

**FINANCIAL INFORMATION
AS OF 30 SEPTEMBER 2012**

S T A

WRK

STARK FÜR UNTERNEHMER

[Strong for entrepreneurs]

KEY FIGURES

INCOME STATEMENT

(€ m)

	January – September 2012	January – September 2011
Net income before restructuring	299	794
Net income before taxes	39	1
Group net loss	-25	-269

BALANCE SHEET

(€ bn)

	30.9.2012	31.12.2011
Equity	5.4	4.8
Total assets	136.4	135.9
Business volume	143.6	145.4

CAPITAL RATIOS ¹⁾

(%)

	30.9.2012	31.12.2011
Tier 1 capital ratio	11.8	13.8
Tier 1 capital ratio excl. hybrid financial instruments	9.4	10.3
Regulatory capital ratio	18.1	21.3

EMPLOYEES

(computed on a full-time equivalent basis)

	30.9.2012	31.12.2011
Total	3,274	3,684
Germany	2,921	3,244
Abroad	353	440

LONG-TERM RATINGS

	Unguaranteed liabilities	Guaranteed liabilities ²⁾	Public-sector Pfandbriefe	Mortgage Pfandbriefe	Ship Pfandbriefe
Moody's ³⁾	Baa2	Aa1	Aa1	Aa1	Baa1
Fitch	A-	AAA	-	-	-

¹⁾ including market risk positions; taking the financial statements as at 30 September into account

²⁾ Obligations covered by "Gewährträgerhaftung" (guarantee obligation)

³⁾ Moody's ratings under review for possible downgrade (except guaranteed liabilities)

CONTENTS

HSH Nordbank at a glance	04
Business developments as of 30 September 2012	06
Overview of business performance	06
Earnings situation	07
Net assets and financial position	09
Segment results	12
Outlook	14
Imprint	15

Note:

This financial information as of 30 September 2012 is released voluntarily and does not comply with all the accounting requirements applicable to interim reporting for capital market-oriented companies. Recognition and measurement rules were applied on the basis of the IFRS. The information has not been audited nor subject to a review.

HSH NORDBANK

at a **GLANCE**

INCOME STATEMENT

(€ m)

	January – September 2012	Following adjustment January – September 2011	Change in %
Interest income	6,990	8,978	–22
Interest expense	–6,199	–7,917	–22
Net income from hybrid financial instruments	317	60	> 100
Net interest income	1,108	1,121	–1
Net commission income	75	93	–19
Result from hedging	10	7	43
Net trading income	–339	–319	–6
Net income from financial investments	175	145	21
Net income from financial investments accounted for under the equity method	–7	–56	88
Total income	1,022	991	3
Loan loss provisions	–458	365	> 100
Administrative expenses	–558	–571	–2
Other operating income	293	9	> 100
Net income before restructuring	299	794	–62
Result from restructuring	–29	3	> –100
Expenses for government guarantees	–231	–796	–71
Net income before taxes	39	1	> 100
Income tax expenses	–64	–270	–76
Group net loss	–25	–269	91
Group net income attributable to non-controlling interests	8	1	> 100
Group net loss attributable to HSH Nordbank shareholders	–33	–270	88

BALANCE SHEET**ASSETS**

(€ m)

	30.9.2012	31.12.2011	Change in %
Cash reserve	641	1,866	-66
Loans and advances to banks	13,893	8,036	73
Loans and advances to customers	86,177	90,607	-5
Loan loss provisions	-3,689	-3,603	2
Positive fair values of hedging derivatives	422	2,165	-81
Positive adjustment item from portfolio fair value hedges	387	311	24
Trading assets	14,175	11,981	18
Financial investments	22,530	22,388	1
Financial investments accounted for under the equity method	13	41	-68
Intangible assets	71	88	-19
Property, plant and equipment	240	240	-
Investment property	112	98	14
Non-current assets held for sale and disposal groups	24	122	-80
Current tax assets	155	226	-31
Deferred tax assets	1,088	1,156	-6
Other assets	151	184	-18
Total assets	136,390	135,906	-

LIABILITIES

(€ m)

	30.9.2012	31.12.2011	Change in %
Liabilities to banks	29,075	24,685	18
Liabilities to customers	44,089	40,239	10
Securitised liabilities	32,851	39,381	-17
Negative fair values of hedging derivatives	292	680	-57
Negative adjustment item from portfolio fair value hedge	1,572	1,354	16
Trading liabilities	12,691	12,900	-2
Provisions	1,659	1,593	4
Current tax liabilities	20	28	-29
Deferred tax liabilities	15	13	15
Other liabilities	1,347	1,900	-29
Subordinated capital	7,394	8,308	-11
Equity	5,385	4,825	12
Share capital	3,018	2,635	15
Capital reserve	925	809	14
Retained earnings	1,568	1,911	-18
Revaluation reserve	-48	-210	-77
Currency conversion reserve	-49	-57	-14
Group loss	-33	-257	-87
Total before non-controlling interests	5,381	4,831	11
Non-controlling interests	4	-6	> 100
Total equity and liabilities	136,390	135,906	-

BUSINESS DEVELOPMENTS

as at 30 SEPTEMBER 2012

OVERVIEW OF BUSINESS PERFORMANCE

Nine month results characterised by weak economic environment and special effects

The macroeconomic conditions were extremely difficult for our business in the first nine months of 2012. Economic performance in the eurozone fell in the second and third quarter due to government austerity measures and the continuing uncertainty about future developments regarding the debt crisis. Although the economic situation was better in Germany than in many other European countries, the economic climate has also noticeably deteriorated in this country over recent months. As a result of the weaker growth in the global economy, having a negative effect on demand for global transport, the crisis in the shipping industry has further worsened substantially. Volatility in the financial and currency markets continued to be high against the backdrop of these developments.

This climate characterised by high risk had a significant effect on our business performance in the year to date. The progress made in the coherent restructuring of the Bank was only able to partially offset the negative impact of the market environment. Special and measurement effects also had a considerable impact on earnings. In total, HSH Nordbank reports a positive net income before taxes for the first three quarters of 2012 in the amount of € 39 million compared to € 1 million for the same period in the previous year. Prior to taking into account restructuring expenses, costs for government guarantees and tax effects, the Bank generated net income of € 299 million (previous year: € 794 million).

We were able to increase new business at risk-adjusted margins in the first nine months despite the difficult market conditions and thereby underpin the increasing success of the realignment of the customer departments.

The positive income effects from the new business already disbursed were offset by declining income resulting from the continuing winding down of non-core activities. Total income of the Bank was below the previous year's amount after adjusting for the special effects recognised.

In the third quarter we have again significantly increased loan loss provisions due to the very tense situation in individ-

ual markets, particularly shipping. As the loan loss provisions required related primarily to legacy transactions covered by the second loss guarantee of the federal states of Hamburg and Schleswig-Holstein, utilisation of this guarantee has increased. In addition to the valuation allowances loan loss provisions are adversely impacted by the initial recognition of future, expected fees for the guarantee as at 30 September 2012. This forward-looking assessment is based on an adjusted estimate of the default potential of the commitments covered under the guarantee.

Administrative expenses were further reduced by cost-cutting measures and the progressive reduction of staff. Including the already contractually agreed terminations and hiring of staff, that only take effect after the reporting date, about two thirds of the staff reductions planned up to 2014 have already been achieved at the end of the third quarter 2012.

The Tier 1 capital ratio excluding hybrid instruments (common equity ratio) was 9.4 % as at 30 September 2012. This means that it is above the regulatory minimum ratio required. The decrease in the ratio compared to the end of the year 2011 (10.3 %) is primarily attributable to the deterioration in the risk parameters as a result of the very tight situation in the shipping industry.

In the third quarter we identified a series of additional specific measures that will have a positive impact on the Tier 1 capital ratio and will contribute in future to the long-term compliance with the higher capital requirements introduced under Basel 3. The very risk-conscious management of new business and prolongations is one of the measures currently implemented. We are also continuing to place limits on the share of the business transacted in us dollar in order to reduce adverse effects resulting from high currency fluctuations. A further measure relates to the winding down process regarding the legacy portfolios in the Restructuring Unit. Here, we are focussing particularly on transactions with a higher risk. Efforts to syndicate non-strategic commitments are also being increased. In addition, we are in the process of reviewing other steps to ensure adequate capital ratios in accordance with Basel 3 over the long term.

The factors that influenced business performance in the first nine months of the current year are set out in the Earnings situation, Net assets and financial position and Segment overview chapters below.

EARNINGS SITUATION

Income affected by measurement effects and asset reductions

The income and expense items were influenced by the following developments in the first nine months of 2012:

Net interest income for the first nine months of 2012 amounted to € 1,108 million compared to € 1,121 million in the same period of the previous year. Net interest income was adversely impacted by our focus on strategic core businesses combined with the consistent winding down of risk positions. This has resulted in the Bank's interest-bearing lending volume decreasing over several quarters. However, since the beginning of 2012 the lending volume in the Core Bank is steadily rising again as a result of the noticeable increase in new business. The low level of market interest rates also had a negative impact on net interest income.

On the other hand, the remeasurement of hybrid financial instruments had a significantly positive effect on net interest income. As part of the annual updating of the Bank's planning, we have re-calculated the future principal and interest payments relating to hybrid instruments. Taking IAS 39.A8 into consideration, this resulted in a positive net income from hybrid financial instruments in the amount of € 317 million for the reporting period (previous year: € 60 million).

At € 75 million, net commission income likewise was lower than that of the previous year (€ 93 million). In addition to declining income from loan commission due to the concentration on selected types of business and the closing of foreign branches, the sale in the previous year of the retail client business of a Luxembourg subsidiary had an impact on the securities area. Nevertheless, the positive impact of the increase in new business over the past months was reflected in net commission income. The results for the third quarter were significantly above those of the two previous quarters of the current year. This is partly attributable to higher revenues from the cross-selling business that has been strengthened by the reorganisation of the product areas.

Net trading income which amounted to € -339 million (previous year: € -319 million) reflects the continued high volatility in the markets. While in the previous year it was mainly measurement losses related to European government bonds

that placed a burden on the results of the Bank, changes in the value of interest rate / currency derivatives (EUR / USD basis swaps) used to fund foreign currency transactions had the most significant effect on net trading income as at 30 September 2012. The measurement and redemption of own issues measured at fair value also had a negative impact on earnings as at 30 September 2012. However, the change in value of positions held in the credit investment portfolio had a positive effect as at the end of the third quarter in view of an improved mood in the market; this applies to both net trading income and net income from financial investments.

Net income from financial investments increased to € 175 million compared to € 145 million in the previous year. Disposals of non-strategic equity holdings (Qundis Group and Spheros Management Holding GmbH, amongst others) had a significant impact on the result. In addition, securities were written up through profit or loss in light of the improvement in market sentiment at the end of the third quarter. Portfolio valuation allowances recognised by the Bank on securities due to the increased sovereign risk had a negative effect.

Under other operating income, amounting to € 293 million (previous year: € 9 million), the Bank reports income in the amount of € 261 million from a repurchase of publicly placed subordinated bonds already performed in the first quarter. Income resulted from the difference between the nominal amount of the bonds and their repurchase price.

Overall, for the first three quarters of the year, total income amounted to € 1,022 million (previous year: € 991 million).

Requirement to initially recognise the future expected fees for the second loss guarantee through profit or loss

The Bank reported a negative result of € -458 million in the loan loss provisions item for the first nine months, compared to € 365 million for the same period for the previous year. This reflects the weak macroeconomic environment and worsening crisis in the shipping industry. Higher valuation allowances on restructuring commitments in the shipping portfolios were accordingly the main negative factors. In addition, higher loan loss provisions were required for the Restructuring Unit's portfolios, which were also affected by difficult market developments, including in particular European real estate loans, especially in the Netherlands.

As the loan loss provisions required related primarily to legacy portfolios covered by the second loss guarantee of the federal states of Hamburg and Schleswig-Holstein, utilisation of the second loss guarantee has increased. Given the significant deterioration in the underlying conditions we have adjusted the long-term loan loss provision planning of the Bank as at 30 September 2012. The probability of an actual drawdown under the second loss guarantee as determined by the Bank has increased substantially. The probability that the first euro will be drawn down under the second loss guarantee has increased to over 50 % as at 30 September 2012.

We are assuming in the new planning that the expected payment defaults in the portfolio covered by the guarantee will exceed the amount retained by the Bank of € 3.2 billion. On the basis of these future expected fees (basic and additional premium) for the second loss guarantee were recognised for the first time in loan loss provisions. They amounted to € -474 million as at the end of the third quarter. Accordingly, the reduction in the loan loss provisions attributable to the guarantee was lower for the period under review, in addition to the additional premium (€ -164 million). After taking account of these effects the reduction in the loan loss provisions attributable to the guarantee amounted to € 414 million (compensation item).

As the common equity ratio (Tier 1 capital ratio excluding hybrid instruments) is less than 10 %, the guarantors, Hamburg and Schleswig-Holstein, have waived as at 30 September 2012 via HSH Finanzfonds AöR their claim to the additional premium against the issue of a debtor warrant in accordance with the requirements of the EU Commission. The discounting of the expected cash flows from the debtor warrant results in a positive effect on income of € 183 million, which is recognised in loan loss provisions and is included in the compensation item.

The Bank's updated planning anticipates that actual payments under the second loss guarantee of the federal states would have to be made for the first time in 2019. These total a maximum amount of € 1.3 billion by 2025 taking into account the first loss piece to be borne by the Bank itself. Based on the current planning fees for drawing down the guarantee facility, including amounts already paid, will be paid in the same period in an amount that substantially exceeds the planned guarantee drawdown.

The hedging effect did not result in a cash draw down of the guarantee as of the reporting date 30 September 2012. The amount retained by the Bank was utilised in the amount of the payment defaults actually invoiced of € 249 million.

LOAN LOSS PROVISIONS

(€ m)

	January – September 2012	January – September 2011
– Expenses from allocations to loan loss provisions	1,833	1,369
+ Income from reversal of loan loss provisions	887	1,195
Total	- 946	- 174
– Expenses from allocations to provisions in the lending business	132	71
+ Income from reversal of provisions in the lending business	120	136
Subtotal	- 12	65
– Direct write-downs	25	24
+ Payments received on loans and advances previously written down	116	72
Subtotal	91	48
+ Income from the disposal of receivables	1	–
+ Foreign currency income from loan loss provisions denominated in foreign currency	–6	13
Total before compensation	- 872	- 48
+ Compensation item	414	413
Total	- 458	365

Cost-cutting measures are increasingly taking effect

We were able to further reduce administrative expenses by means of our cost-cutting programme. Compared to the previous year, we recorded a decline by € 13 million to € -558 million (previous year: € -571 million). Administrative expenses even decreased by € 45 million after adjusting for the numerous entities included for the first time in the 2011 consolidated financial statements. Personnel expenses decreased by € 1 million to € -275 million, and after being adjusted decreased by € 22 million to € 254 million, due to additional reductions in headcount. Compared to the end of 2011, headcount within the Group declined by 410 to 3,274 (computed on a full-time equivalent (FTE) basis). We achieved savings in various line items of operating expenses, such as external consultancy fees and projects. In total, operating expenses decreased by € 30 million to € -235 million, and after

being adjusted decreased by € 22 million to € 243 million. The reduction of administrative expenses was somewhat limited by the depreciation of property held by newly consolidated companies.

SoFFin guarantees returned

Total expenses for government guarantees declined during the first nine months to € -231 million (previous year: € -796 million). The largest share of this amount is attributable to the second loss guarantee issued by the federal states of Hamburg and Schleswig-Holstein. Thanks to the reduction over the course of 2011 by € 3 billion to € 7 billion, premium expenses for this guarantee declined to € -213 million (previous year: € -742 million). A one-off payment to the guarantors of € 500 million is included in the previous year's figures.

Since April 2009 the Bank has recognised as expense a base premium payable to the guarantors of € 1.3 billion for the provision of the guarantee (excluding the additional one-off payment of € 500 million, which was subsequently contributed to the Bank in the form of a capital increase).

Costs for the guarantees of the Financial Market Stabilisation Fund (SoFFin) fell to only € 18 million due to reductions (previous year: € 54 million). The Bank repaid its last SoFFin guaranteed bond of € 3 billion as scheduled in July 2012.

Net income before taxes reaches € 39 million

In total, developments during the first nine months of 2012 resulted in net income before taxes in the amount of € 39 million compared to € 1 million for the same period in the previous year. After taking into account income tax effects in the amount of € -64 million (previous year: € -270 million), Group net loss of € -25 million (previous year: € -269 million) remains.

NET ASSETS AND FINANCIAL POSITION

Total assets remain stable

Total assets of HSH Nordbank as at 30 September 2012 have remained at virtually the same level compared to the 2011 year end and amount to € 136,390 million (31 December 2011: € 135,906 million).

The larger line items moved in opposite directions to some extent. The continued winding-down of non-strategic business resulted in loans and advances to customers decreasing to € 86,177 million (31 December 2011: € 90,607 million), while at the same time loans and advances to banks increased significantly compared to the end of the year 2011. They amounted to € 13,893 million (31 December 2011: € 8,036 million). This is attributable to collateralised money market transactions entered into as part of the operational liquidity management process. Total loan loss provisions increased slightly to € -3,689 million (31 December 2011: € -3,603 million). Loan loss provisions would have increased to € -5,462 million (31 December 2011: € -4,964 million) without taking into account the deduction of the compensation item on the assets side. Trading assets amounted to € 14,175 million as at 30 September 2012 (31 December 2011: € 11,981 million). At € 22,530 million, financial investments remained largely unchanged (31 December 2011: € 22,388 million).

The increase in liabilities to customers to € 44,089 million (31 December 2011: € 40,239 million) and in liabilities to banks to € 29,075 million (31 December 2011: € 24,685 million) is mainly attributable to higher call and time deposits from customers and banks and an increase in the funding business with the ECB and repo transactions. As at 30 September 2012, subordinated capital decreased slightly to € 7,394 million (31 December 2011: € 8,308 million). The repurchase of subordinated bonds during the first quarter as well as maturing issues contributed to this decline. Reported equity increased to € 5,385 million (31 December 2011: € 4,825 million) through the re-investment of a one-off payment (€ 500 million) recognised through profit or loss in the 2011 consolidated financial statements by way of a contribution in kind.

Compared to the end of the previous year the business volume decreased to € 143,633 million (31 December 2011: € 145,414 million). This is due to the reductions in guarantees and war-

ranty agreements (€ 2,301 million; 31 December 2011: € 2,741 million) as well as in irrevocable loan commitments (€ 4,942 million; 31 December 2011: € 6,767 million).

Capital ratios as at 30 September 2012

REGULATORY CAPITAL RATIOS IN ACCORDANCE WITH THE GERMAN SOLVENCY REGULATION

	30.9.2012	31.12.2011
Equity ratio (solvency coefficient)	17.3	22.4
Total ratio / Regulatory capital ratio	16.6	21.0
Tier 1 capital ratio	11.5	15.1
Tier 1 capital ratio (including market risk positions)	10.7	13.8
Tier 1 capital ratio excl. hybrid financial instruments (incl. market risk positions)	8.2	10.0

REGULATORY CAPITAL RATIOS TAKING INTO ACCOUNT THE FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2012

	30.9.2012	31.12.2011
Equity ratio (solvency coefficient)	19.0	22.8
Total ratio / Regulatory capital ratio	18.1	21.3
Tier 1 capital ratio	12.7	15.1
Tier 1 capital ratio (including market risk positions)	11.8	13.8
Tier 1 capital ratio excl. hybrid financial instruments (incl. market risk positions)	9.4	10.3

REGULATORY CAPITAL IN ACCORDANCE WITH KWG (GERMAN BANKING ACT) FOR SOLVENCY PURPOSES AND REGULATORY CAPITAL REQUIREMENTS PURSUANT TO THE GERMAN SOLVENCY REGULATION (SOLVV)¹⁾

	30.9.2012	31.12.2011
Regulatory capital pursuant to Section 3 (1) Sentence 1 in conjunction with Section 2 (6) Sentence 1 SolvV	10.7	9.6
of which: Tier 1 capital for solvency purposes	7.0	6.3
Total risk assets (including market risks and operational risk)	64.8	45.9
of which: Risk assets counterparty default risk	56.7	38.2

¹⁾ Report pursuant to the German Solvency Regulation (without taking into account the financial statements as at 30 September 2012)

The Tier 1 capital ratio excluding hybrid instruments (common equity ratio) was 9.4 % as at the end of the third quarter of the year (31 December 2011: 10.3 %); it was therefore above the regulatory minimum value and the ratio set by the European Banking Authority of 9 %. The Tier 1 capital ratio, including market risk positions, was 11.8 % (31 December 2011: 13.8 %) and the regulatory capital ratio reached 18.1 % (31 December 2011: 21.3 %). The figures take the interim financial statements as at 30 September 2012 into account.

The reduction in the capital ratios compared to the 2011 year end is primarily attributable to the deterioration in the risk parameters over the course of the year. The further worsening of the crisis in the shipping industry was a key influencing factor. The reduction was only partially offset by the measures implemented to strengthen the capital base, the on-going winding down of portfolios and the hedging effect of the second loss guarantee.

Refinancing in the first nine months

Despite the difficult capital markets environment we were able to expand the Bank's refinancing base and to raise virtually the total amount of refinancing planned for the whole of 2012 by the end of the third quarter. A stable level of sales of bonds to members of the German Sparkassenverbund (Savings Banks Association) and to other domestic investor groups was a major contributory factor. We exploited the positive conditions for German Pfandbriefe in the public capital markets and have already placed two large mortgage Pfandbriefe with domestic and foreign investors in the first six months of the year. We were able to significantly increase the average term of the capital markets issues of the Bank compared to the previous year and thereby ensure a longer-term funding base.

We entered into two asset-based transactions in the amounts of USD 500 million and USD 450 million, respectively in the third quarter for the purposes of refinancing our US dollar business. In addition to other issues these made a significant contribution in the current year to the targeted expansion of US dollar funding using primary instruments.

In the third quarter we successfully increased our deposit business with customers through targeted measures. The focus in expanding the customer base was placed on core customers in the Corporates division.

Exposure to selected European countries

Due to the deterioration in their fiscal and economic data, a number of European countries are subject to increased monitoring. In addition to the members of the eurozone Portugal, Ireland, Italy, Greece and Spain also Belgium and the EU Member State Hungary are being specially monitored. The following table shows our exposure to the European countries mentioned as at 30 September 2012.

IFRS CARRYING AMOUNTS FOR SOVEREIGN EXPOSURE TO SELECTED EUROPEAN COUNTRIES

(€ m)

	Country		Banks		Corporates/Other		Total	
	30.9.2012	31.12.2011	30.9.2012	31.12.2011	30.9.2012	31.12.2011	30.9.2012	31.12.2011
Greece	21	51	-	-	1,393	1,126	1,414	1,177
Ireland	-	-	161	358	331	399	492	757
Italy	611	557	136	216	769	706	1,516	1,479
Portugal	251	267	3	22	55	62	309	351
Spain	175	180	1,324	1,329	1,357	1,362	2,856	2,871
Belgium	366	347	80	87	942	930	1,388	1,364
Hungary	35	31	5	6	82	110	122	147
Total	1,459	1,433	1,709	2,018	4,929	4,695	8,097	8,146

SEGMENT RESULTS

SEGMENT OVERVIEW AS AT 30 SEPTEMBER 2012

(€ m)

		Corporate and Private Clients	Products, Capital Markets and Corporate Center	Consolida- tion Core Bank	Total Core Bank	Restructur- ing Unit	Consolida- tion Restructur- ing Unit	Total Restructur- ing Unit
Total income	2012	702	427	-463	666	647	-291	356
	2011	714	233	-141	806	158	27	185
Loan loss provisions	2012	-280	-18	81	-217	-579	338	-241
	2011	-46	-10	26	-30	6	388	394
Net income before restructuring	2012	165	620	-386	399	-147	47	-100
	2011	391	152	-128	415	-33	411	378

Net income before restructuring for the Core Bank, in which HSH Nordbank's strategic business divisions comprising the Corporate and Private Clients as well as the Products, Capital Markets and Corporate Center segments are combined, is € 399 million compared to € 415 million in the same period of the previous year (including consolidation effects). Total assets of the Core Bank as at 30 September 2012 were about € 81 billion (31 December 2011: € 77 billion).

In the Corporate and Private Clients segment, which includes business conducted with corporates, real estate customers, private customers, shipping customers and customers in the energy & infrastructure area, we have substantially increased our new business compared to the previous year despite adverse underlying conditions and a muted demand for loans by customers. By focussing on counterparties with good creditworthiness we were able to achieve risk-adequate and increased margins. The success substantiates the improved market positioning in the course of the realignment of customer business.

The increased new business combined with the margin increases is having an increasing effect on the segment income. Income generated in the third quarter was significantly above that of the previous quarters. The positive income effects from new business are being adversely impacted by the reclassification of transactions into the Restructuring Unit made at the end of 2011. Furthermore, there was no exceptional income relating to the recognition of gains on the sale

of equity holdings as was the case in the previous year. As a result of these effects total income of € 702 million for the Corporate and Private Clients segment for the first three quarters was slightly below the previous year amount of € 714 million.

In addition to the earnings performance net income for the Corporate and Private Clients segment reflects the substantial increase in loan loss provision expense for shipping commitments, through which we took account of the further significant worsening of the situation in the shipping markets. On the demand side, the weakening global economy, which had a negative impact on transport volumes, was the cause of the continuing difficult situation in the shipping industry. At the same time tonnage has increased further on the supply side. Despite the increasing levels of scrapping the crisis in most of the submarkets in the shipping industry, combined with declining charter rates and ship values, has worsened further as a result. In contrast to the Shipping division there was hardly any need to increase loan loss provisions in other divisions of the segment. However, loan loss provision expense for the Corporate and Private Clients segment increased in total to € -280 million compared to € -46 million in the same period of the previous year.

As a result of the higher loan loss provisions net income of € 165 million for the Corporate and Private Clients segment was below the previous year amount (€ 391 million).

The Products & Capital Markets division, which is responsible for the development, structuring, sales and trading in financial products as well as providing support to savings banks, banks and insurance companies, has extended its business to capital market products and structured financing in the course of the year.

The net income position of the segment that, in addition to the Products and Capital Markets divisions, also includes the Corporate Center division, in which items relating to the Overall Bank are reported, was positively affected by the repurchase of subordinated bonds and the measurement of hybrid financial instruments. Portfolio valuation allowances recognised by the Bank on securities in light of the increased sovereign risk, however, had a negative effect. In addition to these Overall Bank effects, the capital markets business was adversely impacted by the low level of market interest rates.

Sales of hedging transactions have progressed positively due to high market volatility as did funding product sales. Despite the increase over the course of the year income from the cross-selling business remained below the previous year amount due to the winding down of further non-strategic business. Net income of the segment increased to € 620 million (previous year: € 152 million).

We were able to continue on schedule to unwind non-strategic loan and capital markets transactions in the Restructuring Unit. Segment assets were reduced to € 52 billion as at 30 September 2012 (31 December 2011: € 58 billion).

Net income of the Restructuring Unit segment has been significantly impacted by higher loan loss provisions at the end of the third quarter. The restructuring commitments in the shipping portfolio accounted for most of the loan loss provision expense due to the continuing difficult situation in the shipping industry. Furthermore, additions to the asset class European real estate, especially in the Netherlands, increased markedly. Additions to loan loss provisions for the segment amounted in total to € -579 million compared to reversals of € 6 million in the same period of the previous year.

Total income for the segment increased to € 647 million compared to € 158 million in the previous year. It benefited in particular from the non-recurring effects of disposals of equity holdings and positive measurement effects in individual asset classes, particularly on Southern European government

bonds and in the Credit Investment Portfolio. However, the previous year amount included impairment losses and measurement losses on government bonds. The reduction in net interest income reflects the continued winding down of assets held in the Restructuring Unit's portfolios. Overall, net income for the segment of € -147 million remained (previous year: € -33 million). Including consolidation effects the Restructuring Unit achieved a net income before restructuring of € -100 million (previous year: € 378 million).

OUTLOOK

The currently very difficult underlying conditions for HSH Nordbank will also crucially affect our business performance over the remainder of the year. In view of the dampened expectations in individual markets, especially shipping, we are assuming that increased loan loss provisions will be required over the coming months, which will be reflected in Group results. In order to further relieve the pressure on the capital ratios we are continuously implementing the measures identified in the third quarter and are reviewing additional steps to strengthen the capital ratios and to meet the increasing regulatory capital requirements on a long-term basis.

A core element of our strategy remains the reorganisation of the Bank. Based on the efficiency increases and cost savings already achieved we are consistently implementing all steps necessary to establish an organisation viable for the future. In addition, we are continuing to concentrate on the further development of the client business. We are seeking to further strengthen our market positions over the course of the year on the basis of the significant increase in client business and to exploit the earnings potential within the framework of stricter risk standards.

Despite the evident successes achieved on implementing the business model we are anticipating that our business will face continuing challenges over the near-term in light of the difficult market conditions that are unexpected in terms of extent and duration. We have included these developments in the updated Bank planning. However, on an overall basis we expect to be able to overcome the increased challenges through our business reorganisation and additional operational measures and to strengthen HSH Nordbank on a sustained basis.

IMPRINT

PUBLISHED BY

HSH Nordbank AG
Gerhart-Hauptmann-Platz 50
20095 Hamburg, Germany
Phone: +49 40-3333-0
Fax: +49 40-3333-34001

Martensdamm 6
24103 Kiel, Germany
Phone: +49 431-900-01
Fax: +49 431-900-34002

info@hsh-nordbank.com
www.hsh-nordbank.com

INVESTOR RELATIONS

Phone: +49 40-3333-14601
Fax: +49 40-3333-614601
investor-relations@hsh-nordbank.com

IMPRINT

REALISATION

HEISTERS & PARTNER
Corporate & Brand Communication, Mainz

EDITING

Group Finance & Financial Controlling

PRINTED BY

HSH Print + Logistics GmbH, Hamburg

This financial information is available for download at www.hsh-nordbank.com.

This is an English translation of the original German version of the financial information.

FORWARD-LOOKING STATEMENTS

This financial information includes certain forward-looking statements. These statements are based on our beliefs and assumptions as well as on conclusions drawn from information currently available to us from sources which we consider to be reliable. A forward-looking statement involves information that does not simply reflect historical facts, including information relating to possible or anticipated future growth and future economic development.

Such forward-looking statements are based on a number of assumptions concerning future events and are subject to uncertainties, risks, and other factors, many of which are beyond our control. Therefore actual events may differ considerably from those forecast in the forward-looking statements. In view of this, you are advised never to rely to an inappropriate degree on forward-looking statements. We cannot accept any liability for the accuracy or completeness of these statements or for the actual realisation of forecasts made in this financial information. Furthermore, we are not obliged to update the forward-looking statements following publication of this information. In addition, information contained in this financial information does not represent any kind of offer for the acquisition or sale of any type of securities of HSH Nordbank AG.

S **T** **A**

NRK

HSH NORDBANK AG

HAMBURG: Gerhart-Hauptmann-Platz 50, 20095 Hamburg, Germany

Phone +49 40 3333-0, Fax +49 40 3333-34001

KIEL: Martensdamm 6, 24103 Kiel, Germany

Phone +49 431 900-01, Fax +49 431 900-34002

HSH-NORDBANK.COM