

HSH N Funding II: Expected EC-Requirements burden expected result of HSH Nordbank AG

25 August 2011

HSH N Funding II (the “Company”) gives notice of the following:

The Company was informed by HSH Nordbank AG, Hamburg and Kiel, (the „Bank”) that in today’s meeting the supervisory board of the Bank approved of the financial planning submitted by the management board. The financial planning contains the requirements expected to be laid down by the EU Commission in the state aid matter HSH Nordbank. The final decision by the EU Commission is expected for mid September.

The Bank expects that the Commission will consider the remuneration for the financial guarantee granted to the Bank by the two states Hamburg and Schleswig-Holstein through HSH Finanzfonds AöR in the amount of 400 bps as insufficient and that the Commission will levy additional elements of remuneration on the Bank by way of a condition to its decision. On account of the expected decision, the Bank has included a one-off payment in the amount of EUR 500 million in its financial planning.

The Bank assumes that the one-off payment will impact on the profit and loss account of the Bank and will take effect in the financial year 2011. The planning further assumes that HSH Finanzfonds AöR will have to contribute its claim for the one-off payment to the Bank in a capital increase by way of contribution in kind, which will likely not become effective in the financial year 2011.

Implementing the expected EC-requirements will necessitate alterations in the business of HSH Nordbank AG. Hence, the new financial planning provides for a lump sum expenditure for restructuring efforts in the magnitude of a mid range two digit amount of million EUROS for each of 2011 and the two following years respectively.

The total expenses resulting from the new financial planning will result in a net loss for the financial year 2011 in the Bank’s P&L according to German GAAP (*HGB*).

For the instruments issued on a fiduciary basis by Banque de Luxembourg with ISIN XS0221141400, listed on Euronext Amsterdam, based on a silent participation, this means that due to the expected net loss no coupon will be paid for the coupon period 2011 and the instruments will participate in a net loss for the financial year 2011 via the silent participation. The exact amount of the loss participation cannot yet be quantified and will be made public after the Bank’s supervisory board has approved of the annual financial statement of the Bank in March 2012.

The following instruments issued on a fiduciary basis by Banque de Luxembourg are affected:

USD 500,000,000 HSH Nordbank Sphere Securities with the ISIN XS0221141400, listed on Euronext Amsterdam. Quarterly coupon payments relating to fiscal year 2011 starting with first coupon payment date 30 June 2012

Description of the fiduciary structure:

With the proceeds of the issue of the SPHERE Securities, the Banque de Luxembourg has, in its own name but at the sole risk and for the sole benefit and account of the holders of the SPHERE Securities acquired 500,000 Class B Preference Shares issued by HSH N Funding II (the "Company"). With the proceeds of the issue of the Class B Securities, the Company acquired a silent participation in the commercial enterprise (Handelsgewerbe) of the Bank in the form of a Stille Gesellschaft under German law.

The SPHERE Securities are perpetual securities and have no fixed maturity date. They represent a pro rata interest in the Class B Securities and all payments actually received by the Fiduciary thereunder. The Fiduciary holds the Class B Securities in its own name, on a fiduciary basis, but solely at the risk and for the account of the Securityholders. The SPHERE Securities evidence a fiduciary contract between the Securityholders and the Fiduciary pursuant to which the Fiduciary is only obligated to pass on funds to the Securityholders actually received from the Company under the Class B Securities but has no other payment obligations to the Securityholders. The amounts of distributions under the Class B Securities depend, among others, on the profits of the Bank.

Cayman Islands, 25 August 2011

Company: HSH N Funding II
PO Box 309,
Ugland House,
Grand Cayman,
KY1-1104,
Cayman Islands