

## **HSH N Funding II: Earnings prospects of HSH Nordbank AG**

**February 06, 2013**

HSH N Funding II (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 XS0221141400 listed on Euronext Amsterdam 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:

USD 500,000,000 HSH Nordbank Sphere Securities with the ISIN XS0221141400 listed on Euronext Amsterdam:

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, **February 6, 2013**

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