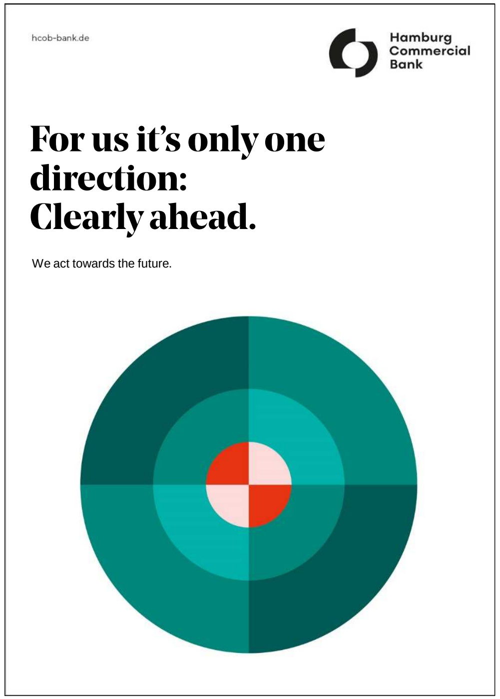
Hamburg Commercial Bank

Investor Presentation

IFRS Group Result as at 31 December 2018

28 March 2019

Hamburg Commercial Bank – What we are …



… now a private commercial bank. True to Hanseatic tradition, we make clear promises and keep them:

- Reliable
- Client-centric
- Sincere

Business Clients

Real Estate

Project Finance – Renewable Energy and Infrastructure

Shipping

Capital Markets & Products

Agenda

1. **Closing – Privatisation process**
2. Transformation process
3. Financial key figures for 2018
4. Outlook 2019
5. Appendix

Hamburg Commercial Bank

Highlights 2018

- EU-COM approved state aid-free privatisation of the bank
- Management Board – continuity and proven track record with additional expertise of the new board member for markets
- Transition of protection scheme from public sector to private banks envisaged
- Comprehensive relief from legacy burdens – dissolution of Non-Core Bank and early termination of guarantee
- Moody's and S&P acknowledge improved financial profile of Hamburg Commercial Bank
- Transformation of business strategy to achieve objectives in 2022
- Start with very solid financial profile: strong CET1 and comfortable liquidity ratios, as well as healthy portfolio
- New shareholders – strong expertise and high level of commitment

New shareholders with strong expertise, proven track record and reliable commitment

New shareholder structure

Several funds initiated by **Cerberus Capital Management, L.P.**			One fund advised by **J.C. Flowers & Co. LLC**	One fund initiated by **GoldenTree Asset Management LP**	**Centaurus Capital LP**	**BAWAG P.S.K.** *Bank für Arbeit und Wirtschaft und Österreichische Postsparkasse Aktiengesellschaft*
Promontoria Holding 221 B.V. 9.89%	Promontoria Holding 231 B.V. 13.88%	Promontoria Holding 233 B.V. 18.73%	JCF IV Neptun Holdings S.à r.l.	GoldenTree Asset Management Lux S.à r.l.	Chi Centauri LLC	
42.5%			**35.0%**	**12.5%**	**7.5%**	**2.5%**

New shareholders with excellent expertise in the European banking sector

Cerberus Capital Management, L.P.

Cerberus Capital Management, L.P., established in 1992, is a global leader in alternative investments in the areas of complementary credit, private equity and real estate strategies, with over 35 billion US dollars in assets under management. Headquartered in New York City, and with offices in the United States, Europe and Asia, Cerberus has the global presence required to invest in a whole range of asset classes.

J. C. Flowers & Co.

J.C. Flowers & Co. is a leading private investment company with a global presence in the financial services sector. Established in 1998, the company has invested more than 15 billion US dollars in 50 investment companies located in 17 countries to date, with investments covering various sub-sectors, including banking, insurance and reinsurance, investment firms, special financing, asset management and services. J.C. Flowers & Co. has offices in New York City and London with assets under management of approximately 6 billion US dollars. For further information, please visit: jcfco.com.

New shareholders well positioned for their mission: "Creating a profitable, resilient and successful bank"

In-depth expertise

- Strong expertise in corporate and retail banking (e.g. Bawag, NIBC)
- Proven track record in the transformation of banks and introducing best practice
- Enhanced asset/liability management process and risk-adjusted pricing

Prudent risk appetite

- Proven track record in running banks, de-risking legacy and non-core assets and business
- Sound risk profiles of bank investments underlining adequate and moderate risk appetite

Strong commitment

- No dividend payments expected over planning horizon
- No change in shareholder structure for at least three years
- Support measures: equity commitment

Utilising opportunities

- Relieved from legacy assets, Hamburg Commercial Bank has significant room for improvement
- Building on existing franchise and introducing best practice should significantly improve profitability

Management Board – Effective setup and strong expertise

Stefan Ermisch
CEO

- Born 1966 in Bonn
- He became CEO of the former HSH Nordbank AG on 10 June 2016
- More than sixteen years of experience in management board positions at private commercial banks and in the public sector, both inside and outside of Germany

Ulrik Lackschewitz
CRO and Deputy CEO

- Born 1968 in Bro (Sweden)
- He became CRO on 1 October 2015 and deputy CEO on 10 December 2018 of the former HSH Nordbank AG
- Before that, Ulrik Lackschewitz was Group Head of Financial and Risk Control at NordLB (2011) and reported directly to the Management Board

Dr. Nicolas Blanchard
CCO

- Born 1968 in Geneva (Switzerland)
- He became CCO of the former HSH Nordbank AG on 10 December 2018
- He headed Private & Wealth Management, Corporate Banking, Corporate Finance, Capital Markets, Institutional Clients and Legal at Bankhaus Lampe KG for over five years

Oliver Gatzke
CFO

- Born 1968 in Hamburg
- He became CFO of the former HSH Nordbank AG on 1 July 2016
- He was partner (as of 2007) at KPMG AG Wirtschaftsprüfungs-gesellschaft, focusing on transaction and restructuring advice for financial services institutions

Ratings position based on strengthened financial profile

Moody's

Upgrades HSH Issuer rating to Baa2, Short-term rating to P-2 (28.11.2018)

"Moody's considers HSH's standalone credit profile to have significantly improved as a result of a balance sheet clean-up that accompanied the ownership change as expressed by the upgrade of its BCA to ba2 from b3. The rating agency considers the bank to now be significantly de-risked and simplified, with asset quality metrics developing more in line with its peers and improved cost structures. In particular, the carve-out of non-performing assets has, in conjunction with the sustainably improved capitalisation of the bank, resulted in an improved overall solvency profile."

STANDARD & POOR'S

New Rating established by S&P following the closing (06.12.2018)

"Following the successful privatisation, HSH Nordbank can now execute its multiyear transformation to a more sustainable and efficient mid-size corporate lender, suppor-ted by a clean balance sheet and large liquidity buffer. HSH Nordbank's sizable buffer of subordinated debt would likely help to protect senior unsecured creditors if the bank failed and was subject to a bail-in resolution action. The stable outlook reflects our view that the privatisation and ensuing transformation enables HSH Nordbank's management to build on its solid capitalization and current good asset quality, and that results will materialise only over the coming two to three years."

Hamburg Commercial Bank – Rating Overview

	Moody's[1]	S&P[1]
Issuer Ratings		
Counterparty Rating	Baa2, stable	BBB+, stable
Deposit Rating	Baa2, stable	–
Issuer Credit Rating (long-term)	Baa2, stable	BBB, stable
Short-term Debt	P-2, stable	A-2, stable
Stand-alone Rating (financial strength)	ba2, stable	bbb- stable
Instrument Ratings (secured issuances)		
Public Sector Covered Bonds	Aa2, stable	–
Mortgage Covered Bonds	Aa2, stable	–
Ship Covered Bonds	A3, stable	–
Instrument Ratings (unsec. issuances)		
"Preferred" Senior Unsecured Debt	Baa2, stable	–
"Non-Preferred" Senior Unsecured Debt	Baa3, stable	–
Subordinated Debt (Tier 2)	Ba3, stable	–

[1] See also latest publications by the rating agencies on the Hamburg Commercial Bank's website: https://www.hcob-bank.de/en/investoren/rating/rating/

Business segments at a glance

Relying on familiar and proven business areas, some of which will be expanded

Asset-Based Finance	• **Real Estate:** Major financier in German metropolitan regions with high market penetration, huge expertise when it comes to complex structuring solutions and high level of transaction security • **Shipping:** Good market penetration in target markets and segments with long-standing client relationships
Business Clients & Project Finance	• **Business Clients:** Outstanding financing expertise – Healthcare, Industry & Services, Trade & Food Industry, integrated Corporate Finance (e.g. LBO, M&A) • **Project Finance:** High market penetration in renewable energy (one of the top financiers in Europe), as well as in Infrastructure & Logistics, high level of advisory and structuring expertise
Capital Markets & Products	• Long-standing and established business relationships with institutional clients, domestic and foreign banks as well as local authorities and federal states • Underwriting, syndicating and arranging of such loans and capital-market finance as promissory notes and bearer bonds • Managing and hedging market-price risks within the framework of risk management

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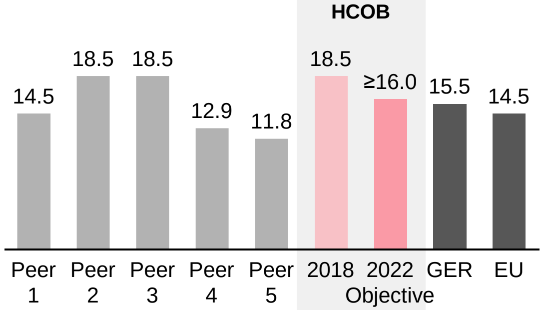
Target for transformation – A sustainably profitable bank

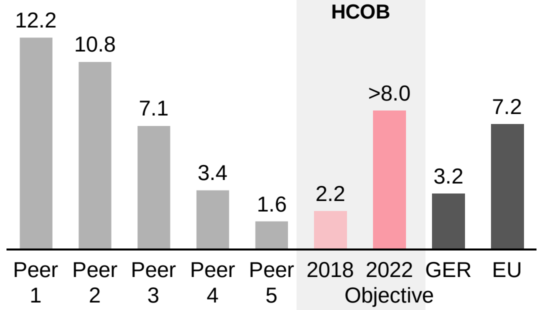
	Objectives 2022	2018	
Capital CET1	**≥16%**	**18.5%**	… already above target
Credit quality NPE ratio	**<2.0%**	**2.0%**	… target achieved after execution of the portfolio transaction
Total assets in EUR bn	**~52**	**55**	… target almost achieved after reductions in 2018 (incl. the portfolio transaction)
Costs CIR	**<40%**	**27%**	… proven track-record in cost reduction and further measures to be implemented
Profitability RoE before taxes	**>8%**	**2.2%**	… profitable growth, cost reduction and operational efficiency
Liquidity LCR	**>140%**	**225%**	… exceeds forecast noticeably
Rating Moody's/S&P	**Baa1/BBB+**	**Baa2/BBB**	… rating upgrade in November / December 2018 following successful privatisation

Well positioned with solid KPIs in target vision
Peer analysis

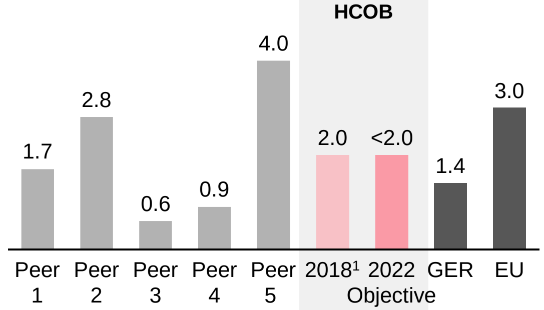
Capitalisation – CET1 ratio
in %



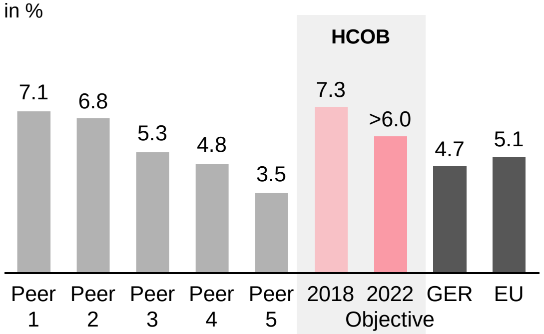
Profitability – RoE
in %



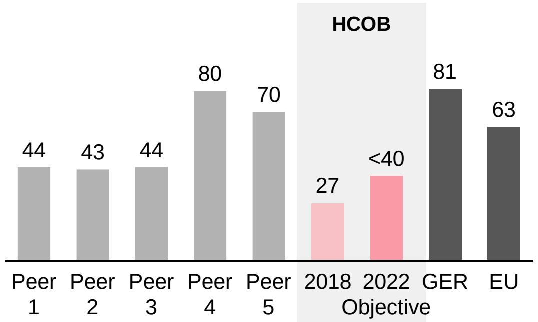
Asset quality – NPE ratio
in %



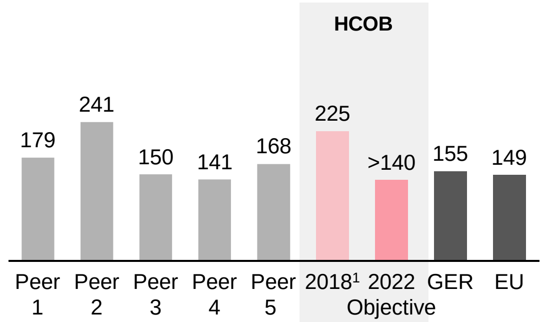
Capitalisation – Leverage Ratio
in %



Costs – CIR
in %



Liquidity – LCR
in %



Source: Peer 5 as published as at Q3 2018, Peer 1, 2, 3 and 4 as published as at Q4 2018; GER and EU: EBA Risk Dashboard, 2018-Q3; [1] In arithmetical terms, the NPE ratio came to 1.6% at the reporting date; findings after the reporting date led to adjusting events resulting in further defaults; resulting in an NPE ratio of around 2.0%

Hamburg Commercial Bank

A clear vision for fundamental transformation

Initiatives to improve profitability and RoE

Profitable products and efficient distribution
Providing credit solutions & value-added cross-sell to facilitate our customers' success

Portfolio Management	Liability Optimisation	Operating Efficiency	Go-To-Market	Organisational Vitality
RoE focused products & services	Lower funding costs with improved ratings	Reduced complexity for efficient cost base	Expand market access on a profitable basis	Dynamic workforce to transform bank
• Price discipline • Capital-efficient structures • Capital-light cross-sell • Continuous RWA optimisation	• Diversity of funding sources • Wholesale vs. Retail deposit mix • Positive rating trajectory	• Enabling vs. differentiating processes • Enabling processes at acceptable costs for envisaged quality	• Profitable German business with RoE targets • Selective international expansion with high return • New products, new channels	• Performance oriented corporate culture built on profitability, RoE and success of our customers

Customer-focused business model …
Disciplined use of capital and operating efficiency while meeting customer needs

Asset profitability will be further improved

Expansion in the Business Clients and Real Estate segments

New business will balance out maturity profile of the existing portfolio and result in a stable balance sheet with an attractive yield profile

Risk-return profile in new business

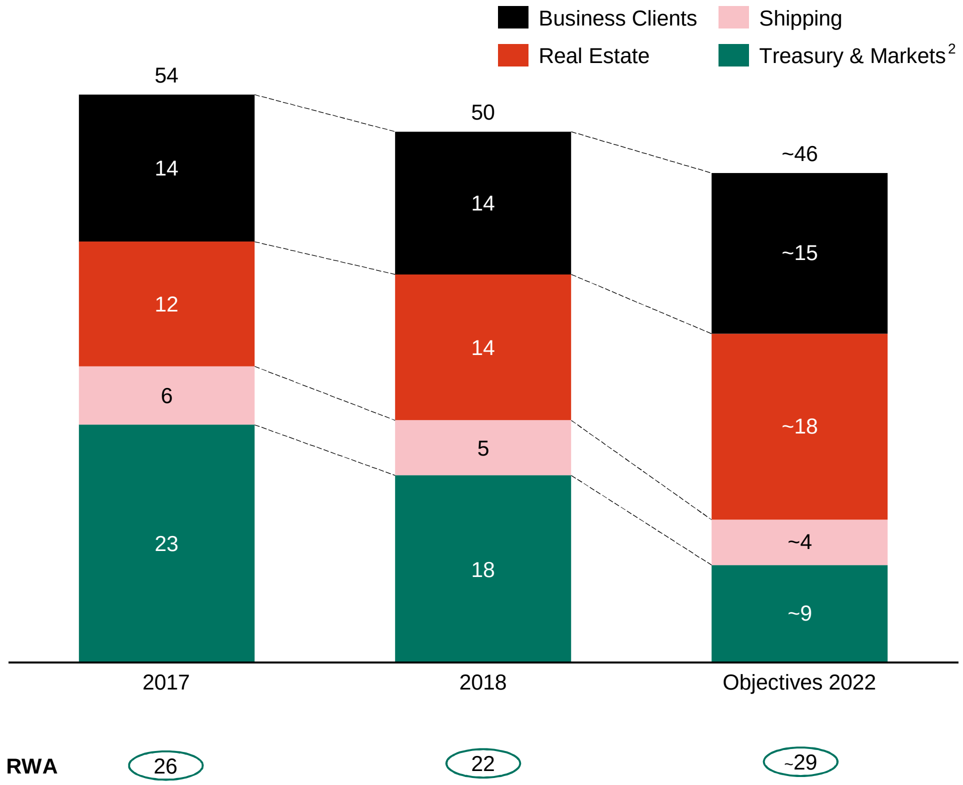
- Focus on asset quality rather than market share based on strong existing relationships
- Continuous efforts to step up international activities; numerous clients operate in foreign countries – expand scope of business with these:
  - Project Finance: expansion outside Europe
  - Real Estate: Austria, Benelux, France and UK

Risk-conscious business expansion

Risk profile very comfortable, slight RWA increase being driven by changes in the balance sheet structure

Business will be supplemented by selected international activities

Excerpt from asset structure[1] – EaD by market department
in EUR bn



[1] Rounding differences possible; [2] Before reorganisation during the transformation process

Hamburg Commercial Bank

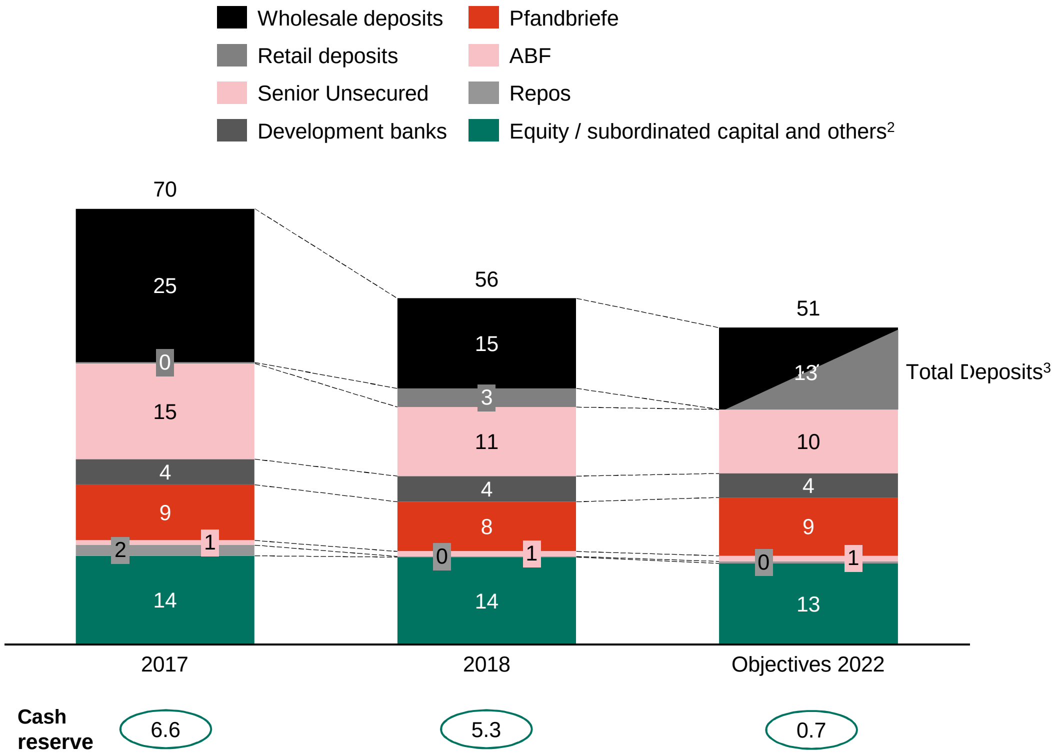
Optimisation of liabilities

- Reduced wholesale deposits lead to lower concentration risks
- Established retail deposits via online platform Deposit Solutions (Zinspilot, Check24, Deutsche Bank), current volume of around EUR 3bn
- Profitability burdened by high liquidity buffers, active reduction in surplus liquidity by reducing wholesale deposits and cash reserve (to be less than EUR 1bn already in 2019)
- Reduction in funding costs as a central lever for increasing profitability
  - Even before privatisation, refinancing costs have been lowered since autumn of 2017
  - Rating upgrades post-closing will improve the funding position further
  - Prospect of convergence of funding levels with peers

Broad funding mix leads to reduction of concentration

Liability structure[1] – approximated balance sheet volume

in EUR bn



[1] Rounding differences possible; [2] Mainly trading liabilities, provisions and negative market value of derivatives as well as other product categories; reduction mainly based on lower trading liabilities; [3] Composition depends on interest rate environment

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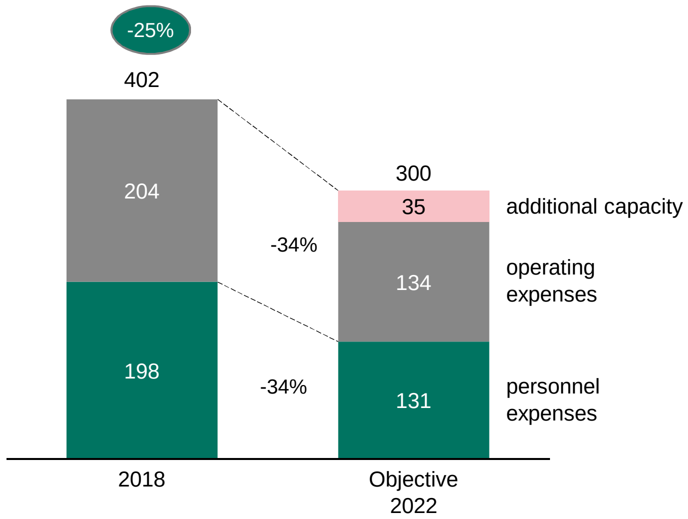
Reduction of administrative expenses, continuous efficiency improvements to create capacity for further investments

Administrative expenses
in EUR mn



Administrative expenses to be reduced by approx. EUR 100mn / ~25%, eliminating existing complexity and increasing operational efficiency

Additional capacity of EUR 35mn for running personnel and operating costs after implementation of the transformation

Operating expenses – key areas for cost reductions

Cost cluster	
IT	SAP platform, IT optimization, infrastructure simplification
Advisory	Lower advisory costs following successful privatisation
Facilities	Reduced number of buildings in Kiel and Hamburg
Legacy	Reduction of SPV-related expenses

Measures to reduce complexity and to reach FTE target

FTE development along respective measures to be implemented

2018
Current situation along former setup of the bank

1,716

Personnel costs
EUR 198mn

- 786 FTE / -46% (EUR -67mn / -34%)

- Activities related to NPE-portfolios, servicing for portfoliomanagement AöR, guarantee management, privatisation process
- Optimising of IT application development
- Terminate Wealth Management, opportunistic Global Trade Finance
- Reduce complexity and right-size support functions to future needs
- Decrease Facility Management services due to reduced size of bank and fewer buildings
- Optimising of location strategy; right-sizing Hamburg and Kiel locations

Objective 2022
Dynamic and international best in class team

~930

Personnel costs
EUR 131mn

Go-to-market – Expand market access on a profitable basis

Asset Classes & Products	▪ Driving several complementary business initiatives across all asset classes and products ▪ Evaluating existing yet unexecuted business cases in view of contribution to target KPIs/ structure ▪ Facilitation of approval processes and execution of initiatives ▪ Syndication activities ("originate to distribute") will support integrated corporate finance bank
Markets	▪ Execution of expansion plan for real estate: re-start of international business (Benelux, France, UK, Austria) and utilisation of additional potential in German metropolitan regions ▪ Broader international presence of project finance activities (renewable energy, infrastructure)
Distribution	▪ Capital Markets unit to explore growth opportunities and assess new business cases in cooperation with market units such as Corporates, Real Estate and Shipping ▪ Underlying supporting processes to be aligned with such new initiatives in order to ensure well designed distribution power
Front Office Productivity	▪ Optimise operating model for Corporate Sales Force to increase productivity ▪ Integration of professional research knowledge to further improve value for our corporate clients ▪ Increasing sales productivity by improvement of IT-support

Real Estate – Leading provider of real estate finance with good market penetration and outstanding expertise

Real Estate

- Major provider of commercial real estate finance in German metropolitan regions with a high market penetration
- Established, long-standing business relationships with German and international professional real estate investors, as well as project and property developers
- Broadening of client base by attracting new target clients
- Strong range of services including individual financing solutions for existing properties, portfolios, project developments and refurbishments
- Outstanding asset expertise in front and back office with high level of reliability towards investors, efficient and swift credit approval process
- Diversified portfolio that is profitable in the long run and offers a very good risk-return profile

Strategic focus

- Intensive efforts to exploit the potential associated with supporting international investors seeking to enter the German market
- International outbound business, proximity to international clients will facilitate rapid implementation of new business, in particular Austria, Benelux, France and UK, thus further diversification of the portfolio
- Tailor-made solutions in project financing and risk as well as liquidity management
- Strong underwriting and syndication capabilities

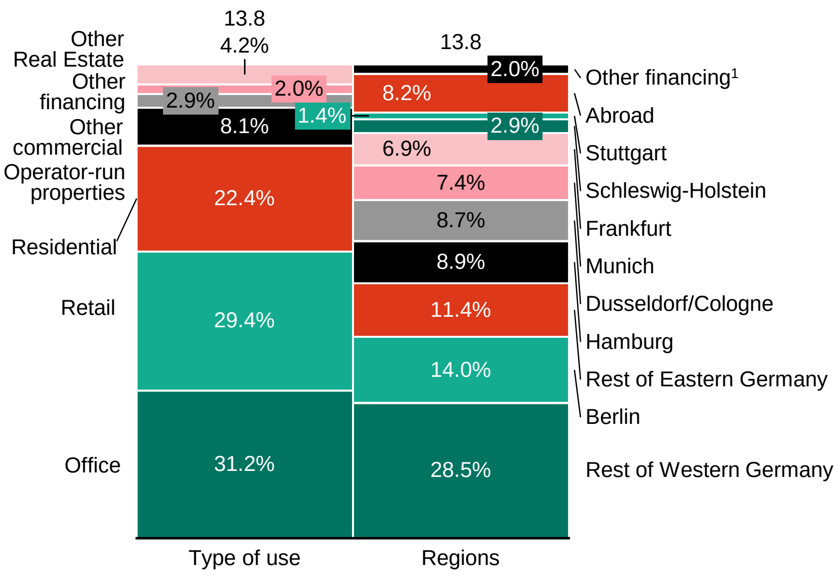
	2018	Objective 2022
EAD (EUR bn)	13.8	~17.6
Total income (EUR mn)	189	~280
Net income before taxes (EUR mn)	67	~150
RoE @ 14% RWA (%)[1]	10	~13
CIR (%)	30	~32

[1] RoE's on BU levels, which do not include impact of privatisation shown in segment „Other and Consolidation".

Real Estate – Good level of diversification by type of utilisation and region

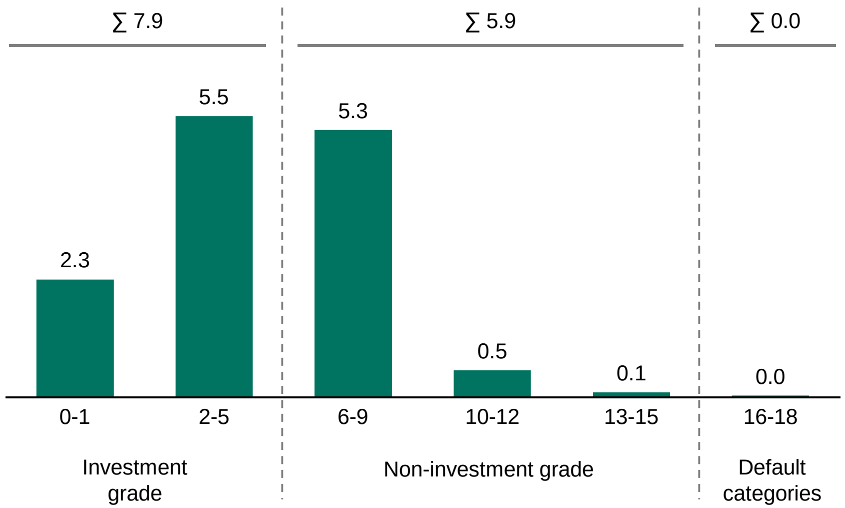
Portfolio by segment and region

in EUR bn, EaD/ in %



Portfolio by rating category

in EUR bn, EaD



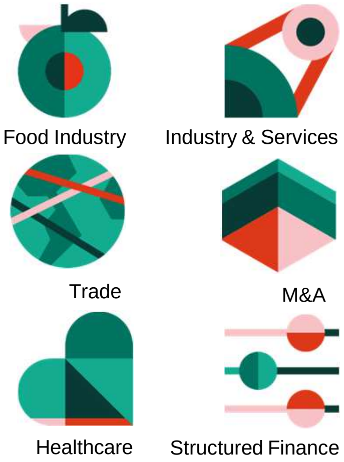
- EUR 9.0bn (65%) of the portfolio attributable to financing in western German metropolitan regions – successful strategy of regional presence
- Portfolio shows good diversification in all segments
- Continued expansion of transactions eligible for the cover pool

- Portfolio of EUR 13.8bn EaD in total, of which EUR 7.9bn (57%) investment grade and EUR 13.1bn (95%) in rating categories 0 to 9
- NPE ratio of 0.2% with a NPE of EUR 26mn and a coverage ratio of 26%

[1] No regional allocation because no property collateral

Corporate Clients – Industry expertise and client-specific solutions for larger medium-sized companies

- Established financing partner in the commercial centre of Hamburg and in the northern German region
- Growth segment of Industry & Services with individual solutions and locations, close to clients throughout Germany
- Focus sectors include trade, textiles, food industry
- Recognised industry expertise and strong market position in the healthcare sector
- Competitive differentiation thanks to integrated corporate finance with consultancy in the areas of structured finance, leveraged buyout, mergers & acquisitions
- In view of the high pressure on margins and tough credit standards, the momentum was deliberately slowed down, particularly in business with medium-sized corporate customers and LBOs



Strategic focus

- Stepping up medium-sized corporate business with the aim of establishing long-term and profitable client relationships on the basis of industry, product and structuring expertise
- Strengthening the profile of the integrated corporate finance bank
- Focus of the cross-sell rate by strengthening sales strategies and closer integration of product and customer departments
- Margin pressure might lead to further lower balance sheet commitment if RoE targets might not be matched; reallocation of equity to higher yield activities under amendment

Corporate Clients including Project Finance – Good market position as basis for further business expansion

- High market penetration in the areas of renewable energy projects (one of the top financiers in Europe), as well as in infrastructure & logistics
- Very strong position in our core markets along the value chain
- High level of advisory expertise, comprehensive project and structuring expertise
- Broad range of high-performance solutions:
  - Structured financing at project and corporate level
  - Risk hedging and guarantee business
  - Payment transactions and cash management
  - Transaction advisory services, e.g. M&A

Energy & Utilities

Infrastructure & Logistics

Strategic focus

- **Energy & Utilities** – Focus at project and sponsor level on manufacturers, project developers, EPC and investors. Further expansion of very good positioning in established markets, in particular in Scandinavia, Ireland and the Netherlands, as well as implementation of first projects outside Europe and APAC region
- **Infrastructure & Logistics** – Focus on clients and projects in transport, energy and telecommunications infrastructure (niches and new segments), expand excellent footprint in broadband, priority areas such as rail asset financing (locomotives and freight wagons)

Corporate clients incl. Project Finance

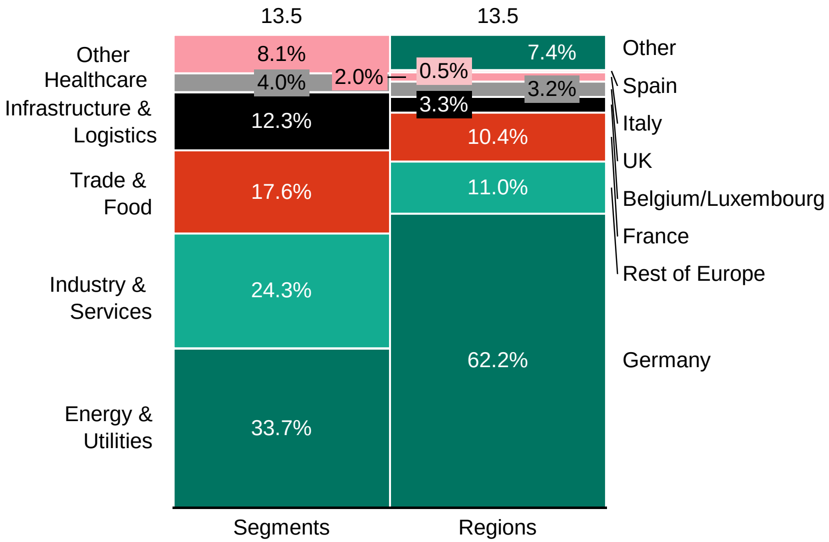
	2018	Objective 2022
EAD (EUR bn)	13.5	~15.2
thereof		
- corporates	6.8	~7.6
- energy & infrastructure	6.7	~7.6
Total income (EUR mn)	222	~260
Net income before taxes (EUR mn)	34	~120
RoE @ 14% RWA (%)[1]	3	~9
CIR (%)	53	~41

[1] RoE's on BU levels, which do not include impact of privatisation shown in segment „Other and Consolidation".

Business Clients including Project Finance – Well diversified in terms of sectors and solid portfolio quality

Portfolio by segment and region

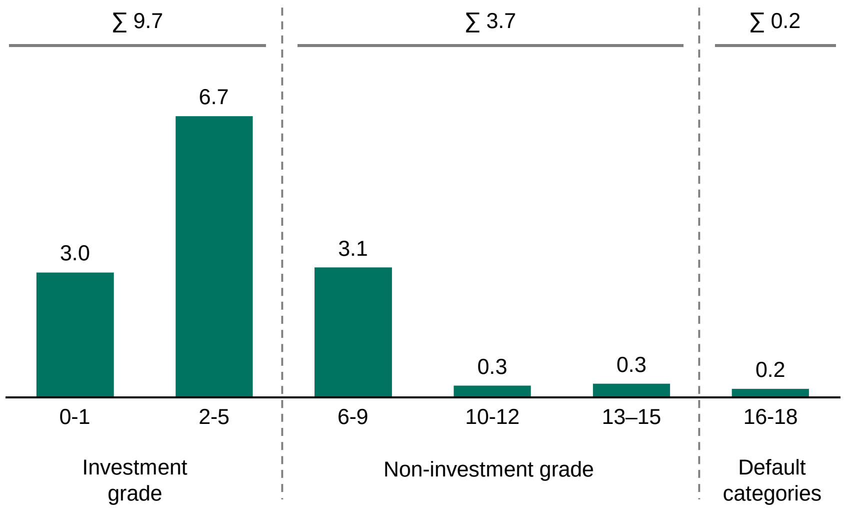
EaD in EUR bn / in %



- Industry & Services dominates the portfolio at EUR 3.3bn (24%), followed by project financing of Energy & Utilities at EUR 3.0bn (22%)
- Domestic borrowers account for EUR 8.4bn (62%) and international, mainly European, borrowers for EUR 5.1bn (38%)
- Good diversification across focus sectors

Portfolio by rating category

EaD in EUR bn



- Corporate Clients portfolio of EUR 13.5bn EaD in total, of which EUR 9.7bn (72%) in investment grade and EUR 12.8bn (95%) in rating categories 0 to 9
- NPE ratio of 1.4% with an NPE of EUR 195mn and a coverage ratio of 79%

Hamburg Commercial Bank

Shipping – High-level industry expertise – Portfolio will be developed further on a selective basis

- Good market penetration in target markets and segments with long-standing client relationships
- Global expertise with considerable financing and structuring competence
- Excellent client access in major shipping markets: Hamburg, Athens and Singapore
- Individual solutions: Risk Management, Global Cash Management and Advisory, as well as Underwriting
- Portfolio based on a relatively young fleet with prudent financing structure

Shipping

Strategic focus

- Selected new business in a recovering market with target clients
- Focus on medium-sized and larger shipping companies with increasing importance of corporate clients in general
- Diversified portfolio of containers, bulkers and tankers with selective involvement in special segments
- Exploit additional business potential resulting from market exit of competitors (market with high barriers to entry)

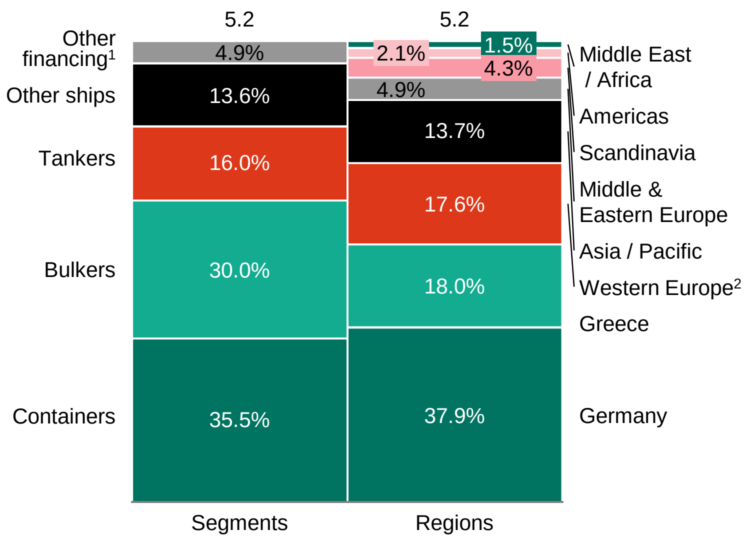
	2018	Objective 2022
EAD (EUR bn)	5.2	~4.3
Total income (EUR mn)	108	~80
Net income before taxes (EUR mn)	-156[2]	~15
RoE @ 14% RWA (%)[1]	-32	~4
CIR (%)	32	~47

[1] RoE's on BU levels, which do not include impact of privatisation shown in segment „Other and Consolidation"; [2] Significant burden from loan loss provisions of € -205 million (formation of specific loan loss provisions, most of which are related to restructuring measures for a significant loan exposure; in addition, formation of general loan loss provisions and thus provisions for economic uncertainties as well as for the emission targets for ships applicable from 2020).

Shipping – Portfolio reflects slight recovery trends in the market subject to a time lag

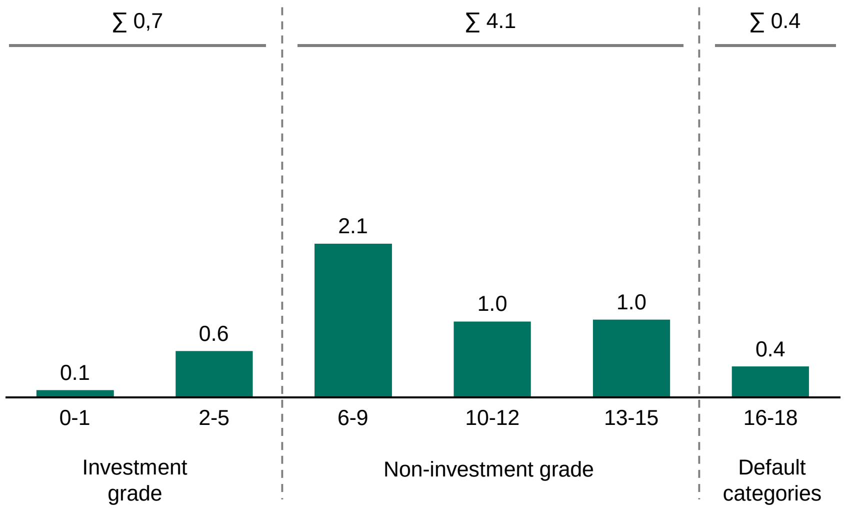
Portfolio by segment and region

EaD in EUR bn / in %



Portfolio by rating category

EaD in EUR bn



- EUR 3.2bn (62%) of loans attributable to international and EUR 2.0bn (38%) to domestic shipping clients
- Bulkers account for a significant proportion of the Core Bank's shipping portfolio, namely EUR 1.6bn (30%)
- The average age of the ships is 8 years
- Number of financed ships comes to 594

- Shipping portfolio of EUR 5.2bn EaD in total, of which EUR 0.7bn (13%) in investment grade and EUR 2.8bn (54%) in rating categories 0 to 9
- NPE ratio of 7.9%[3] with an NPE of EUR 412mn and a coverage ratio of 58%

[1] Incl. working capital financing; [2] Excl. Germany, Scandinavia and Greece; [3] Considering events after the reporting date the adjusted NPE Ratio is approximately 15%.

Treasury & Markets – Support clients of all market segments with expertise and long-standing experience in capital markets

- Comprehensive capital market know-how for designing dedicated solutions tailored to our clients' requirements
- Underwriting, syndicating and arranging of such loans and capital-market finance as promissory notes and bearer bonds
- Corporate advisory with respect to market price risks (risk measurement, assessment and management) and managing and hedging market price risks
- Long-standing and established business relationships with institutional clients, domestic and foreign banks as well as local authorities and federal states
- Holistic support of national and international cash management and proactive investment management for term deposits, promissory notes and bonds as well as individual investment plans
- Offering the latest generation of services (e.g. access to trading platforms) and (further) development of products

Capital Markets & Products

Strategic focus

- Syndication activities ("originate to distribute") will support integrated corporate finance bank
- Expansion of retail deposits via online platform and risk-conscious expansion of trading book activities
- Digital transformation and development of state-of-the-art products and services
- Strengthening and expanding the international investor network to support funding, syndication and related investment portfolios

	2018	Objective 2022
EAD (EUR bn)	17.7	~9.2
Total income (EUR mn)	218	~180
Net income before taxes (EUR mn)	149	~120
RoE @ 14% RWA (%)[1]	31	~28
CIR (%)	34	~29

[1] RoE's on BU levels, which do not include impact of privatisation shown in segment „Other and Consolidation".

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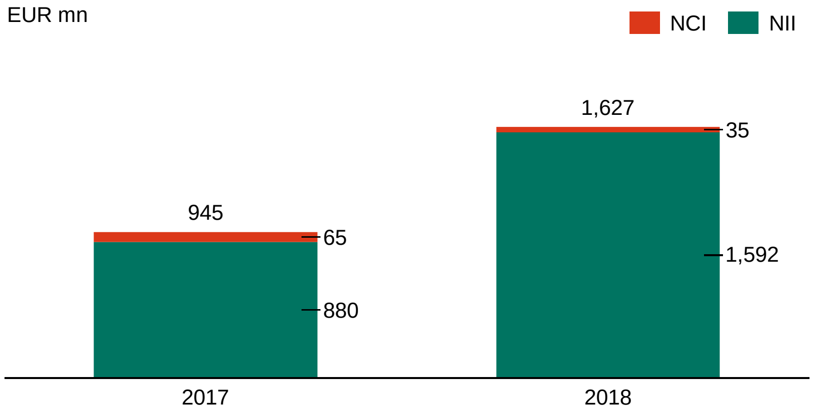
Hamburg Commercial Bank

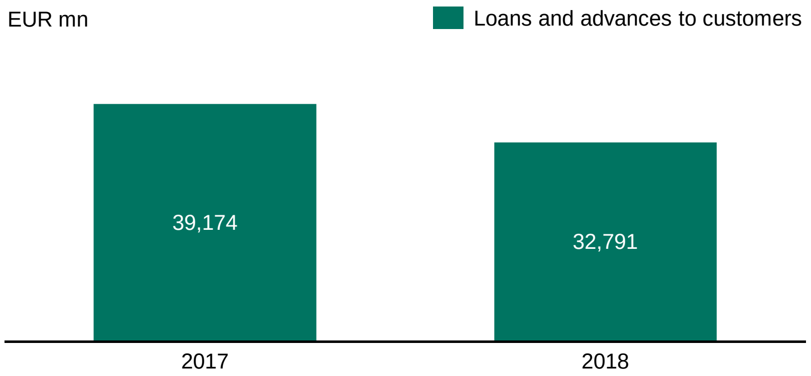
Overall satisfactory result – Development marked by various, in part also one-off effects

in EUR mn, IFRS	Core Bank		Non-Core Bank		Other and Consolidation		Group	
	2017	2018	2017	2018	2017	2018	2017	2018
Net interest income	564	517	23	172	293	903	880	1,592
Net commission income	77	67	20	1	-32	-33	65	35
Result from hedging	0	0	0	0	-18	-9	-18	-9
Net trading income	154	81	84	-184	16	-33	254	-136
Net income from financial investments[1]	350	72	-48	0	64	32	366	104
Total income	**1,145**	**737**	**79**	**-11**	**323**	**860**	**1,547**	**1,586**
Loan loss provisions in the lending business[2]	13	-298	-1,295	7	6	-76	-1,276	-367
Administrative expenses	-292	-288	-190	-117	1	3	-481	-402
Other operating income	8	11	-10	-12	23	-106	21	-107
Expenses for bank levy and deposit guarantee fund	-30	-27	-7	-2	-12	-60	-49	-89
Net income before restructuring and privatisation	**844**	**135**	**-1,423**	**-135**	**341**	**621**	**-238**	**621**
Net income from restructuring and privatisation	0	0	0	0	-66	-366	-66	-366
Expenses for government guarantees	-22	-41	-127	-118	0	1	-149	-158
Net income before taxes	**822**	**94**	**-1,550**	**-253**	**275**	**256**	**-453**	**97**
Income tax expense							-75	-20
Net income after taxes							**-528**	**77**

[1] Incl. result from the financial investments accounted for under the equity method; [2] After effects relating to the guarantee, foreign exchange result and hedging effect of credit derivative.

P&L details – Revenues





Net interest income (NII) +81%

- Operating interest income above expectations
- Positive valuation effects (fair value measurement of the portfolio transaction, hedging of the liquidity position)
- Net result from hybrid capital: EUR 994mn (previous year: EUR 304mn)
- Interest expenses for liquidity building and funding structure
- High funding costs for the transaction portfolio

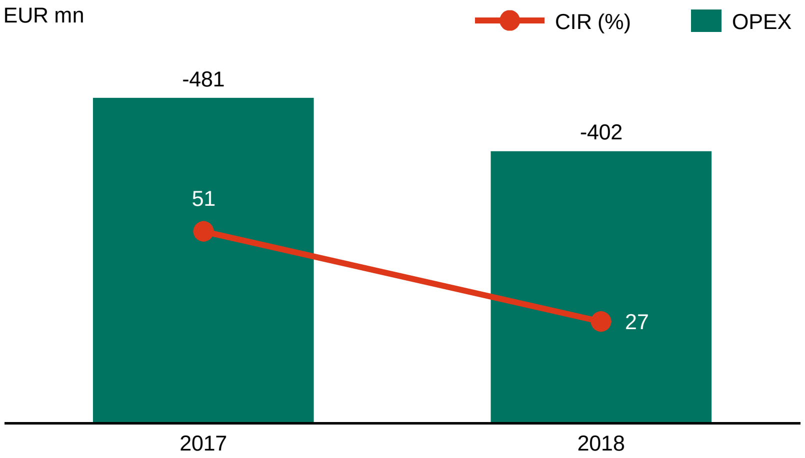
Net commission income (NCI) -46%

- Lower income from loan commissions
- In the previous year, significant income from the restructuring of non-performing legacy loans in the Non-Core Bank

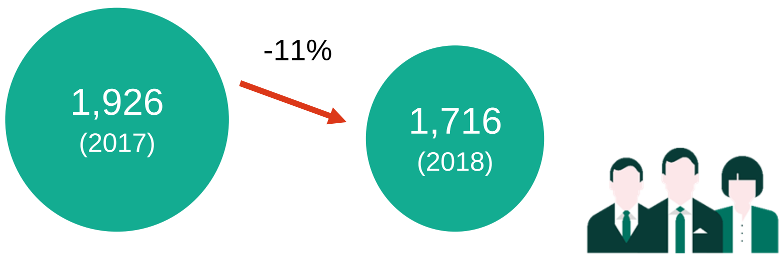
Net interest income exceeds expectations due to satisfactory operating performance and one-off effects

Hamburg Commercial Bank

P&L details – Operating expenses



Full-time equivalents (FTE) in the Group



Stringent implementation of cost reduction programme taking effect, administrative expenses reduced by 16%

- Cost reduction programme to be stringently implemented until a CIR of a maximum of 40% has been achieved
- Operating expenses amounted to EUR -186mn (previous year: EUR -215 mn)
- Depreciation of property, plant and equipment and amortisation of intangible assets came to EUR -18mn (previous year: EUR -36mn)

Further systematic implementation of targets for personnel expenses

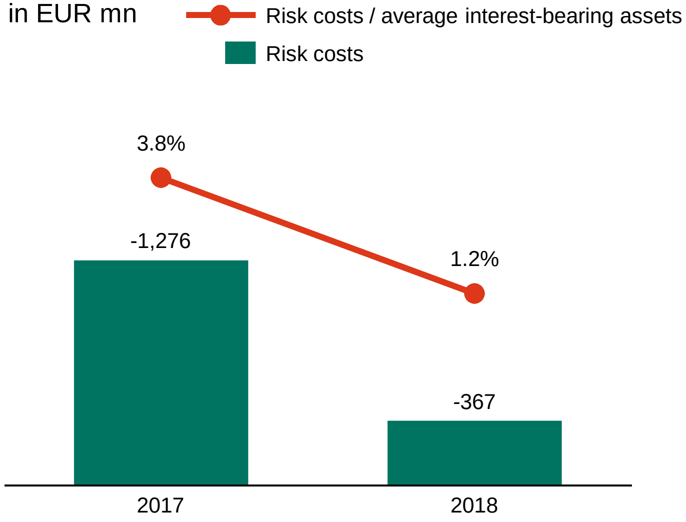
- Ongoing planned reduction in the number of employees is reflected in the corresponding reduction in personnel expenses from EUR -230mn to EUR -198mn

Transformation project measures to reduce costs and increase efficiency consolidated

Increasing uncertain economic environment dominate loan loss provisions

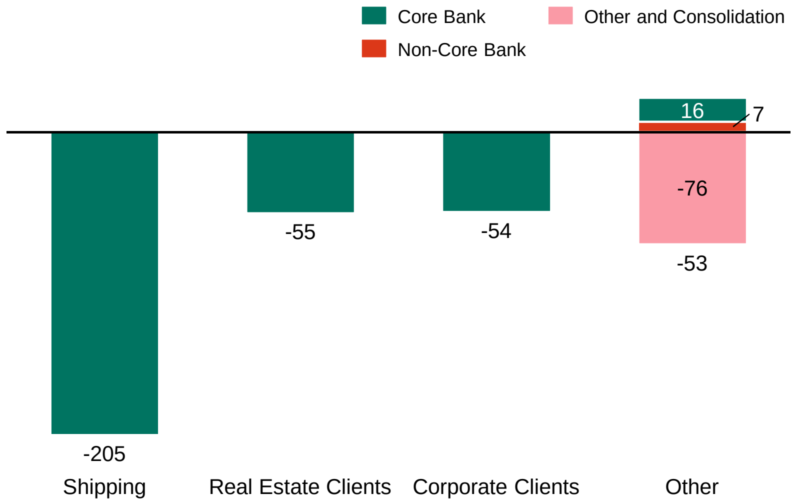
Total loan loss provisions[1]

in EUR mn



Loan loss provisions 2018[1] by business unit

in EUR mn



Mounting geopolitical risks put pressure on loan loss provisions

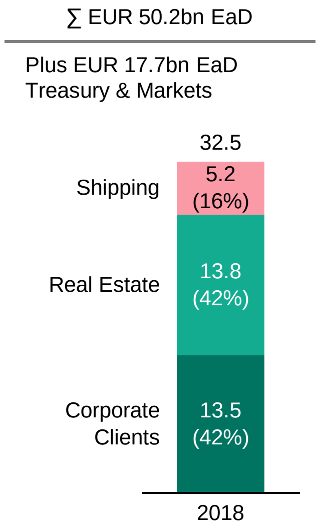
- Recognition of specific loan loss provisions in connection with the restructuring of an exposure in the Shipping division; Shipping benefited from net reversals of EUR 63mn in the previous year.
- Recognition of general loan loss provisions due to mounting geopolitical and economic uncertainties (Brexit, trade conflict, economic development in Europe and in the sectors relevant to the Bank)
- Previous year: Significantly higher allocations for legacy commitments, especially in the Shipping portfolio of the Non-Core Bank

[1] Incl. effects from compensation / hedging credit derivative of second loss guarantee.

Hamburg Commercial Bank

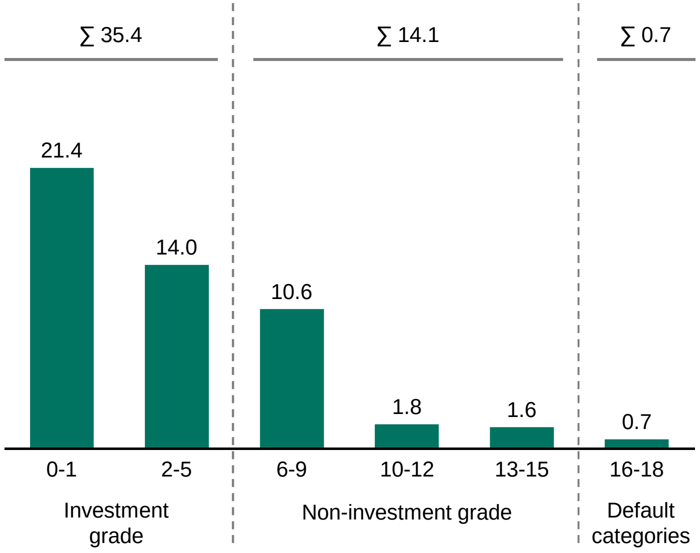
Solid portfolio quality and good NPE ratio of ~2%

Portfolio



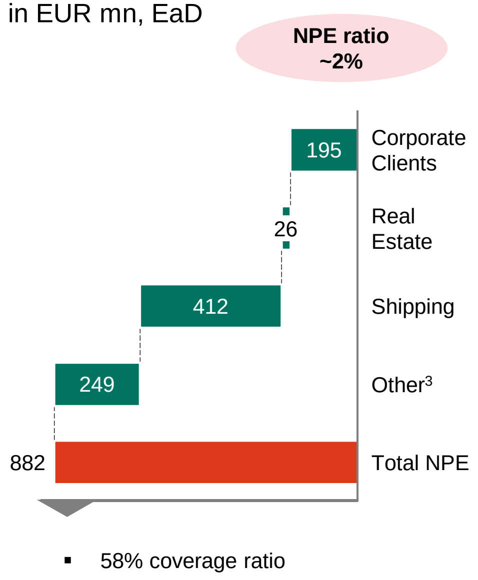
Core-Bank Portfolio by rating category[1]

in EUR bn, EaD



Total NPE by client division[2]

in EUR mn, EaD



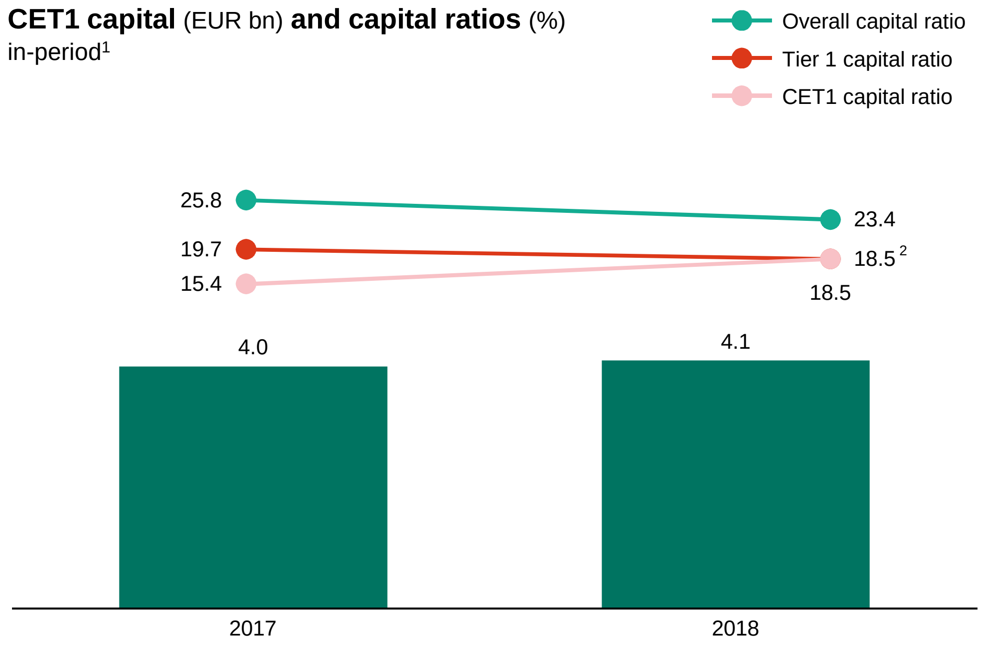
- Core-Bank Portfolio of EUR 50.2bn EaD[1], of which EUR 35.4bn (71%) in investment grade and EUR 46.0bn (92%) in rating categories 0 to 9
- NPE volume of EUR 882mn corresponds to an NPE ratio of around 2%, including adjustments after the reporting date
- NPE Coverage ratio AC of 58% at a solid level

[1] Incl. EUR 17.7bn EaD Treasury & Markets; [2] Rounding differences possible; [3] Incl. Non-Core Bank

CET1 ratio at a good level

- CET1 ratio rose significantly to 18.5 % compared with 31 December 2017 (pro forma 15.4 %)
- Main reason behind this development is a reduction in RWA, which is mainly attributable to the decline in market risks and business volume
- Tier 1 capital ratio and total capital ratio declined compared with 31 December 2017: as part of the privatisation process, the capital structure is being restructured and optimized; within this context, hybrid instruments were terminated; as a result, regulatory recognition of hybrid instruments as regulatory capital ceases with privatisation completed
- The termination of hybrid instruments results in a reassessment of the cash flows associated with the hybrid instruments; the resulting positive valuation effect leads stand-alone to a significant strengthening of the CET1 capital

CET1 capital (EUR bn) **and capital ratios** (%)
in-period[1]



RWA (EUR bn)
in-period[1]

2017	2018
26.2	22.1

[1] In-period: ceteris paribus calculation taking full account of the balance sheet amounts as at the reporting date; [2] Pro forma ratios are shown as at 31 December 2017 not taking into account the regulatory relief effect of the federal state guarantee, to enable a comparison with the key capital figures as at December 2018.

Balance sheet

Balance sheet (in EUR mn, IFRS)	2017	2018	Change in %
Cash reserve	6,625	5,362	-19
Loans and advances to banks	3,838	3,167	-17
Loans and advances to customers	39,174	32,791	-16
Loan loss provisions	687	-831	>100
Credit derivative under the second loss guarantee	1,014	0	-100
Trading assets	3,641	3,094	-15
Financial investments	13,647	10,100	-26
Non-current assets held for sale and disposal groups	139	65	-53
Other assets	1,617	1,373	-15
Total assets	**70,382**	**55,121**	**-22**
Liabilities to banks	8,271	5,470	-34
Liabilities to customers	36,205	28,093	-22
Securitised liabilities	12,444	9,458	-24
Trading liabilities	3,875	2,812	-27
Liabilities relating to disposal groups	47	0	-100
Subordinated capital	2,252	1,614	-28
Equity	4,373	4,437	1
Other liabilities	2,915	3,237	11
Total equity and liabilities	**70,382**	**55,121**	**-22**

Total assets down in the course of the year

- Above-average liquidity reserves built up during the privatisation period gradually reduced through active liquidity management
- Lower loans and advances to customers due to closing of the portfolio transaction (Bank relieved of large portions of non-performing legacy loans, premature termination of the second loss guarantee)
- Decrease in securitised liabilities due to termination of hybrid instruments as at 31 December 2020 and the resulting reassessment of cash flows as at 31 December 2018

Hamburg Commercial Bank

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2. Transformation process
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IFRS net income before taxes expected to be slightly positive in 2019 – Outlook for 2019

- In 2019, the Bank will focus on improving its operating performance. The measures forming part of the transformation programme will be systematically pursued in order to achieve this. In light of the existing and increasing uncertainties and challenges in the banking industry, the Bank needs to implement its restructuring measures a swift and stringent manner. This will ensure the cost-effective and sustainable further development of the corporate structure and, at the same time, the agreed seamless transition to the protection scheme of private banks.

- On the basis of the generally satisfactory performance of the IFRS Group result in the 2018 financial year, the Bank is confident, from today's perspective, that it will be able to achieve the targets set for 2019 as a whole. The 2019 financial year will be characterised by the implementation of the operating cost-income measures and, in particular, by the planned reduction in personnel. The individual measures implemented, such as organisational changes and extensive adjustments relating to HR, will be continuously reviewed as part of the measures controlling process and adjusted as and when required to ensure the successful implementation of the transformation programme.
- Taking into account the restructuring provisions set up as at the reporting date, the Bank expects to see slightly positive IFRS net income before taxes in 2019. The net income forecast is subject to any unforeseeable effects resulting from the implementation of the restructuring process.

The outlook and the assumption of the Bank as a going concern for accounting and measurement purposes are based on assumptions set out in the Annual Report as at 31 December 2018,

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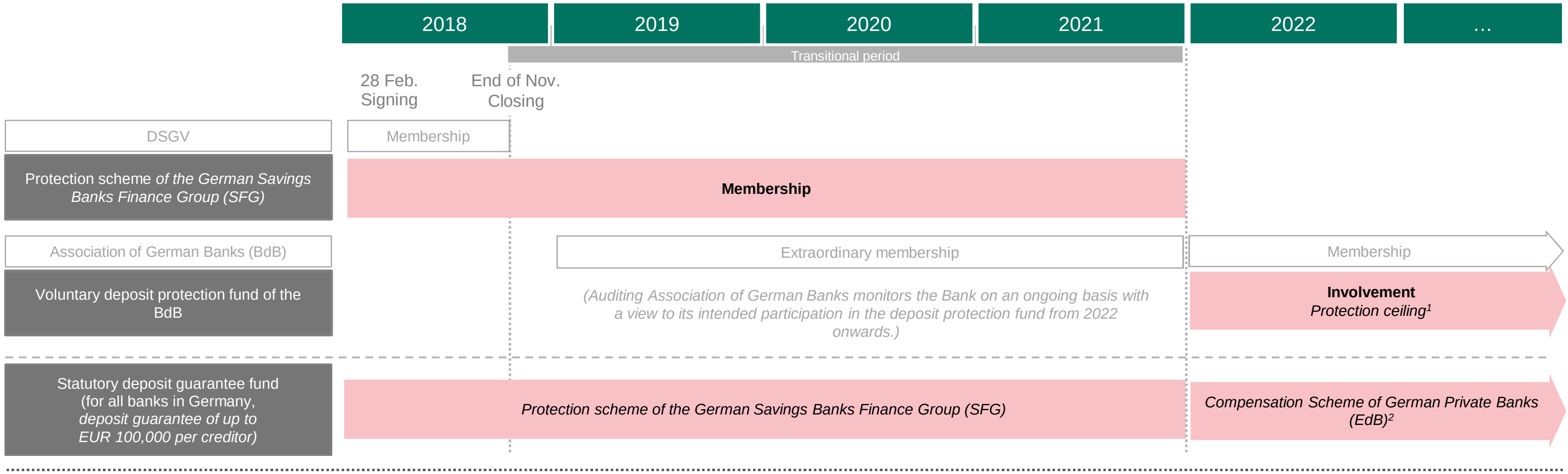
Transition of protection scheme from Savings Banks Finance Group to private banks (BdB) agreed



- The membership of the German Savings Banks Finance Group (DSGV) expired upon the closing of the transaction; however, membership of the protection scheme of the German Savings Banks Finance Group (SFG) (in accordance with the agreement concluded on the basis of section 94 (4a) of the Framework Statute) will continue for a further three years until 31 December 2021; this means that the Bank's voluntary institutional protection provided by the SFG guarantee scheme will remain unchanged until 31 December 2021
- A seamless transition from the SFG guarantee system to the voluntary BdB deposit protection fund is planned for the turn of the year 2021/2022; the protection ceiling for Hamburg Commercial Bank, as for all banks, will then generally correspond to 15 percent regulatory capital per creditor[1]
- The scope of the statutory deposit guarantee remains unchanged with the transition from the SFG guarantee scheme to the Compensation Scheme of German Private Banks (EdB)

[1] In 2022, the statutory protection ceiling will correspond to 15% of the member bank's regulatory capital per creditor; As at 31 August 2018, HSH Nordbank had around EUR 6.5bn in regulatory capital, which corresponds to an arithmetical statutory protection ceiling of around EUR 0.975bn per creditor; From 2025, the statutory protection ceiling for all member banks will be reduced to 8.75% per creditor

Hamburg Commercial Bank improved its sustainability rating

- Rating for Ship Pfandbriefe maintained at neutral CCC
- Rating for Public Pfandbriefe improved from positive BBB to very positive A
- Rating for Mortgage Pfandbriefe improved from positive B to positive BB
- Rating for Uncovered Bonds has also improved from neutral CCC to positive B

Corporate Social Responsibility Report

- CSR Report 2018 will be published on Hamburg Commercial Bank's homepage on 30 April 2019 at the latest
- Meets the requirements of non-financial reporting in accordance with paragraph 289b HGB
- Based on the criteria of the German Sustainability Code
- Describes non-financial aspects such as environmental, employee-related and social issues, respect for human rights and the fight against corruption and bribery

Source: imug Beratungsgesellschaft für sozial-ökologische Innovationen mbH - sustainability rating of bank bonds in 2017, imug rating universe.

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Abbreviations

ABF	Asset-based Funding
AG	Aktiengesellschaft [German public limited company]
AöR	Anstalt öffentlichen Rechts [German institution under public law]
APAC	Asia Pacific
Bawag / BAWAG P.S.K.	Bank für Arbeit und Wirtschaft und Österreichische Postsparkasse Aktiengesellschaft
BCA	Baseline credit assessment
BdB	Bundesverband deutscher Banken [Association of German Banks]
BRRD	Bank Recovery and Resolution Directive
BU	Business Unit
B.V.	Besloten vennootschap met beperkte aansprakelijkheid [Dutch limited liability company]
CCO	Chief Customer Officer
CEO	Chief Executive Officer
CET1	Core Equity Tier 1
CFO	Chief Financial Officer
CIR	Cost-Income Ratio
CRO	Chief Risk Officer
CSR	Corporate Social Responsibility
DSGV	Deutscher Sparkassen- und Giroverband [German Savings Bank Association]
EaD	Exposure at Default
EdB	Entschädigungseinrichtung deutscher Banken [Compensation Scheme of German Banks]
EPC	Engineer, Procure, Construct
EU COM	European Commission
FTE	Full time equivalent
HGB	Handelsgesetzbuch [German Commercial Code]
imug	Institut für Markt-Umwelt-Gesellschaft [Institute for Market-Environment Society]
IFRS	International Financial Reporting Standards
KG	Kommanditgesellschaft [Limited partnership]
KPI	Key performance indicator
LBO	Leveraged Buyout
LCR	Liquidity Coverage Ratio
LLC	Limited Liability Company
L.P. / LP	Limited Partnership
M&A	Mergers & Acquisitions
NCI	Net commission income
NIBC	NIBC Bank N.V.
NII	Net Interest Income
NordLB	Norddeutsche Landesbank
NPE /NPL	Non-Performing Exposure / Loan
NSFR	Net Stable Funding Ratio
OPEX	Operational Expenditure
P&L	Profit and Loss
RoE	Return on Equity
RWA	Risk-Weighted Assets
S.à.r.l.	Société à responsabilité limitée [French limited liability company]
SFG	Sparkassen-Finanzgruppe [German Savings Banks Finance Group]
SPV	Special purpose vehicle
S&P	Standard & Poor’s
Unsec.	Unsecured

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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 on a targeted basis. The Bank (which was operating under the name HSH Nordbank AG up until February 4, 2019) uses a risk-adjusted key indicator and ratio system for this purpose that ensures that the Overall Bank, Core Bank and Non-Core Bank are managed in a uniform and effective manner. The Hamburg Commercial Bank Group is managed mainly on the basis of figures for the Group prepared in accordance with the International Financial Reporting Standards (IFRS) and/or the relevant prudential rules.
Within the management reporting framework, the Bank focuses on the most important management indicators for the individual value drivers of the IFRS Group. On the one hand, the focus is on how these key indicators changed compared to the previous year and, on the other, on how they are expected to change in the future. The Group management report for the 2018 financial year will contain further information on the management system and defined management parameters of the Hamburg Commercial Bank Group, the Core Bank and the Non-Core Bank, as well as disclosures.