 2014, the segment reported total consolidated assets of €26 billion. With the reorganisation of the bank's business segments from 1 January 2015, the Energy & Infrastructure division from the Shipping, Project & Real Estate Financing segment was allocated to the Corporates & Markets segment.

**Corporate Centre:** This segment includes the bank's administration and service divisions, as well as bank positions and equity holdings that are not allocated to other business areas. As of 31 December 2014, the segment reported total consolidated assets of €18 billion.

**Restructuring Unit:** Accounting for 22.5% of the bank's net interest income in 2014, this segment commenced operations on 1 December 2009 as a key part of the bank's realignment. Operating as an internal unit within HSH, it manages the winding-down of nonstrategic credit and capital market transactions. As of 31 December 2014, the segment reported total consolidated assets of €31 billion, and consumed 53% of the group's average allocated capital.

*Source: Company Reports (interim report June 2015, annual report Dec 2014 and Dec 2013), Company data*

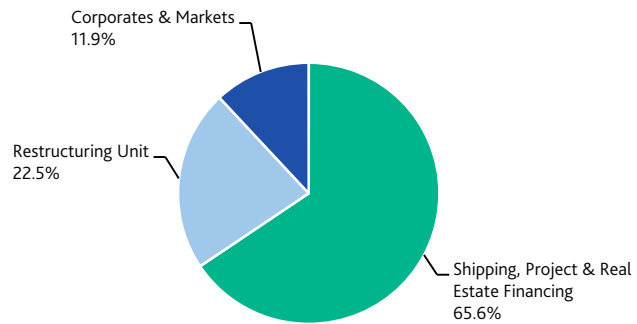
<sup>1</sup> All calculations in this section exclude contributions from the Corporate Center segment, due to its negative contribution. Consolidation items have also been excluded.

<sup>2</sup> Following the merger of HSH Corporate Finance GmbH (a former subsidiary) with the bank on April 2014, a new division was created, Corporate Finance, which includes the merger and acquisitions, leveraged finance, capital structuring, corporate advisory and credit syndicate departments.

EXHIBIT 3

**Business Segment**

(% of Net Interest Income, consolidated, for 2014)



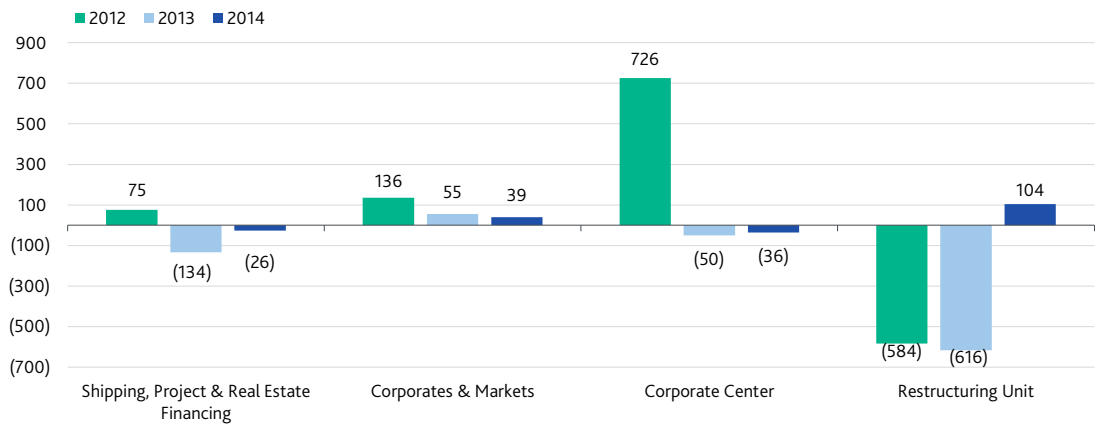
Note: Excluding Corporate Center segment, due to its negative contribution, and consolidation items.

Source: Company Report (annual report 2014, Pg: 208 and 209)

EXHIBIT 4

**Pre-Tax Profit/(Loss) per Business Segment**

(consolidated, in € Million)



Note: Excluding consolidation items

Source: Company Reports (annual report Dec 2014, Pg: 208 & 209 and Dec 2013, Pg: 190 & 191)

## Distribution Capacity and Market Share

As of 30 June 2015, HSH distributed its products and services through domestic branches in Berlin, Düsseldorf, Hanover, Frankfurt, Munich and Stuttgart, as well as international offices in Athens, Hong Kong, Luxembourg, New York and Singapore.

As of 30 June 2015, the geographical breakdown of HSH's foreign exposure was as follows:

EXHIBIT 5

### HSH Nordbank AG

Geographical Segment	Loan Amount Outstanding (% Share)		
	30-June-15	31-Dec-14	31-Dec-13
Western Europe	60.6	57.1	57.8
<i>of which euro area countries</i>	38.2	36.2	35.7
Central and Eastern Europe	3.3	3.0	2.9
<i>of which euro area countries</i>	0.3	0.4	0.3
Africa	2.6	2.3	2.0
North America	15.5	21.1	22.6
Latin America	2.7	2.4	2.4
Middle East	2.1	2.0	1.6
Asia Pacific region	11.5	10.3	9.0
International organisations	1.7	1.8	1.7
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

As of 30 June 2015, HSH's shares in the German banking sector in terms of consolidated assets and equity were as follows:

EXHIBIT 6

### Market Shares of HSH Nordbank AG

(% Share)	30-June-15	31-Dec-14	31-Dec-13
Assets	1.37	1.40	1.43
Equity	1.27	1.22	1.24

Source: Company Reports (interim report June 2015, annual report Dec 2014), [www.bundesbank.de](http://www.bundesbank.de), Company data

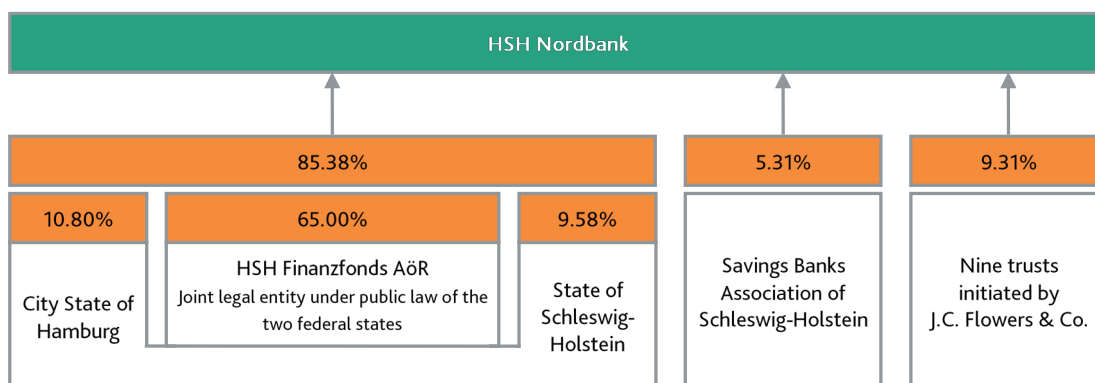
## Ownership and Structure

As of 30 June 2015, HSH reported 301,822,453 ordinary shares in issue, of which 85.4% were owned by the federal state of Schleswig-Holstein and the city-state of Hamburg.

Source: Company Reports (interim report June 2015, annual report Dec 2014), Company data

EXHIBIT 7

### Ownership Structure as of 30 June 2015



Source: Source: Company data

## Subsidiaries and Associates

As of 30 June 2015, HSH's fully consolidated subsidiaries and associates were as follows:

EXHIBIT 8

### HSH Nordbank AG

Company	Registered Office	% Equity Share
Avia Management S.à.r.l.	Luxembourg	100.0
BINNENALSTER-Beteiligungsgesellschaft mbH	Hamburg	100.0
Bu Wi Beteiligungsholding GmbH	Hamburg	100.0
CAPCELLENCE Dritte Fondsbeteiligung GmbH	Hamburg	100.0
CAPCELLENCE Erste Fondsbeteiligung GmbH	Hamburg	100.0
CAPCELLENCE Holding GmbH & Co. KG	Hamburg	100.0
CAPCELLENCE Zweite Fondsbeteiligung GmbH	Hamburg	100.0
CHIOS GmbH	Hamburg	100.0
DEERS Green Power Development Company S.L.	Madrid	100.0
GODAN GmbH	Hamburg	100.0
HSH Auffang- und Holdinggesellschaft mbH & Co. KG	Hamburg	100.0
HSH Facility Management GmbH	Hamburg	100.0
HSH Gastro+Event GmbH	Hamburg	100.0
HSH N Finance (Guernsey) Limited	St. Peter Port	100.0
HSH N Financial Securities LLC	New York	100.0
HSH N Residual Value Ltd	Hamilton	100.0
HSH Nordbank Securities SA	Luxembourg	100.0

## EXHIBIT 8

**HSH Nordbank AG**

<b>Company</b>	<b>Registered Office</b>	<b>% Equity Share</b>
HSH Private Equity GmbH	Hamburg	100.0
Ilex Integra GmbH	Hamburg	100.0
ISM Agency LLC	New York	100.0
Neptune Finance Partner S.à.r.l.	Luxembourg	100.0
Neptune Finance Partner S.à.r.l.	Luxembourg	100.0
Neptune Ship Finance (Luxembourg) S.à.r.l. & Cie, S.e.c.s.	Luxembourg	100.0
Solar Holding S.à.r.l.	Luxembourg	100.0
Unterstützungs-Gesellschaft der Hamburgischen Landesbank mit beschränkter Haftung	Hamburg	
2200 Victory LLC	Dover	100.0
Amentum Aircraft Leasing No. Five Limited	Dublin	49.0
Amentum Aircraft Leasing No. Six Limited	Dublin	49.0
Amentum Aircraft Leasing No. Ten Limited	Dublin	49.0
Amentum Aircraft Leasing No. Three Limited	Dublin	49.0
Capcellence Vintage Year 06/07 Beteiligungen GmbH & Co. KG	Hamburg	83.3
Capcellence Vintage Year 07/08 Beteiligungen GmbH & Co. KG	Hamburg	83.3
Capcellence Vintage Year 09 Beteiligungen GmbH & Co. KG	Hamburg	83.3
Capcellence Vintage Year 10 Beteiligungen GmbH & Co. KG	Hamburg	83.3
Capcellence Vintage Year 11 Beteiligungen GmbH & Co. KG	Hamburg	83.3
Capcellence Vintage Year 12 Beteiligungen GmbH & Co. KG	Hamburg	83.3
Capcellence Vintage Year 13 Beteiligungen GmbH & Co. KG	Hamburg	83.3
CAPCELLENCE Vintage Year 14 Beteiligungen GmbH & Co. KG	Hamburg	83.3
GmbH Altstadt Grundstücksgesellschaft	Wiesbaden	50.0
HSH Care+Clean GmbH	Hamburg	51.0
HSH Move+More GmbH	Kiel	51.0
HSH N Funding II	George Town	56.3
Kontora Family Office GmbH	Hamburg	75.0
Next Generation Aircraft Finance 2 S.à.r.l.	Munsbach	49.0
Next Generation Aircraft Finance 3 S.à.r.l.	Munsbach	49.0

Source: Company Report (interim report June 2015)

## Support Programmes

During the 2008 financial crisis, HSH suffered mainly due to its substantial exposure to high-risk, secondary-market structured credit investments and to international commercial real estate financing. In 2009, additional provisioning for the bank's substantial exposure in the shipping industry became necessary. The bank received substantial capital and liquidity support from SoFFin (Germany's Special Fund for Financial Market Stabilisation) and the bank's two main shareholders, the federal state of Schleswig-Holstein and the city-state of Hamburg.

In 2008, in order to stabilise its liquidity position, HSH applied for a €30 billion guarantee from SoFFin. In all, €17 billion of the total facility was used: the bank issued €9 billion in guaranteed bonds for a period of two to three years and deposited an additional €8 billion with the European Central Bank to support liquidity. The guarantee facility expired in 2010.

In 2009, the bank's two main shareholders provided €3 billion in additional capital and a second loss guarantee of €10 billion that serves as a risk shield covering most of the assets of HSH. Under the terms of the second loss guarantee, HSH remains liable for the first €3.2 billion in losses, above which the guarantee is activated. In 2010, the bank paid a fee of €405 million to the federal states in return for providing the guarantee. In 2011, the bank reduced the second loss guarantee by €3 billion.

In May 2011, the bank repaid a SoFFin-guaranteed bond of €3 billion and, in January 2012, repaid a second SoFFin-guaranteed bond of €3 billion. In July 2012, the bank repaid the last SoFFin-guaranteed bond of €3 billion, thereby repaying the €9 billion of the SoFFin guarantee facility on schedule.

In June 2013, the bank's majority shareholders, Schleswig-Holstein and Hamburg, replenished the second loss guarantee to its previous sum of €10 billion. The European Commission (EC) provisionally approved the replenishment of the guarantee under European Union (EU) state aid rules, and opened another state aid case stating that the replenishment of the guarantee amounted to renewed government support. In October 2015, the EC eventually committed to approving the aid. This informal approval forms part of an agreement that the bank may divest €8.2 billion in impaired assets and shall benefit from reducing the cost of state aid by €300 million to €100 million annually. As an additional compensation measure, the bank's state owners must reduce their combined stakes to 25.0% from 85.4% within two years from the publication of the EC's formal state aid approval, which is expected during the first half of 2016. The bank will have to be closed and unwound if the privatisation is not successfully carried out sometime in 2018.

*Source: Company Reports (interim report June 2015, June 2014 and June 2013, annual report Dec 2010) and announcements (Oct 2015), Company data, Moody's research*



## Company Management

Management Board	Current Title	Age
Constantin von Oesterreich	HSH: Chairman of the Management Board	62
Stefan Ermisch	HSH: Deputy Chairman of the Management Board and Chief Financial Officer	50
Torsten Temp	HSH: Member of the Management Board, responsible for Shipping, Project & Real Estate Clients	55
Matthias Wittenburg	HSH: Member of the Management Board, responsible for Corporates & Markets	47
Ulrik Lackschewitz	HSH: Chief Risk Officer	47

As of 5 Oct 2015

Supervisory Board	Affiliation	Committees
Dr. Thomas Mirow	HSH: Chairman of the Supervisory Board	Risk Committee, General Committee (C), Mediation Committee (C), Remuneration Monitoring Committee (C)
Olaf Behm	HSH: Deputy Chairman of the Supervisory Board, Employee	Risk Committee, Audit Committee, General Committee, Mediation Committee, Remuneration Monitoring Committee

### Shareholder Representatives

Silke Grimm	HSH: Member of the Supervisory Board; Euler Hermes Deutschland AG: Board Member	Remuneration Monitoring Committee
Stefan Jütte	HSH: Member of the Supervisory Board	Risk Committee (C)
Dr. Rainer Klemmt-Nissen	HSH: Member of the Supervisory Board; HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH: Managing Director	Risk Committee, General Committee, Mediation Committee, Remuneration Monitoring Committee
Dr. David Morgan	HSH: Member of the Supervisory Board; J.C. Flowers & Co UK Ltd.: Managing Director	Risk Committee, General Committee
Elke Weber-Braun	HSH: Member of the Supervisory Board	Audit Committee (C)
Jörg Wohlers	HSH: Member of the Supervisory Board	Audit Committee, General Committee
Dr. Philipp Nimmermann	HSH: Member of the Supervisory Board; Schleswig-Holstein Ministry of Finance: Secretary of State	Audit Committee, General Committee, Remuneration Monitoring Committee

### Employee Representatives

Stefanie Arp	HSH: Member of the Supervisory Board, Employee	Audit Committee
Sabine-Almut Auerbach	HSH: Member of the Supervisory Board; ver.di, Southern Holstein District: District Secretary	N/A
Simone Graf	HSH: Member of the Supervisory Board, Employee	Risk Committee, General Committee, Remuneration Monitoring Committee
Rieka Meetz-Schawaller	HSH: Member of the Supervisory Board, Employee	Audit Committee, Mediation Committee
Stefan Schlatermund	HSH: Member of the Supervisory Board, Employee	Risk Committee
Peter Axmann	HSH: Member of the Supervisory Board, Executive Employee	N/A
Klaus-Dieter Schwettscher	HSH: Member of the Supervisory Board; ver.di Federal Management Board: Representative	N/A

As of 5 Oct 2015

(C) = Committee Chair

Source: Company Report (annual report Dec 2014), Company data

## Company History

HSH was incorporated as a German public limited company in June 2003, as a result of the merger of HLB and LB Kiel. The largest shareholders in the banks had been the respective regional governments and the Savings Banks Association for Schleswig-Holstein.

In October 2006, HSH became the first German Landesbank to be partly owned by private institutional investors, following the sale of shares to a consortium of seven independent trusts representing institutional and private investors, a group in turn represented by J.C. Flowers & Co. LLC. As of 30 June 2015, the current nine trusts represented by J.C. Flowers & Co. LLC owned a 9.31% share in HSH.

Following its near failure in 2008, HSH underwent significant restructuring. It received substantial capital and liquidity support from both SoFFin and its two main shareholders, Schleswig-Holstein and Hamburg. As a result, the bank was able to stabilise its capital, funding and liquidity positions. Complementing the restructuring measures in late 2009, the bank transferred its non-strategic capital market portfolios (particularly the credit investment portfolio) and non-strategic loan commitments (including major parts of its high-risk positions) to an internal restructuring unit, with the aim of undertaking a cost-efficient and value-preserving wind-down over time.

The state aid proceedings of the European Commission (EC) with respect to HSH were concluded in September 2011. The decision of the EC was linked to a series of conditions and commitments, including setting limits on total assets until 2014 and the winding-down of specified businesses. In particular, HSH will discontinue and wind down its object-related aircraft financing and international real estate financing businesses. Its total assets were to be reduced to €120 billion by the end of 2014, resulting in a core bank with €82 billion in assets (30 June 2015: €76 billion) and a restructuring unit with up to €38 billion (30 June 2015: €34 billion).

Following a sharp decline of the asset quality in the portfolio under the guarantee shield, the bank's majority shareholders, Schleswig-Holstein and Hamburg, decided to restore the second loss guarantee to its previous amount of €10 billion, after a reduction to €7 billion in 2011. The replenishment of the guarantee was provisionally approved by the EC under European Union (EU) aid rules in June 2013. At the same time, the EC opened an in-depth investigation into the compatibility of the renewed aid measure with EU state aid rules. The EC expressed doubts whether the restoration of the guarantee is still covered by its earlier decision, and whether it is still appropriate in the context of changed market circumstances.

In October 2015, HSH announced that it had reached an informal agreement with the EC in the EU state aid proceeding. According to the agreement, the EC will approve the re-increase of the second loss guarantee; the bank is to be split into a holding company and an operating company that has to be privatised within 24 months after the final approval by the EC which is expected for the first half-year 2016; and the operating company shall be relieved by the disposal of non-performing loans in an amount of up to €8.2 billion as well as from decreased guarantee fees. In case of failure of the privatisation, the bank will have to discontinue its business and manage its assets with the view to winding them down.

*Source: Company Reports (interim report June 2015, June 2014 and June 2013, annual report Dec 2013 and Dec 2011) and announcements (Oct 2015), Company data, Moody's research*

## Peer Group

- » Norddeutsche Landesbank GZ
- » Landesbank Baden-Wuerttemberg
- » Landesbank Hessen-Thuringen GZ
- » Bayerische Landesbank

## Related Websites and Information Sources

For additional information, please see:

- » the company's website: [www.hsh-nordbank.de](http://www.hsh-nordbank.de)
- » the regulator's website: [www.bundesbank.de](http://www.bundesbank.de)

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## Moody's Related Research

### Credit Opinion:

- » [HSH Nordbank AG](#)

### Banking System Outlook:

- » [Banking System Outlook: Germany, October 2015 \(1006359\)](#)

### Issuer Comment:

- » [HSH Nordbank Capital Buffers Deteriorate Amid US Dollar Strength, August 2015 \(184032\)](#)
- » [ECB Presses HSH Nordbank to Speed Up Its Divestment of Nonperforming Assets, a Credit Positive, July 2015 \(183269\)](#)

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

Report Number: 185489

Author  
Maximilian Denkmann

Editor  
Kamin Au

Production Associate  
Gomathi M

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