

## HSH Nordbank AG

Annual Press Conference  
2007 Financial Statements

Hamburg, April 9, 2008



- 1. IFRS 2007 business results (unaudited)**
2. 2007 segment report
3. Changes to accounting policies due to IFRS
4. Outlook

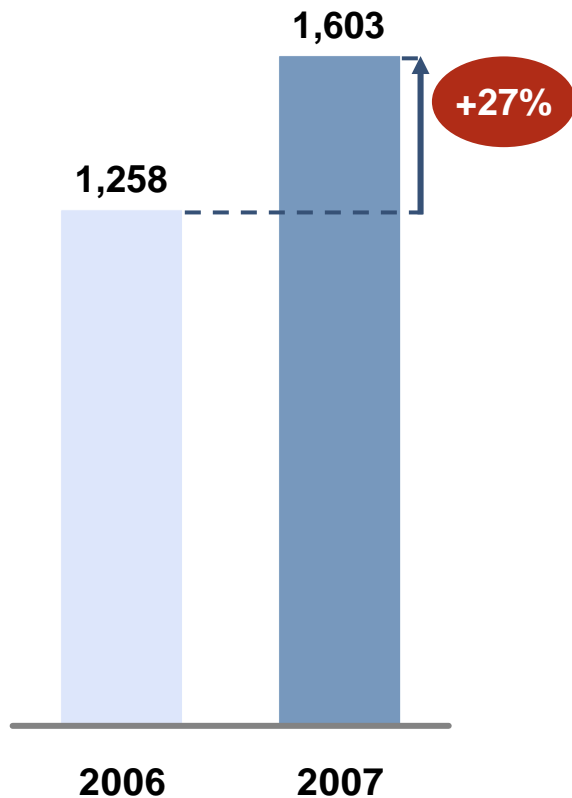
## 2007: Good performance in operating terms

- Strong business performance in 2007:
  - New business grew to € 40 bn
  - Double-digit gain in income in Shipping, Transportation and Corporates
  - Costs under control despite capex
- Financial market crisis took its toll on 2007 earnings
- Position in key markets further strengthened

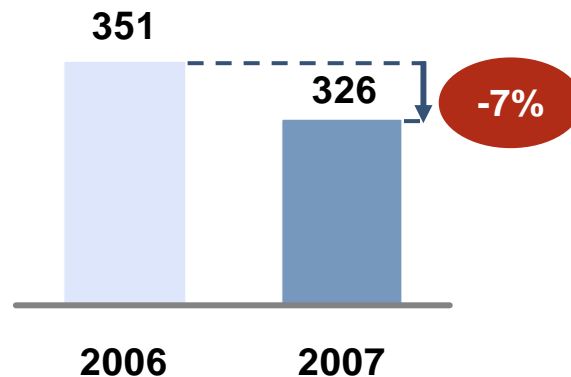


## Strong growth in net interest income (after risk)

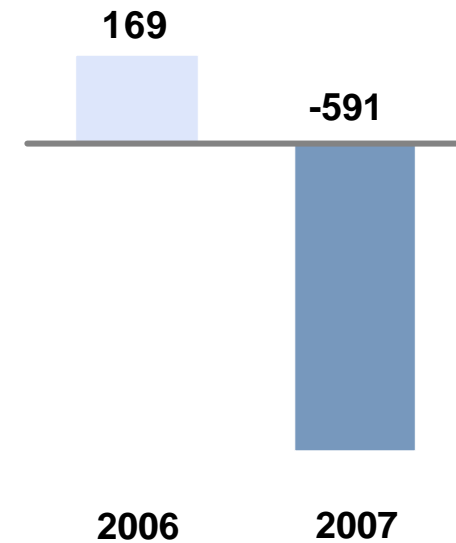
**Net interest income after allowance for impairments in the lending business**  
€ mn



**Net commission income**  
€ mn

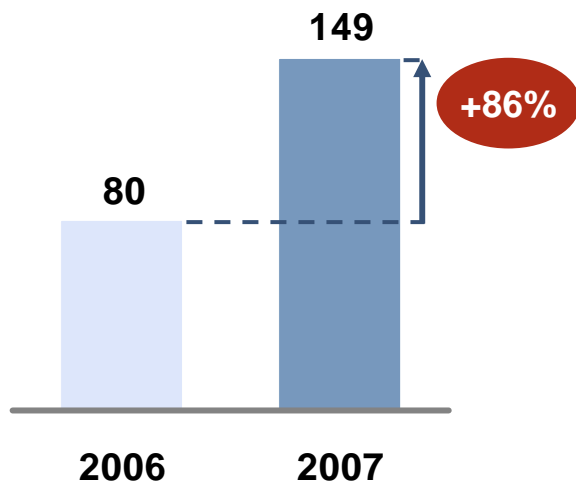


**Net trading income**  
€ mn

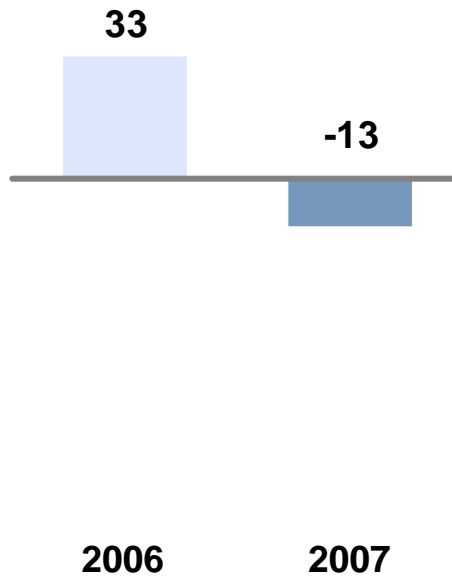


## Crisis putting strain on net investment income

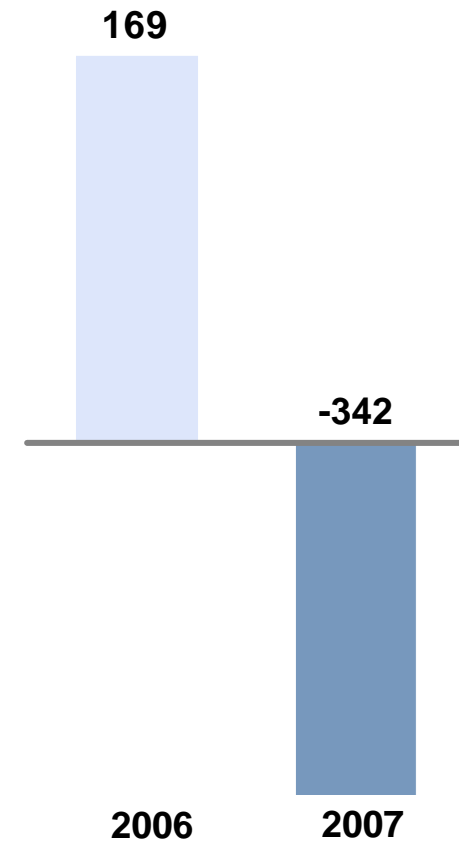
**Other operating profit**  
€ mn



**Gains/losses from hedges**  
€ mn



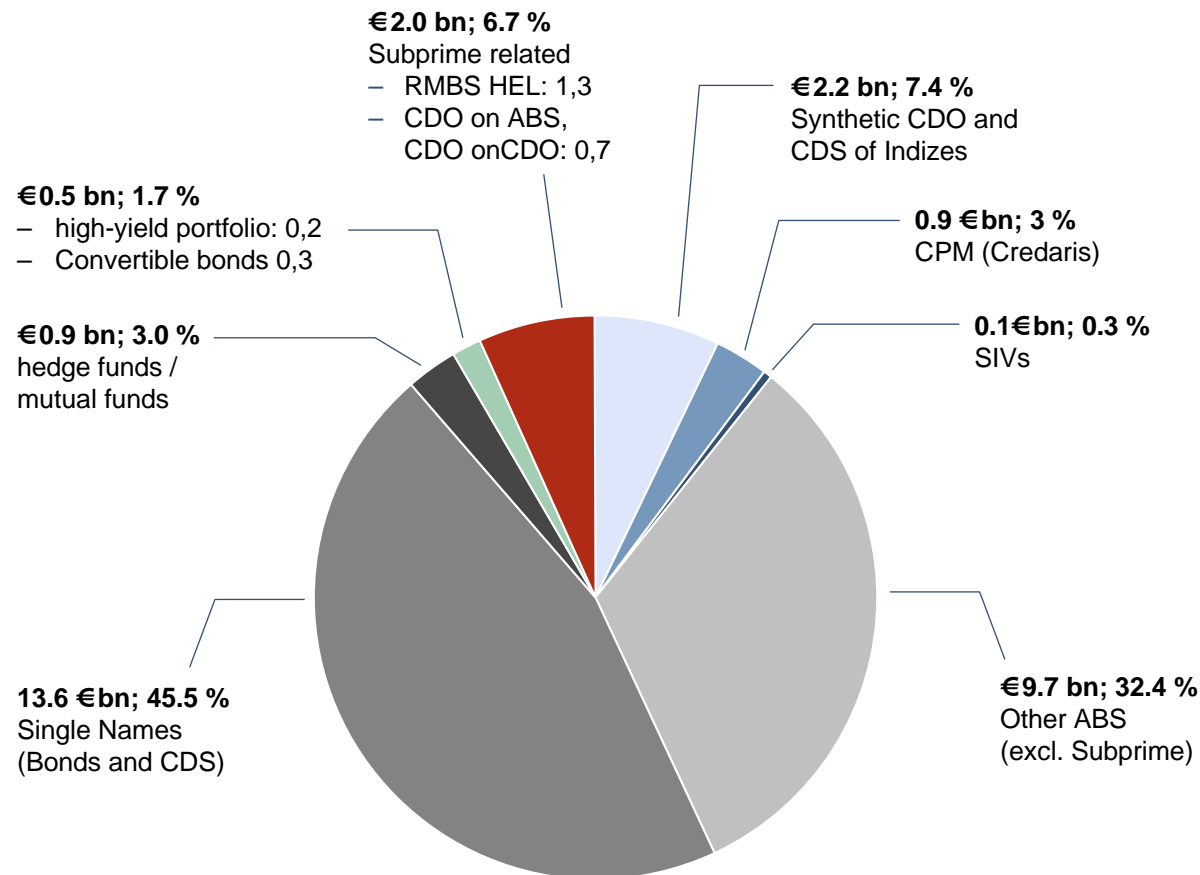
**Net income from financial investments**  
€ mn



## 89 % of the portfolio is investment grade

### Breakdown of credit investment portfolio by asset class

Total: € ~30 bn\*



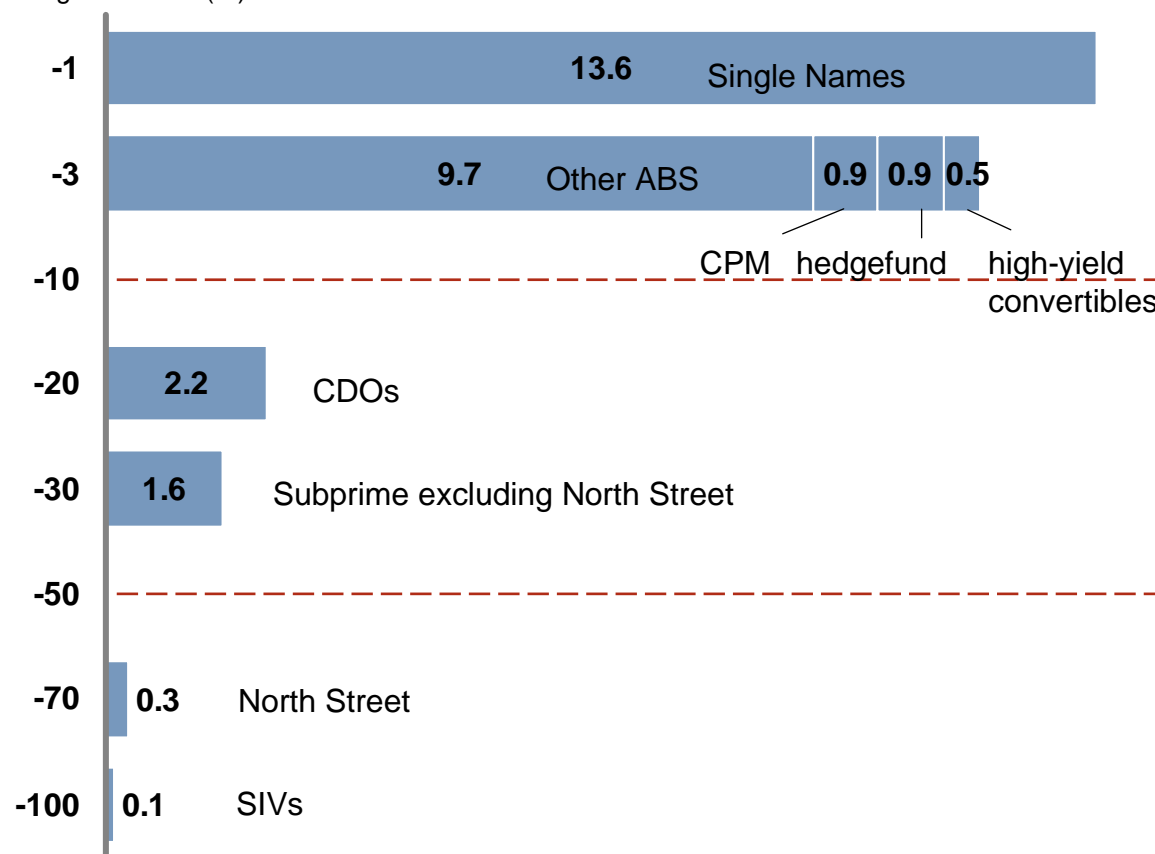
\* incl. assets of Carrera and Poseidon

- Credit investment portfolio is broadly diversified
- High proportion of portfolio investment grade-rated
- 89 % of the portfolio is investment grade, 45 % AAA
- Strict own investment guidelines applied

# 85 % of the portfolio with virtually no impairment loss

## Credit investment portfolio in EUR bn (total € 30 bn)

changes in value (%)



- Low economic risk
- 85 % of the portfolio with virtually no impairment loss

### Impairment test

- Subprime effects have been completely absorbed in P+L

### Writedowns required

- Impairments were taken in full on changes in market prices of more than 50 %

# Write downs on the credit investment portfolio

in EUR mn			Impact on Annual Result 2007	
Asset Class	IFRS Category	Exposure (notional) 31.12.2007	Impact on P&L 2007	Revaluation Reserve
Synthetic CDO	DFV	1,878	-414	0
CDS on Indices	HFT	353	-10	0
CPM / Credaris	AFS	866	-29	0
SIV Capital Notes	LAR	143	-143	0
Other ABS	mainly LAR	9,734	-44	-1
Single Names	DFV, AFS, LAR, HFT	13,641	-26	-62
Hedge funds / other funds	AFS	868	-39	-1
Others (Convertibles, NY HY Loan Portfolio)	DFV, LAR	461	+16	0
<b>Total</b>		<b>27,944</b>	<b>-689</b>	<b>-64</b>
RMBS Home Equity Loans	Mainly LAR	1,312	-279	0
CDO of ABS, CDO of CDO	Mainly LAR	372	-82	0
North Street	DFV	340	-202	0
<b>Subprime portfolio</b>		<b>2,024</b>	<b>-563</b>	<b>0</b>
<b>Grand Total</b>		<b>29,968</b>	<b>-1,252</b>	<b>-64</b>

DFV = Designated at fair value

AFS = Available for sale

LAR = Loans and receiveables

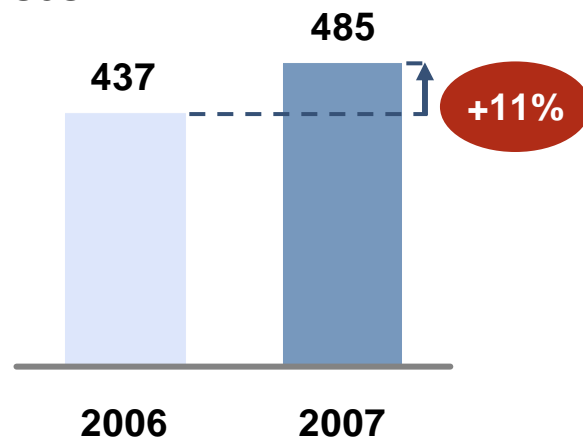
HFT = Held for Trading



## Higher costs as a result of capital spending

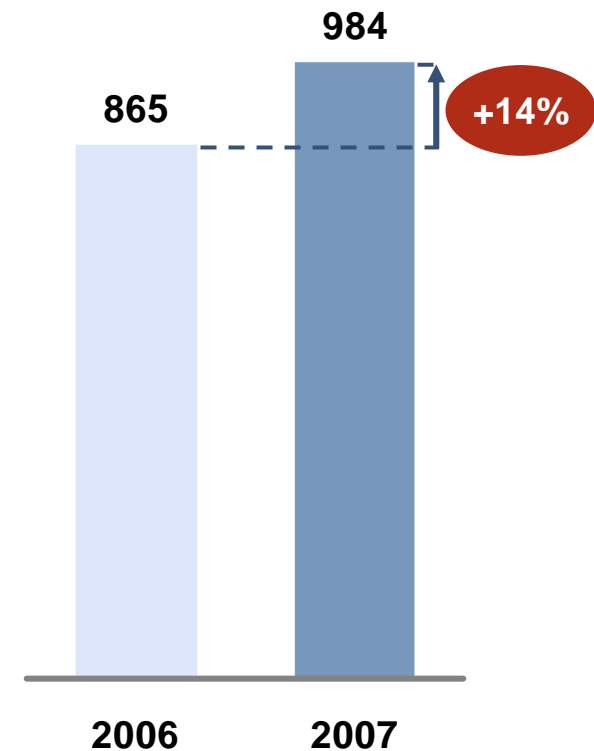
### Operating expenses

€ mn



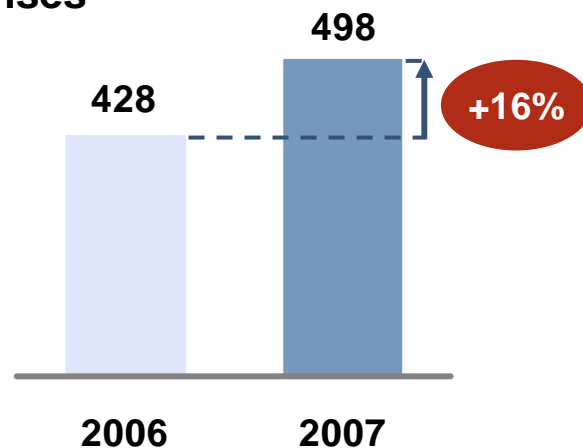
### Administrative expenses

€ mn



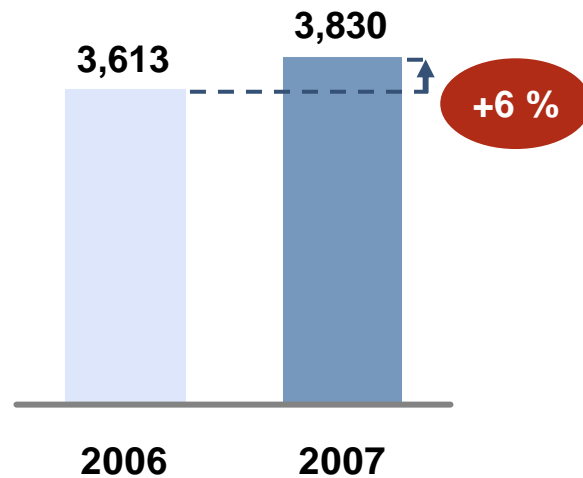
### Personnel expenses

€ mn

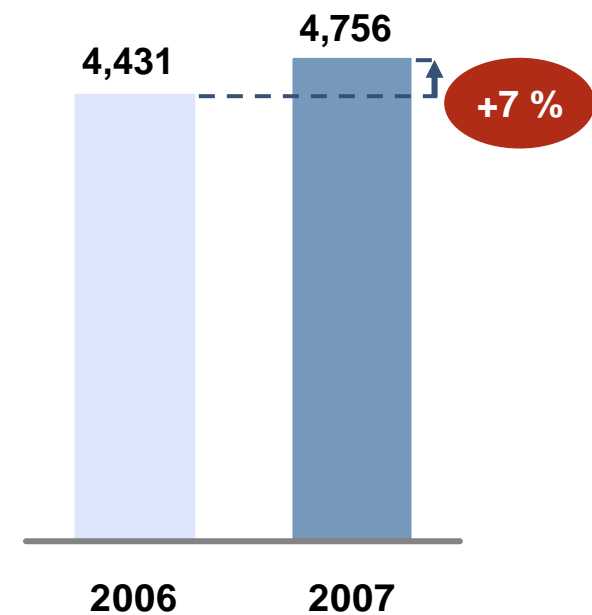


## Number of employees risen by 325

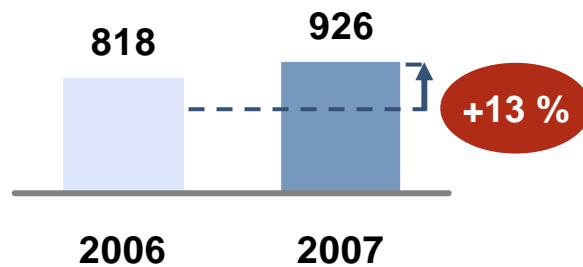
**Germany**  
Year end



**Total**  
Year end

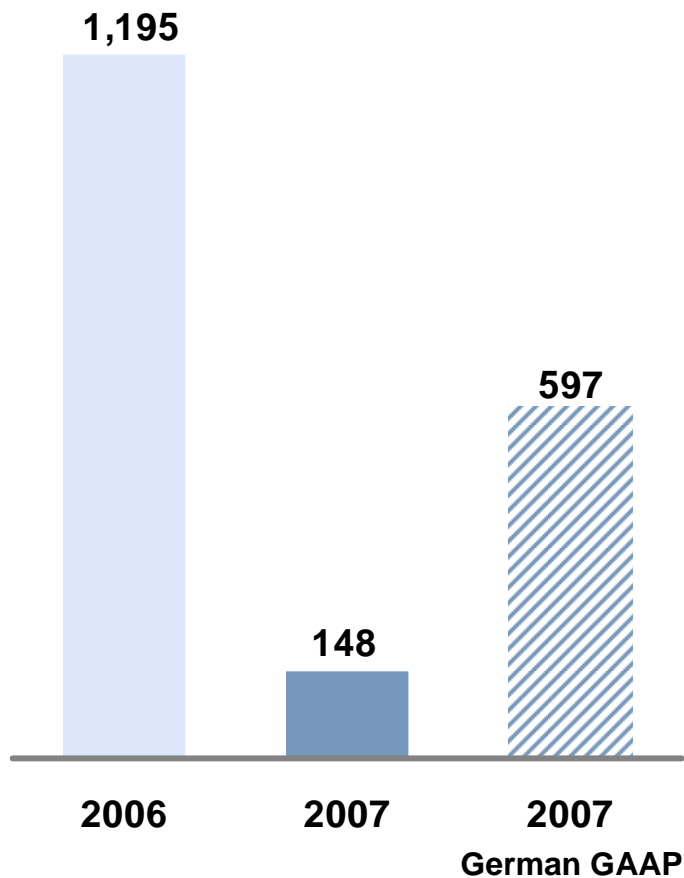


**International**  
Year end

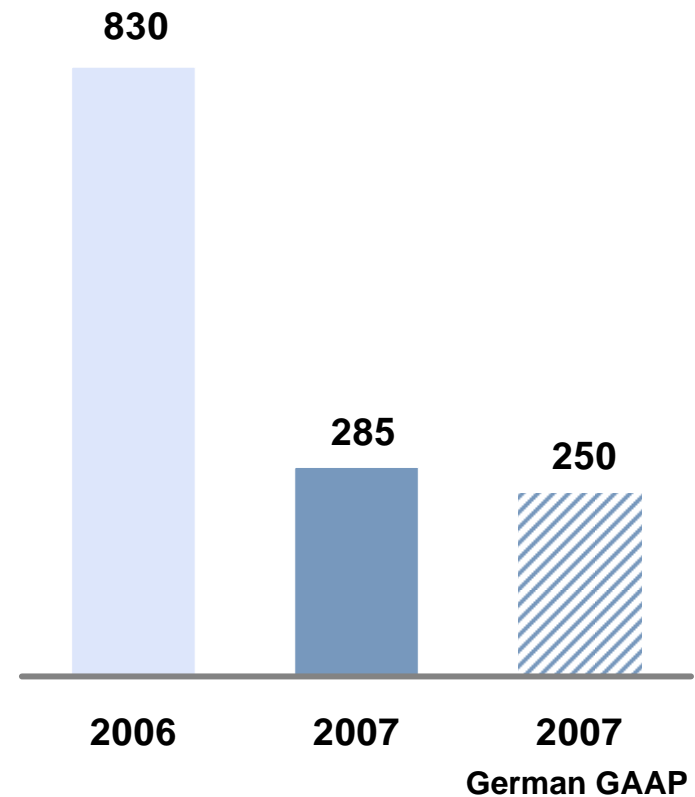


## Impairment losses charged to P+L in 2007

**Operating profit**  
€ mn



**Consolidated net income**  
€ mn



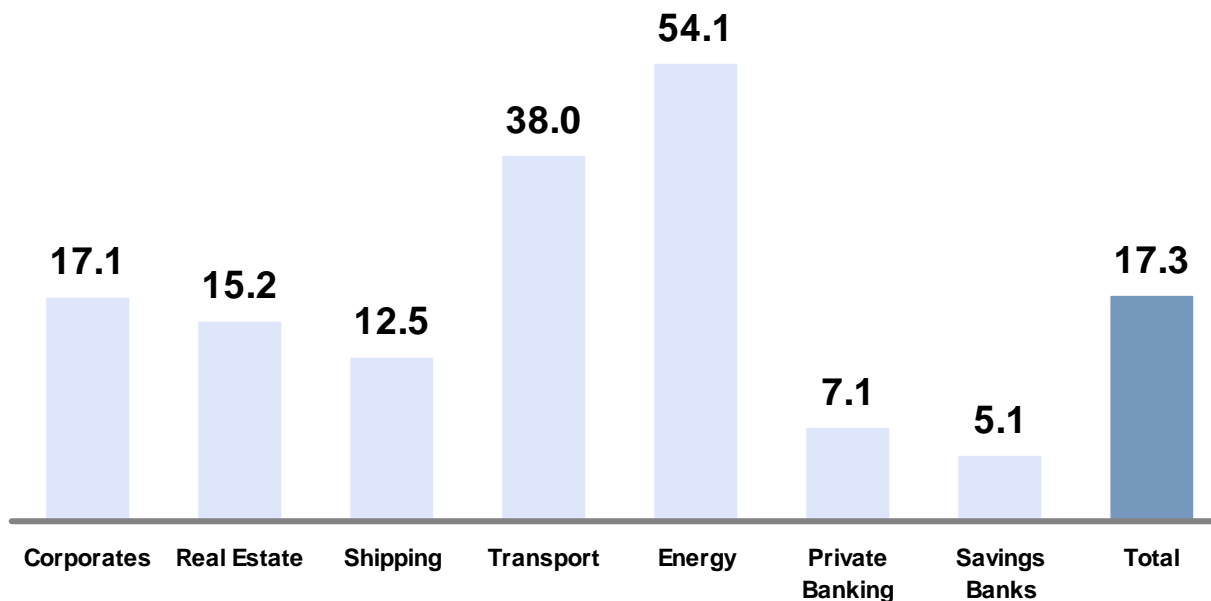
## 2007 at a glance

<b>Net interest income after allowance for impairments in the lending business</b>	<b>€1,603.1 mn</b>	<b>+27 %</b>
<b>Net commission income</b>	<b>€326.3 mn</b>	<b>-7 %</b>
<b>Net trading income</b>	<b>€-590.6 mn</b>	<b>n/a</b>
<b>Operating profit</b>	<b>€148.0 mn</b>	<b>-88 %</b>
<b>Net income</b>	<b>€285.4 mn</b>	<b>-66 %</b>
<b>Employees</b>	<b>4,756</b>	<b>+7 %</b>
<b>Cost/income ratio</b>	<b>87.0 %</b>	<b>+48.8 PP</b>
<b>Tier 1 capital ratio</b> <small>(acc. to German Banking Act, including market risks)</small>	<b>6.2 %</b>	<b>+0.1 PP</b>
<b>After-tax ROE</b>	<b>6.4 %</b>	<b>-13.3 PP</b>

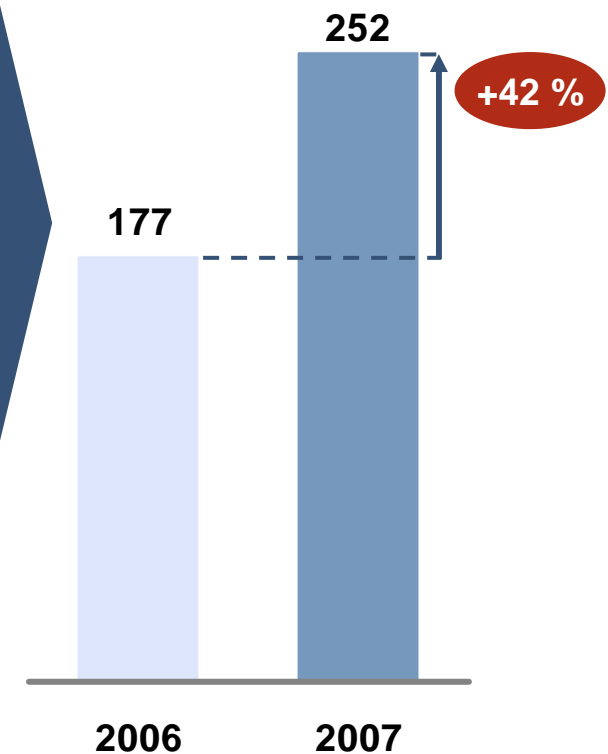
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## Strong growth – successful cross-selling

Income growth of the market units  
(CAGR 2003-2007)



FMD's cross-selling income  
€ mn



# Shipping

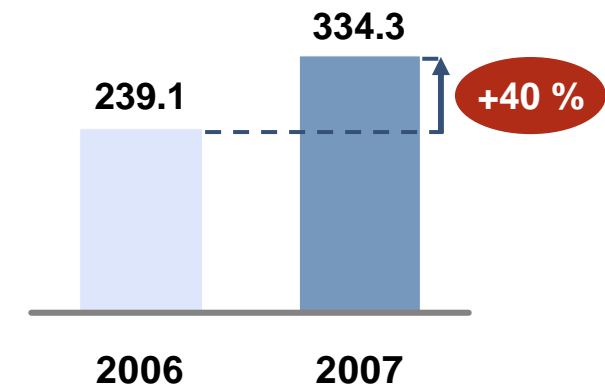
## 2007

- Volume of new business: € 11.8 bn
- Operating income up 21 percent on previous year
- Risk provisioning still at a very low level
- Increase in M&A finance deals, e.g. purchase of a U.S. tanker shipping company by a bidder syndicate
- Increased focus of innovative solutions for our clients

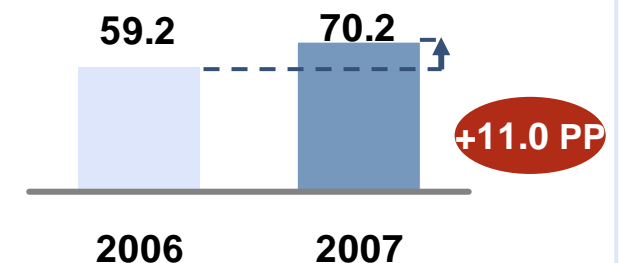
## 2008

- At € 8.6 bn, new business pipeline well filled in Q1
- New business affected by exchange rates in the first few weeks
- Syndications already successfully placed

## Operating profit before tax € mn



## Return on equity Pre-tax ROE (%)



# Transportation

## 2007

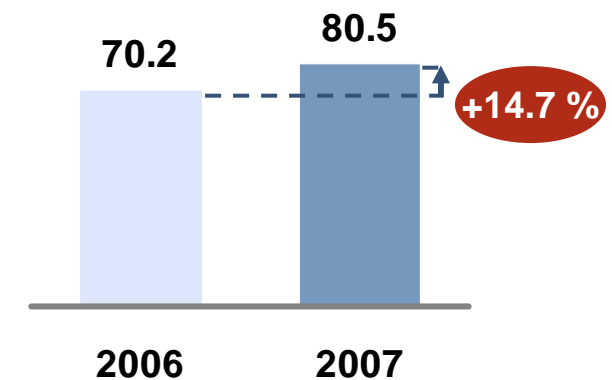
- Volume of new business: € 4.8 bn
- Commission income up 27 percent Y-o-Y
- Transportation: “Aircraft Deal of the Year - Asia”
- Arranging and financing of Diabolo project (€ 370 mn) rail link of Brussels airport to national rail grid
- Growing cross-selling activities with Financial Markets

## 2008

- New business started well early in the year, pipelines of the Transport (€ 7.1 bn) and Energy (€ 4.6 bn) units well filled
- New business unit “Renewable Energy” set up in early 2008
- We have held a top position in this dynamically growing segment for a number of years

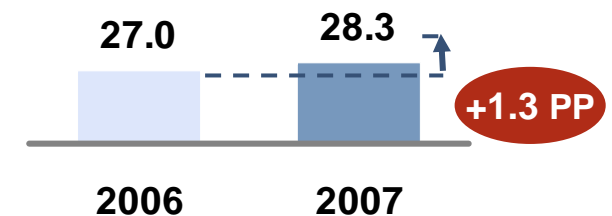
## Operating profit before tax

€ mn



## Return on equity

Pre-tax ROE (%)





# Global Real Estate Markets

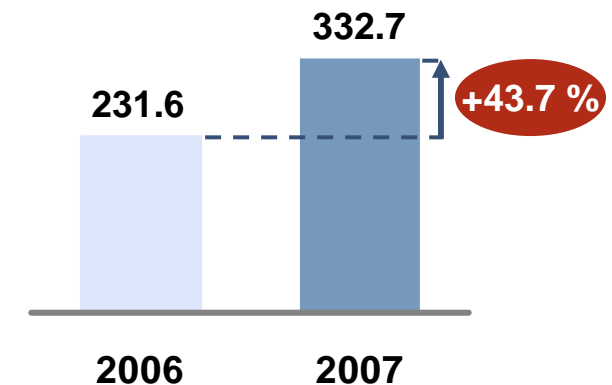
## 2007

- New business: € 14.9 bn
- Net interest income up 4% to EUR 343 mn
- Increase in capital market related finance solutions
- Non-German business accounts for more than 50 percent of the portfolio
- Good profit contribution from HSH Real Estate subsidiary

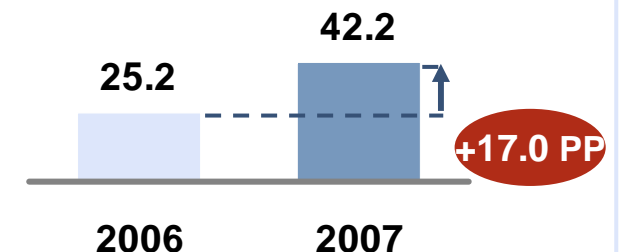
## 2008

- Solid new business: enquiries of around € 8.7 bn being processed
- Sustained intensive competition for commercial real estate finance deals
- Uptrend in margins due to greater risk sensitivity

## Operating profit before tax € mn



## Return on equity Pre-tax ROE (%)



## Corporates

### 2007

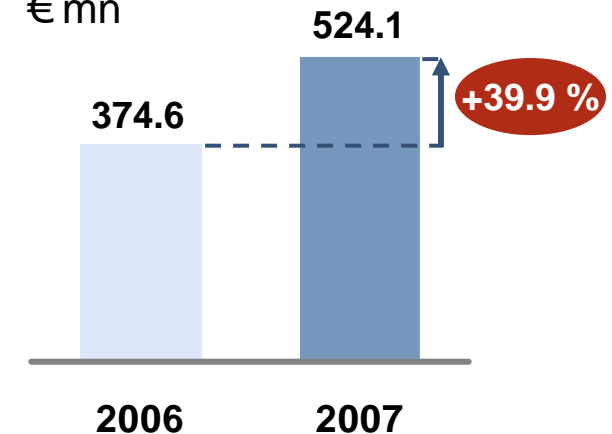
- New business: nearly EUR 9 bn
- Uptrend in business:
- Net commission income rose by 11 percent
- Net interest income up 11 percent
- Encouragingly low risk provisioning expense thanks to good economy and resolute risk management
- Market leadership in Northern Germany with market penetration of over 50%

### 2008

- New offices successfully set up in Düsseldorf, Munich and Stuttgart
- New business pipeline currently at € 2.4 bn.
- Important deal: lead arranger in financing the Proton Therapy Center in Kiel via a public/private partnership

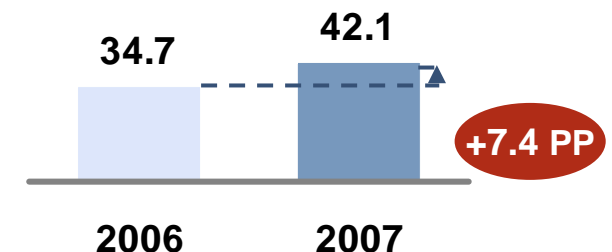
### Operating profit before tax

€ mn



### Return on equity

Pre-tax ROE (%)



## Institutions & Private Banking

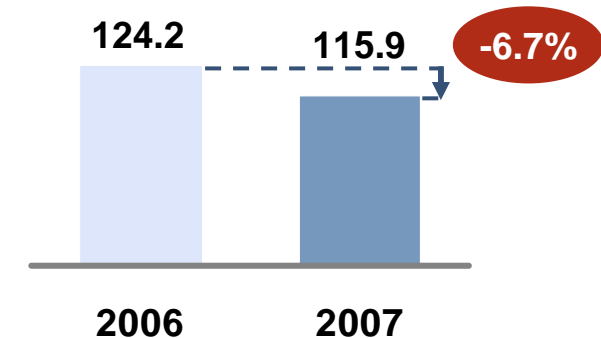
### 2007

- Support for the client business of the Savings banks via innovative products, e.g. "spring bond"
- Spending on new offices and staff in the Private Banking segment
- Award: „Elite der Vermögensverwalter“
- Leasing: encouraging net interest and commission income

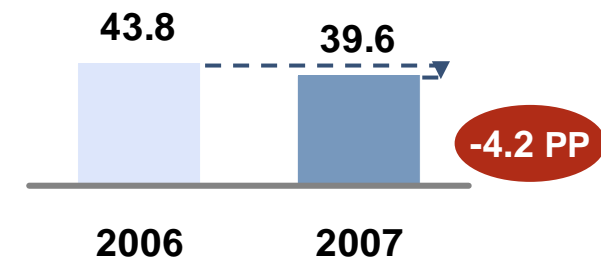
### 2008

- Savings banks: Increase in capacity for advisory services
- Private Banking: further extensions to regional and supraregional activities
- Leasing:
  - Integration in the Corporates unit effective January 1, 2008
  - Further expansion of our client base in Germany

### Operating profit before tax € mn



### Return on equity Pre-tax ROE (%)



## Financial Markets

### 2007

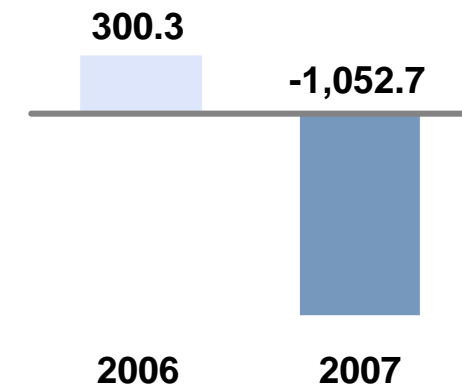
- Segment earnings dragged down substantially by general market conditions
- This was due to impairments in the credit investment portfolio: 1.3 billion euros, of which 563 million euros relating to subprime exposure
- Sale of capital market products to market unit clients successfully progressing (cross-selling)

### 2008

- Successful issue of the first rated jumbo ship Pfandbrief with a face value of 1 billion euros early in 2008

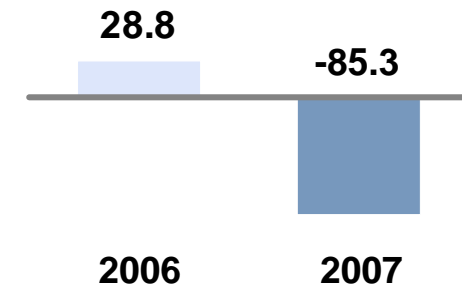
### Operating profit before tax

€ mn



### Return on equity

Pre-tax ROE (%)



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# Material differences between German GAAP and IFRS

Profit- and Lost-Account	Pro-Forma HGB 2007	IFRS 2007
Net interest income	1879	1602
Allowance for impairments in the lending business	-169	1
Interest surplus after allowance	1710	1603
Net commission income	440	326
Gains/losses from hedges	0	-13
Net trading income	71	-591
Net income from financial Investments	-713	-342
Other operating income	101	149
Administrative expenses	-1012	-984
<b>Operative income</b>	<b>597</b>	<b>148</b>
Income tax expense	-11	132
Profit and loss attributable to minorities	0	5
Profit transfers by agreement	-278	0
Increase § 340 German GAAP reserves	-57	0
<b>Consolidated net income</b>	<b>250</b>	<b>285</b>

## Decline in net interest income:

- Dividends paid on silent partnerships are classified as interest expense under IFRS and thus presented within net interest result; under German GAAP they were reported as profit transfers by agreement.

# Material differences between German GAAP and IFRS

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## Changes in risk provisioning:

- Under IFRS, risk provisions are only reported separately for lending business; other risk types (securities trading and equity holdings) are netted within net trading income and net investment income
- Under IFRS, risk provisioning for lending business comprises individual value adjustments and portfolio value adjustments. Portfolio value adjustments are calculated on the basis of Basle II parameters.

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## Lower net commission income:

- Under IFRS, loan commissions are recorded on a pro rata temporis basis to a greater extent than under German GAAP and reported under net interest income.



# Material differences between German GAAP and IFRS

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## Gains or losses from hedges:

- German GAAP does not have an equivalent item because hedges (e.g. interest-rate swaps for hedging interest risks) are not reported in the balance sheet.
- Hedge accounting: The hedging instrument and hedged item are structured in such a way as to ensure that economically unjustified volatility in profit and loss is avoided as far as possible.
- The item „Gains or losses from hedges“ reflects positive or negative results of imperfect hedges.

# Material differences between German GAAP and IFRS

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## Net trading income more volatile:

- Main reason: Depending on their category, securities are measured at their fair values to a far greater extent under IFRS than under German GAAP with changes recorded in the income statement.
- In contrast to German GAAP, for example, all derivatives are measured at their fair value unless they are embedded in hedge relationships.

# Material differences between German GAAP and IFRS

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## Net income from financial investments

- This includes parts of the former items "risk provisions in securities trading" and "net income from equity holdings"
1. Changes in the fair value of securities not held for trading
  2. Realized gains and losses from securities and equity holdings

# Material differences between German GAAP and IFRS

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## Other operating profit:

- No material systematic differences between German GAAP and IFRS
- The main reason for the increase is the wider consolidation group under IFRS

# Material differences between German GAAP and IFRS

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## Administrative expenses:

- Under IFRS, goodwill is no longer amortized on a straight-line basis but subjected to annual impairment testing.
- Under IFRS, internally generated intangible assets are capitalized and then amortized on a straight-line basis; under German GAAP they were expensed in full.
- All other things being equal, newly consolidated companies result in greater administrative expenses under IFRS.

# Material differences between German GAAP and IFRS

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## Difference between tax balance sheet and the commercial b/s results in deferred taxes under both German GAAP and IFRS.

- However, operating profit is a good deal more volatile under IFRS, meaning that deferred taxes will tend to be more volatile.

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## HSH Nordbank: Well-positioned

New business pipeline - at €31 billion - well filled  
in the first quarter of 2008



We have a successful and crisis-proof business model



We are a financial institution that is geared to growth

