

Press release

## Moody's reassesses the landesbank sector

Hamburg/Kiel, 16 November 2011 – The rating agency Moody's has reviewed the method it uses to evaluate the long-term rating of landesbanks. In doing so it has limited the positive influence of the federal state owners on landesbanks' ratings. Hitherto it was possible to upgrade these banks' long-term rating by up to eight notches thanks to the possible support by their federal state owners. In future the maximum will be only five notches.

Due to the change of method HSH Nordbank's long-term rating will be downgraded by two notches from "A3 – outlook negative" to "Baa2 - outlook stable". Although the willingness of the principal owners, Hamburg und Schleswig-Holstein, to support the Bank will be rated with the maximum of five notches, it is still two notches below the evaluation according to the old method.

"Moody's does recognise the high level of commitment of the states of Hamburg and Schleswig-Holstein to HSH Nordbank. However, unfortunately the demonstrable progress made and described in detail to analysts has not been taken into account in this decision by Moody's," says Paul Lerbinger, Chairman of the Management Board of HSH Nordbank. Moody's has not included the following factors in their evaluation:

- The progress made in decreasing the size of total assets and the continuing reduction in risk assets.
- The reorganisation in the area of risk and the introduction of state-of-the-art risk management.
- The substantial improvement in the Bank's capital ratios. The Bank's Tier 1 capital ratio currently stands at 18.0 percent and the equity ratio at 27.1 percent (as at 30.06.2011).
- The progress made in stabilising the Bank and implementing a sustainable business model.
- The progress made in terms of operating profit in its core areas of business and the increase in the Bank's new business.

"After all, following more than two years of intensive examination of HSH Nordbank's business model the EU Commission just recently

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Board: Dr. Paul Lerbinger (Chairman),  
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formally affirmed its sustainability and the progress made by the Bank in terms of restructuring," Lerbinger stressed.

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