

HSH N Funding I: Earnings prospects of HSH Nordbank AG

February 06, 2013

HSH N Funding I (the Company) announces 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 total expenses resulting from the new financial planning will result in net losses for the business years 2013 and 2014 in the Bank’s P&L according to German GAAP (*HGB*). The financial result of the years 2015 up until 2017 will be needed to reverse all accrued haircuts and to write-up the hybrid instruments to par value. Against this backdrop coupon payments on silent participations and profit participations will not be made until 2017. Coupon payments are expected to resume earliest on coupon payments date 30 June 2018.

For the instruments issued on a fiduciary basis by Banque de Luxembourg with ISIN XS0142391894 listed on Luxembourg Stock Exchange which are based on a silent participation, this means that these instruments will participate in a balance sheet loss for the fiscal years 2012, 2013 and 2014. The book value of the silent participation will most likely be reduced over the course of this period from currently 73 percent down to around 63 percent. For the profit periods 2012 until 2016 coupon payments most likely will not be paid. The exact amount of loss participation cannot yet be quantified and will be made public after the Bank’s supervisory board has approved of the annual financial statements of the Bank in the respective years.

The following instrument issued on a fiduciary basis by Banque de Luxembourg is affected:

EUR 500,000,000 HSH Nordbank Sparc Securities with the ISIN XS0142391894 listed on Luxembourg Stock Exchange:

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, **February 6, 2013**

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