

## **HSH N Funding I: Expected EC-Requirements burden expected result of HSH Nordbank AG**

25 August, 2011

HSH N Funding I (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 XS0142391894 listed on Luxembourg Stock Exchange, based on a silent participation, this means that in the case of a loss no coupon payment will be made for the profit period 2011 and 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:

EUR 500,000,000 HSH Nordbank Sparc Securities with the ISIN XS0142391894 listed on Luxembourg Stock Exchange. Date of coupon payment: 30 June 2012

Description of the fiduciary structure:

With the proceeds of the issue of the SPARC Securities, the Fiduciary has, in its own name but at the sole risk of the holders of the SPARC Securities, acquired 500,000 Class B Preference Shares issued by HSH N Funding I (formerly LB Kiel Funding I, 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 HSH Nordbank (formerly Landesbank Schleswig-Holstein Girozentrale) in the form of a *Stille Gesellschaft*. The SPARC Securities represent a pro rata interest in the Class B Securities (prior to redemption thereof) and (after such redemption), the Silent Participation and all payments received by the Fiduciary thereunder. Redemption of the Class B Securities will, unless the Silent Participation has been repaid, occur by way of a transfer ("Transfer") of the Company's rights under the Participation Agreement to the Fiduciary. The Fiduciary holds (prior to Transfer) the Class B Securities and (after Transfer) the Silent Participation in its own name, on a fiduciary basis, but solely at the risk and for the account of the Securityholders. The SPARC Securities evidence the existence of fiduciary contracts between the Securityholders and the Fiduciary, the terms of which Securityholders are deemed to have acknowledged and agreed by accepting SPARC Securities and pursuant to which the Fiduciary is only obliged to pass on funds actually received from the Company (under the Class B Securities prior to Transfer) or the Bank (under the Participation Agreement after Transfer) to the Securityholders but has no other payment obligations to the Securityholders. The amounts of distributions under the Class B Securities and the Participation Agreement depend on the profits of the Bank.

Cayman Islands, 25 August, 2011

Company: HSH N Funding I  
P.O. Box 309,  
Ugland House,  
Grand Cayman,  
KY1-1104,  
Cayman Islands