PRESSE RELEASE
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HSH Nordbank off to a solid start to financial year 2012

- Group net income accounts to EUR 128 million in the first quarter
- Positive result before restructuring influenced by special items
- Robust performance in the Core Bank's client business, new business doubled
- Tier 1 capital ratio strengthened further to 14.5 percent
- Chairman of the Management Board Dr. Paul Lerbinger: "We are resolutely pursuing our policy of successfully establishing our "Bank for entrepreneurs" business model on the market."

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HAMBURG/KIEL – HSH Nordbank has managed to make a satisfactory start to financial year 2012 – given the strains caused by the difficult market conditions and the ongoing restructuring of the Group. In spite of the continuing reduction of total assets - the Group earned net income after tax of EUR 128 million in the first three months of 2012, an increase of 2 percent on the first three months of the previous year. "In the first quarter too, we coped satisfactory with the double strain placed on our Bank – complying with the requirements of the EU Commission and changing to a "Bank for entrepreneurs." In doing so we achieved a solid result in a setting which continues to be very challenging for the entire banking sector and especially in shipping. This shows that HSH Nordbank is well on the way to a successful future sustainably," said Dr. Paul Lerbinger, Chairman of HSH Nordbank's Management Board.

For the period from January to March 2012 HSH Nordbank's **net income before restructuring** was at a satisfactory level, totalling EUR 183 million (previous year: EUR 243 million), with the Core Bank showing a substantial improvement to EUR 263 (145) million.

The net income before restructuring was influenced by numerous positive and negative special effects, most of which compensating each other. For instance, changes in the value of

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interest-rate and currency derivatives used to fund forex transactions, resulted in a loss of EUR 275 million. A further factor comprised charges from the revaluation of the Bank's own liabilities amounting to EUR -85 million. Income from the repurchase of publicly placed subordinated bonds – which we did for strengthening our Tier 1 capital ratio – in particular had a positive impact. The difference between the repurchase price and the nominal amount led to a non-recurring income of EUR 261 million. Reversals of impairment losses in the Restructuring Unit's Credit Investment Portfolio (EUR 71 million) together with income from investment disposals (EUR 41 million) further improved the Group result.

Income from the Core Bank's client business stabilised - new business doubled

As forecast, HSH Nordbank further developed its client business in the Core Bank in a targeted manner and in doing so continued the gratifying trend of the previous quarters again in the first quarter. Net interest and commission income in the **Core Bank's** client units remained stable compared to the same period of the previous year – although further interest-bearing transactions had been transferred to the Restructuring Unit in the final quarter of 2011 in order to meet EU requirements. This reflects the successes of the clear focus on the target group of owner-managed companies and their proprietors initiated last year. New business doubled to EUR 1.2 billion year on year (previous year: EUR 0.6 billion) with improved, risk-adjusted interest margins. Thanks to more intensive sales activities and the increasing acceptance of the new business model on the market, HSH Nordbank is confident that it will be able to further increase the amount of new business over the course of the year.

At Group level, however, the positive trend in client business was overshadowed by the further wind-down of total assets and the resulting smaller size of interest-bearing business. At EUR 265 million, the entire Bank's **net interest income** was down 18 percent on the previous year's figure (EUR 325 million) in spite of the increase in average margins and stronger new business. Likewise, at EUR 24 million the entire Bank's **net commission income** was down by one quarter compared to the previous year's figure (EUR 32 million). Lending commissions in particular reflect the lack of business from the units also to be wound down in accordance with EU requirements.

In the case of **administrative expenses** the Bank benefited from further progress in the cost-cutting programme approved in 2011. Although numerous companies were newly consolidated within the framework of the 2011 financial statements, administrative expenses declined by EUR 8 million compared to the same quarter of the previous year, to

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EUR -199 million. Adjusted for the newly consolidated companies, the decrease would have come to as much as EUR 20 million.

Total expenses for government guarantees decreased in the first quarter to EUR -80 million from EUR -112 million in the previous year. This shows in particular the positive effect of the gradual repayment of the second loss guarantee provided by the federal states of Hamburg and Schleswig-Holstein, which had been reduced by EUR 3 billion to EUR 7 billion in 2011. The guarantees from the Sonderfonds Finanzmarktstabilisierung (SoFFin) were also further reduced. The Bank intends to pay back the last remaining SoFFin bond by mid-2012.

Loan loss provisions relieved by guarantee effect

Overall, the need for loan loss provisioning requirements decreased in the first three months of 2012 compared to the last quarter of 2011. Loan loss provisions for single names in the Core Bank's client business have decreased overall while conversely higher impairments were incurred for restructuring exposures in the Restructuring Unit, especially in the Shipping unit.

The second loss guarantee provided by the federal states showed its intended risk-diminishing effect in terms of **loan loss provisions** again in the first quarter of 2012. Loan loss provisions of EUR – 43 million were recorded for the Group. These include the effect of the relief provided by the guarantee amounting to EUR 131 million.

The relief provided for the Bank still does not involve any effective payment obligations for the federal states. These would only be incurred if the actual losses of the hedged portfolio were to exceed the amount of the first loss tranche of EUR 3.2 billion to be borne by the Bank. The actual losses of the portfolio, which has been hedged since April 2009, stood at a mere EUR 227 million at the end of March 2012, EUR 8 million more than at the end of 2011.

Equity further strengthened, funding targets overshot

HSH Nordbank continued to wind down its total assets in the period under report. **Total assets** stood at EUR 133 billion as at 31 March 2012, down from EUR 136 billion at the end of 2011.

At the same time the Bank further strengthened its equity base in the first quarter of 2012. The Tier 1 capital ratio, including market risk positions, increased to 14.5 percent from 13.8 percent at the end of 2011. The improved ratio was firstly attributable to the positive

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quarterly result as well as to an increase in capital of EUR 500 million carried out by the federal states of Hamburg and Schleswig-Holstein in the first quarter on the basis of a corresponding EU requirement. In addition to this, the aforementioned repurchase of subordinated bonds also had a positive effect.

HSH Nordbank overshot its funding targets in the first quarter of 2012. One focus remained unchanged: issuing activity within the Sparkassenverbund. Furthermore, the Bank stepped up the sale of pfandbriefs, successfully placing a benchmark mortgage pfandbrief with a face value of EUR 500 million on the capital market at the end of March 2012. HSH Nordbank intends to issue further pfandbriefs via private placements. The stronger funding basis reflects both the more favourable market conditions in the first quarter, but above all the improved perception of HSH Nordbank among investors.

Outlook

Furthermore HSH Nordbank is expecting increasing successes in client business for the year 2012. The business performance in this year also being largely determined by uncertainty regarding macroeconomic trends and in particular the situation of the international shipping sector. Additional factors influencing business performance in 2012 are the further implementation of EU requirements by the Bank and the uncertain consequences of the euro sovereign debt crisis. Against this backdrop we expect higher loan loss provisioning requirements. As long as no further tightening of the situation in international shipping occurs, HSH Nordbank from a present-day perspective is continuing to a expect a positive result for the current year.

“We are resolutely pursuing our policy of successfully establishing our “Bank for entrepreneurs” business model on the market,” says Paul Lerbinger “This year our prime aim is to move the restructuring of the Bank forward, sustainably enlarge our successes in client business and at the same time making the necessary progress in working through the requirements set by the EU Commission. With the solid result of the first quarter we have created a good basis for mastering these challenges.”

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