

PRESS RELEASE

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Renewable energies unstoppable

- HSH Nordbank aims to almost double its new business in renewables
- Entry into hydro and geothermal energies being examined
- Large solar projects involving private purchase commitment contracts for electricity will once again become profitable from 2014 at the latest
- Consolidation among photovoltaic producers to continue

HAMBURG/KIEL "Renewable energies remain one of the most important growth sectors in Germany," said Lars Quandel, Head of Renewables Sales at HSH Nordbank. He added that despite increasing competitive pressure among suppliers, the underlying sentiment within the sector remains positive. This was evidenced once again during talks held with investors and project developers at the Hannover Trade Fair that ended recently. The sector's momentum is also reflected in the business performance of HSH Nordbank's Renewables unit. "Since the middle of last year and with the introduction of our new business model, there has been a steady rise in the number of enquiries for finance that we have received," said Lars Quandel. At present, HSH Nordbank is financing more than 170 renewable energy projects with a total volume of around three billion euros. Of this figure, around 60 percent are accounted for by wind energy projects and 40 percent by solar facilities. The Bank aims to almost double its new business in the Renewables sector to one billion euros this year. Last year, the Bank's new business in this sector came to some 500 million euros.

Furthermore, the Bank wants to tap new submarkets in the renewable energies sector. "At present, our focus is on onshore wind projects, offshore farms as well as photovoltaic facilities, which are mainly in France. We are currently contemplating a foray into financing hydro and geothermal energy projects," stated Quandel. The long-term financing of geothermal facilities is of interest. Major geothermal projects - from five megawatts upwards, lying at a depth of more than 1,000 metres - in southern Germany, for example, are already profitable. Quandel also sees considerable potential in the hydro-electric sector.

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"Expansion potential of around 2,000 megawatts in Germany is certainly realistic," added Quandel.

Consolidation within the solar sector set to persist

Despite the favourable long-term prospects for renewable energies, the solar sector is currently facing major challenges. "We expect a continuation of the consolidation among producers that began in the wake of the expiry of subsidies for major projects in the solar sector," said Lars Quandel. Some parts of the sector are not yet ready for a subsidy-free, self-sustaining market - a market where the risk profiles and financing structures as perceived by banks change. "For example, in Sweden electricity contracts are signed with a term of no more than five years. Our expertise will be demonstrated by our ability to manage these changes on the bank side," stated the Head of Renewables Sales at HSH Nordbank. "We expect major photovoltaic projects to become profitable on the basis of private electricity purchase commitment contracts for electricity from 2014 at the latest," commented Quandel.

Over the next few years the offshore wind segment will be one growth driver of renewable energies. "Here, however, it will be crucial that the electricity grid infrastructure be extended appropriately if the extension targets are to be reached," stressed Lars Quandel. This trend will be driven by the northern German region - and thus also by Hamburg - which will continue to dominate the German onshore market. However, in the Bank's view, the politicians will have to minimise the risks at sea, this includes financing. Quandel: "When connecting the offshore wind farms to the power grid the liability risk for their operator as a whole must be limited." Generally speaking, the underlying conditions and procedures for extending the grid should be simplified in order to create a reliable planning basis for all parties. For example, in the United Kingdom connection to the grid is financed as part of the project.

Growth in the onshore wind segment remains stable

Last year, renewable energies only accounted for 20 percent of Germany's overall electricity consumption. According to legislation, its percentage of electricity production is to rise to 35 percent by 2020. Experts forecast the following trends by sector:

Growth on the photovoltaic market will once again add between seven and eight gigawatts (GW) of electricity production in 2012.

Stable growth is expected to continue in the onshore wind segment, with capacity expansion from the current level of 29 GW (end of 2011) to around 45 GW in 2020. Expansion of offshore wind energy is forecast to increase from the present level of around 200 megawatts to 10 GW by 2020 and to more than 25 GW by 2030.