Q2

Interim Report as of 30 June 2008

HSH NORDBANK

HSH NORDBANK GROUP AT A GLANCE

Income statement		**1 Jan. to 30 June 2008**	**1 Jan. to 30 June 2007**
Net income before taxes	(€ million)	99	871
Group net income	(€ million)	129	727

Key ratios		**1 Jan. to 30 June 2008**	**1 Jan. to 30 June 2007**
Return on equity before taxes	(%)	4.5	36.4
Return on equity after taxes	(%)	6.1	30.7
Cost / income ratio	(%)	68.1	36.1

Balance sheet		**30 June 2008**	**31 Dec. 2007**
Total assets	(€ billion)	204.4	204.9
Business volume	(€ billion)	237.3	241.9

Capital ratios [1]		**30 June 2008**	**31 Dec. 2007**
Tier 1 capital ratio	(%)	6.5	6.2
Equity funds ratio	(%)	10.3	10.4

Employees	**30 June 2008**	**31 Dec. 2007**
Total	4,909	4,756

Long-term ratings	Unguaranteed liabilities	Guaranteed liabilities [2]	Pfandbriefe [3]
Moody's	Aa2	Aa1	AAA
Standard & Poor's	A	AA-	–
Fitch	A	AAA	–

[1] Including market risk positions; since 1 January 2008 HSH Nordbank has calculated these ratios in accordance with Basel II regulations. The ratios as of 31.12.2007 are calculated under Basel I.

[2] Liabilities covered by the guarantee obligation (Gewährträgerhaftung)

[3] Ship Pfandbriefe and public-sector Pfandbriefe

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Ladies and gentlemen,

In the banking sector worldwide the first half-year was dominated by the financial crisis. The tension on money and capital markets again caused valuation losses in banks' securities portfolios. HSH Nordbank was not exempt from these tribulations, but achieved Group net income of EUR 129 million for the first half-year 2008. Particularly noteworthy is the fact that we did not report a loss in either the first or the second quarter of 2008.

Nevertheless, we cannot be satisfied with these results. We have therefore drawn up a comprehensive package of measures to ensure that HSH Nordbank is fully weatherproof and able to withstand the winds of the current crisis.

This move has three objectives. Firstly, we intend to bolster our financial strength and sharply reduce capital employed and risk in response to the changed circumstances. Secondly, we will make lasting improvements to the Bank's profitability and efficiency. Thirdly, we aim to deploy our expertise and skills even more effectively for our customers in our core business areas.

The package follows two lines of attack: focussing the business model more sharply and making significant improvements in the cost base.

The first point means specifically that we will be abandoning various activities and disposing of non-strategic equity holdings. We are also going to tighten up the overseas network and are reviewing certain activities in our core business areas as well as in the corporate and service divisions in terms of their value contribution to the Bank. The credit investment portfolio will also be divested as market conditions permit.

In the course of these measures we will bring costs and earnings development into a relation appropriate to the changed circumstances. This year administrative expenses are to be capped at last year's level (EUR 984 million), and by 2010 the cost base is to be cut to EUR 900 million.

In addition to sharp reductions in operating expenses this will also require job cuts at HSH Nordbank. In total these will result in 600 fewer full-time equivalent positions. Approximately 200 of these will affect jobs abroad and 400 in Germany. Natural fluctuation in the Bank will result in a further reduction of around 150 full-time equivalents.

It is precisely in the current situation that we need to reinforce our financial strength and competitiveness. We believe that with the measures we have initiated our Bank is well prepared. Even in these difficult times this is a clear signal we can send to our clients, shareholders and investors.

Hans Berger
Chairman of the Management Board of HSH Nordbank AG

INTERIM MANAGEMENT REPORT FOR HSH NORDBANK GROUP

UNDERLYING CONDITIONS

Economy slowing

Economic momentum declined worldwide in the first half-year. Growth in emerging markets, particularly China and India, remained solid, but still less dynamic than in the recent past. The American economy only expanded marginally. Investment in housing, which reported double-digit percentage drops, still put a damper on growth. Consumers are currently confronted with multiple pressures – the ongoing slump in property prices, falling stock markets, sharp increases in consumer prices and a gloomier outlook for the employment market. They nevertheless managed to increase their consumption somewhat, not least thanks to tax rebates from the US government.

In the euro zone the economy slowed down considerably over the first six months of the year as companies and consumers lost confidence. Gross domestic product did go up strongly in the first quarter, particularly in Germany, but as the increase was largely due to one-off factors having a positive effect on investment, this was rapidly negated in the second quarter. Although the German economy remained relatively robust into the spring, in other countries in the euro zone, particularly Spain and Italy, the economy has already cooled noticeably.

Further challenges in the banking sector

In the first half of 2008 the subprime crisis again led to substantial write-downs in the banking sector. Banks in the USA and Europe were hit especially hard. The losses were partially made up for by raising fresh capital. The crisis reached a peak in March with the collapse of the US investment bank Bear Stearns, which was taken over by competitor JP Morgan, thanks to a guarantee from the Federal Exchange (Fed), the US central bank.

When the US mortgage financiers Fannie Mae and Freddie Mac ran into refinancing difficulties in July the Fed and the US administration again demonstrated their willingness to support large financial institutions, but the crisis of confidence in the banking sector continued unabated. Measured by the spreads between the prime rate and 3-month Euribor and 3-month Libor, the tensions on the interbank market in both the USA and the euro zone have even worsened through to the middle of the year.

Financial markets unstable

Over the first half-year central banks had a varied reaction to the growing global discrepancy between accelerating inflation on the one hand and risks to growth on the other. The Fed was primarily concerned with mitigating the danger of recession and continued its policy of cutting interest rates, with four reductions driving the prime rate down from 4.25 % at the start of the year to just 2 %. The ECB in contrast focussed on the risk of a wage-price spiral in the euro zone and given higher inflation at 4 % in June raised interest rates by 25 basis points at the beginning of July to 4.25 %.

Yields on ten-year government bonds picked up strongly from their low point in mid March due to growing inflationary concerns. As the interest rate difference between the USA and the euro zone increased, so did the price of the euro, testing the mark of USD 1.60 / EUR on several occasions.

Stock exchanges also felt the effects of the stiff headwinds in the first half of the year quite strongly. The weak US dollar, the sharp rise in commodities prices and the slowdown in economic growth in industrialised countries all weighed on earnings expectations and share prices. Write-downs in the banking sector compounded the problem. From the beginning of January until the end of June the DAX dropped from over 8,100 points to barely 6,400 (−21 %). Performance was similarly disappointing for the Dow Jones (−14 %) and STOXX 50 (−21 %).

EARNINGS, NET ASSETS AND FINANCIAL SITUATION

Performance of HSH Nordbank Group

Financial crisis still perceptible

Persistent turbulence on the financial markets left its mark on HSH Nordbank's figures for the first half-year 2008. Group net income sank to EUR 129 million, largely due to write-downs on the credit investment portfolio. Group net income in the first six months of last year, under significantly better conditions, came to EUR 727 million.

Capital increase completed

At an extraordinary general meeting held in July 2008 resolutions were passed to increase the Bank's capital by a total of some EUR 2 billion. By taking this step the shareholders agreed to lastingly strengthen the Bank's capital base.

To improve the capital structure, in August all the silent participations hitherto held by shareholders, amounting to EUR 685 million, and EUR 57 million in preference shares were converted to ordinary shares. At the same time the trusts advised by J.C. Flowers subscribed for a capital increase in cash to prevent a dilution of their stake. This resulted in proceeds for the Bank of some EUR 300 million.

In order to provide the Bank with additional funds, shareholders subscribed for a new silent participation of EUR 962 million, convertible into ordinary shares by 31 December 2010 at the latest. If HSH Nordbank goes public before this date, the participation is to be converted as part of the flotation.

Earnings: Group net income of EUR 129 million

Net interest income progressed well in the first half of 2008, showing an increase of 10.5 % over the same period last year. Renewed business expansion, particularly in the second quarter, was largely responsible. Net interest for the months April to June improved accordingly, by 3.8 % compared with the opening quarter 2008. Higher refinancing costs due to the tension on the markets had a negative impact. Income from equity holdings and subsidiaries contributed much less to net interest income in the first half-year 2008 than last year.

Net interest income after risk provisioning came to EUR 668 million, which was 19 % below last year's figure of EUR 825 million. This was due to budgeted higher loan loss provisions. In the first half of this year EUR 131 million were added to loan loss provisions, whereas net additions for individual risk provisioning went up to EUR 75 million (previous year: EUR 20 million). Proceeds from amortised loans and advances (EUR 8 million, previous year: EUR 13 million) were only partially able to offset this. Portfolio value adjustments for loans and advances as well as contingent liabilities were increased by EUR 64 million. In the same period of 2007 under favourable economic conditions and in the course of the Basel II conversion, the net release of write-downs and loan loss provisions totalled EUR 102 million.

Net commission income amounted to EUR 100 million in the first half-year, compared with EUR 179 million for the first half-year 2007. Commission income from financing dropped to EUR 70 million as a result of market conditions (previous year: EUR 99 million). Investor reticence meant that commission income from the securities business could not match last year's figure either, totalling EUR 11 million compared with EUR 21 million for the first half-year 2007. Securitisation transactions carried out at the end of 2007 to release risk-weighted assets resulted in higher commission expenses. Most of those transactions expired in the first half of this year. In the second quarter net commission income improved by 8.3 % compared with the first three months of the year due to the increase in the lending business.

Net trading income as of 30 June 2008 was affected by the international financial crisis and at EUR −64 million was well below last year's figure of EUR 115 million. Value adjustments and realised losses on the sale of assets attributable to the credit investment portfolio (CIP) contributed a net loss of EUR −356 million to net trading income.

These value adjustments were partly offset by the sale and valuation of transactions completed for trading purposes, valuations of structured products and of derivative hedging instruments not included in hedge accounting. The valuation of foreign currency holdings also delivered a positive contribution to net income.

Net income from financial investments of EUR −164 million (previous year: EUR 178 million) also bore the marks of the financial crisis. On balance, value adjustments on the credit investment portfolio resulted in a loss of EUR −155 million. We earned income of EUR 30 million on the disposal of assets not attributable to the CIP; in the previous year several items had been particularly successfully disposed of, and as a result the sale of financial assets yielded a positive contribution to earnings of EUR 240 million. Individual value adjustments and write-downs for other items were comparatively minor during the reporting period. Portfolio value adjustments for securities of EUR 15 million were recognised.

Administrative expenses rose by 12.6 % to EUR 490 million (previous year: EUR 435 million). This includes an increase of 9.5 % in personnel expenses, primarily as a result of new hirings.

The rise in other operating expenses of EUR 34 million to EUR 248 million (previous year: EUR 214 million) is largely due to higher IT expenses, which came to EUR 74 million at mid-year 2008 (previous year: EUR 56 million). Greater expenditure on marketing activities also had an effect on overall administrative expenses.

The increase in other operating income to EUR 63 million (previous year: EUR 29 million) stems primarily from releases as well as from lower additions to provisions.

Net income before taxes totalled EUR 99 million (previous year: EUR 871 million).

Due to pressure on the results in the first half-year 2008 the key figures of HSH Nordbank deteriorated. The cost-income ratio came to 68.1 % (previous year: 36.1 %), return on equity before taxes declined to 4.5 % (previous year: 36.4 %). The return on equity after taxes was 6.1 % (previous year: 30.7 %).

Taking into account the positive result from income taxes totalling EUR 22 million (previous year: EUR −128 million) and losses attributable to minority interest, Group net income amounted to EUR 129 million (previous year: EUR 727 million).

Net assets and financial situation: total assets nearly unchanged

Compared with year-end, loans and advances to customers rose by 6.2 % as of 30 June 2008 to EUR 112,045 million. This increase was offset by declines in loans and advances to banks of EUR 3,651 million to EUR 24,890 million and in assets held for trading of EUR 3,673 million to EUR 20,582 million, so that total assets remained nearly unchanged at 204,362 million (31 December 2007: 204,863 million).

The cash reserve declined by EUR 811 million to EUR 386 million, largely due to declines of EUR 517 million in balances at central banks and of EUR 265 million in treasury bills and discounted treasury bills.

The drop in loans and advances to banks resulted primarily from the EUR 2,577 million lower volume of reverse repo transactions. In contrast, loans and advances to customers from reverse repo transactions rose by EUR 2,480 million. In total, loans and advances to customers went up by EUR 6,570 million, especially due to more business with foreign corporate clients.

Accumulated loan loss provisions declined slightly by 2.8 % to EUR 1,511 million compared with 31 December 2007. This stems from releases and utilisations of individual value adjustments on loans and advances to customers, which more than made up for the additions. Portfolio value adjustments on loans and advances increased the total by EUR 48 million.

Positive market values of hedge derivatives went up by EUR 440 million to EUR 1,742 million. In the same period, however, the negative market values from hedging derivatives also went up by EUR 716 million to EUR 1,796 million.

Assets held for trading went down by 15.1 % to EUR 20,582 million, principally because of a drop of EUR 3,761 million in bonds and debentures held for trading to EUR 10,412 million. In contrast the positive market values of derivatives held for trading rose by EUR 143 million to EUR 8,990 million.

The portfolio of financial investments grew to EUR 43,742 million, in particular due to higher volumes of debentures and fixed-interest securities.

Current tax assets went up by EUR 323 million in the first half-year, to EUR 660 million. Deferred tax assets also rose, to reach EUR 954 million.

Liabilities to banks sank by 5.9 % compared with 31 December 2007 to EUR 54,335 million. Liabilities to customers increased on the other hand by EUR 5,520 million to EUR 55,767 million.

Securitised liabilities, HSH Nordbank's principal source of refinancing, dropped by 4.6 % over the first half-year compared with year-end to EUR 66,982 million. Subordinated capital also declined to EUR 8,824 million as of 30 June 2008 as a result of lower profit participation capital.

Liabilities held for trading, which mostly consist of negative market values from derivatives held for trading, went up by 13.0 % to EUR 9,468 million.

The drop in equity to EUR 4,278 million reflects the change in the revaluation reserve of EUR −233 million. The negative balance of the currency translation reserve has increased by EUR −64 million to EUR −185 million since the beginning of the year.

Tier 1 capital reaches EUR 7.7 billion

Since the beginning of 2008 HSH Nordbank has reported equity and its utilisation for the Solvency Regulation (SolvV) in accordance with the requirements of Basel II. Up to 31 December 2007 the figures were calculated using the stipulations of Basel I. As of 30 June 2008 total Tier 1 capital amounted to EUR 7.7 billion (31.12.2007: EUR 7.7 billion) and regulatory capital to EUR 12.3 billion (31.12.2007: EUR 12.9 billion). Risk-weighted assets including market risk positions came to EUR 119.0 billion (31.12.2007: EUR 124.1 billion). The Tier 1 capital ratio (including market risk positions) reached 6.5 % (31.12.2007: 6.2 %) and the equity funds ratio 10.3 % (31.12.2007: 10.4 %).

Tension persists in the financial markets

The highly instable atmosphere in the money and capital markets continued in the first half-year 2008. This meant that refinancing conditions remained altogether extraordinarily difficult. The persistent reserved behaviour on the part of investors made it harder for banks to raise funds and made funding for uncovered capital market emissions in particular significantly more expensive.

HSH Nordbank used temporary periods of respite on the markets to implement larger refinancing transactions with mid-term maturities. We were especially successful with loan notes and private placements in the domestic market. By the end of June the Bank had placed uncovered debt instruments worth almost EUR 4 billion. In addition, we utilised our position as a Pfandbrief issuer to place covered instruments amounting to around EUR 3.6 billion. In the area of short-term maturities we recorded stable demand from investors.

Alongside the refinancing options named, measures recently introduced also contribute to strengthening our liquidity in a volatile market environment. These include the sale of assets, the improvement of potential in the repo business through the restructuring of non-liquid assets, the expansion of the cover pool as well as the identification of alternative funding structures. The measures implemented are constantly monitored and terms adjusted accordingly.

To secure the liquidity situation, the Bank also has deposit accounts at several central banks around the world holding tens of billions in securities and loan receivables, which can be converted to liquidity at any time. This collateral pool has been continually extended and its quality improved since the capital market crisis began.

Performance of the segments

In the course of organisational improvements made at the start of the year we have altered the structure of our segments. The Shipping, Transportation and Energy divisions have been combined to form the Transportation & Energy Segment. The Real Estate segment includes the Real Estate Clients division, and the Corporate Clients and Private Banking divisions were merged into the segment Corporate & Private Banking. The financial markets divisions Capital Markets Clients, Asset & Investment Management, Capital Markets Structuring & Trading, Group Treasury and Savings Banks are grouped in the Financial Markets & Institutions segment.

Segment structure HSH Nordbank

TRANSPORTATION & ENERGY	REAL ESTATE	CORPORATE & PRIVATE BANKING	FINANCIAL MARKETS & INSTITUTIONS
Shipping	Real Estate Clients	Corporate Clients	Financial Markets
Transportation		Private Banking	Savings Banks
Energy			

Transportation & Energy (€ million)	1 Jan. to 30 June 2008	1 Jan. to 30 June 2007	Change in %
Net interest income	236	241	−2.1
Net trading income	39	20	95.0
Net income from financial investments	2	16	−87.5
Net commission income	52	73	−28.8
Other operating income	1	–	–
Total operating income	**330**	**350**	**−5.7**
Loan loss provisions	25	4	> 100
Income after loan loss provisions	**355**	**354**	**0.3**
Administrative expenses	−104	−81	28.4
Net income before taxes	**251**	**273**	**−8.1**
Average equity	1,105	1,033	7.0

Transportation & Energy

Net income before taxes in the Transportation & Energy segment, which includes the divisions Shipping, Transportation and Energy, dropped to EUR 251 million (previous year: EUR 273 million) in the first half-year 2008.

Shipping

More new business in the second quarter

The turmoil on global financial markets left its mark on business in the Shipping division in the first half-year 2008. As opportunities for transferring risk to the market were restricted, scope for new lending declined from the end of 2007. The situation improved in the second quarter 2008, particularly with regard to shipping companies' willingness to accept higher funding costs. The volume of new business rose significantly in the second quarter as a result. However, this performance was not sufficient overall to make up for limited new business growth in early 2008.

The subsequent decline in net interest and net commission income brought net income before taxes for the first half-year 2008 to EUR 125 million, down by 29 % compared with the same period last year. However, last year's excellent result benefited from income of EUR 11 million from equity holdings.

Hedging instruments in demand

In contrast, net trading income reported a welcome increase of 27 % to EUR 19 million, aided by successful sales of risk management products. Our customers demonstrated particular interest in instruments for hedging interest rate, exchange rate and oil price risks. For example, many shipping companies locked in the relatively low dollar interest rate for their lines of credit with HSH Nordbank.

Loan loss provisions remained low in the first half-year 2008; evidence that the quality of our shipping portfolio remains high.

HSH Nordbank developed its market position by leading the management of numerous transactions. In the second quarter we moved up to second place in the global ranking of mandated arrangers drawn up by Dealogic, an international database. A banking syndicate led by HSH Nordbank arranged a syndicated loan of USD 753 million for the Hamburg-based shipping company E.R. Schiffahrt GmbH & Cie. KG to finance ten Cape Size bulk carriers, one of the largest categories of bulk carrier vessels. The transaction covered both the construction and final financing of the ships. Long-term contracts for the entire fleet have already been signed with charterers in Japan and China.

Investment activity declining

For the remainder of the year we are assuming that the slowdown on global shipping markets will have a greater impact on our business. Capital expenditure on ships has dropped by around a third in the first half-year, from a very high level in the record year 2007. Scarce dockyard capacities still mean that prices for ships have continued to rise, but the growing supply of tonnage is sure to lead to softer charter rates and therefore lower revenue for shipping companies. Investment in transportation capacity will therefore remain under pressure.

Transportation

Expansion continues

In the first six months of 2008 the Transportation division again reported strong demand for transportation financing, which benefited all the business areas (Aviation, Infrastructure, Commodity Finance and Rail/ Intermodal). Business with capital markets products was also very pleasing. Transactions completed by the Bank's Corporate Finance unit and success with structured products improved net trading income substantially. Overall, earnings grew by 8 %. Net income before taxes improved even further, up by 38 % thanks to a net release of loan loss provisions.

A number of significant deals also contributed to the sound performance in the first half-year. HSH Nordbank arranged financing for Aviation Aircraft Trading (AAT) in Reykjavik, for example, to buy two Boeing 747–400 passenger aircraft for conversion to freighters by IAI / Bedek in Israel. With our partners Calyon, DVB and KfW we led a substantial warehousing transaction for Aircastle in New York secured on a portfolio of 28 aircraft belonging to international airlines. In Singapore we were able to apply our expertise in both infrastructure and commodity financing as part of a leasing facility for our customer ANZ Leasing (Vic) Pty Ltd.

Asset management developed

In addition to financing business we are also developing our asset management activities in the transportation sector. Following the successful performance of our Dublin-based subsidiary Amentum, which focuses on the global aviation industry, we set up a new asset management platform in June (Railpool GmbH) as a joint venture with KfW IPEX bank. The company is based in Munich and offers financing and leasing products as well as services such as fleet management to private railway operators which have a growing need for rolling stock.

Overall market favourable

Despite tough competition in the transportation sector and higher funding costs, we are anticipating solid results for the second half-year 2008. Ongoing globalisation and emerging market growth should keep markets buoyant. This provides opportunities in transportation infrastructure and logistics. Railways benefit from higher energy prices and generally increasing traffic levels. Nevertheless, the higher oil price remains a challenge, especially for the aviation industry, which is only partly able to pass on higher fuel costs to its customers.

Energy

Number one worldwide in the first half-year 2008

The Energy division developed its business successfully in the first half-year 2008. With a new business volume of USD 1.5 billion we now hold the number one spot worldwide as an arranger in the renewable energies sector according to the league tables compiled by Infrastructure Journal, a project finance magazine.

The division's interest income rose in line with the numerous completed transactions. The higher margins available on the market offset the funding costs, which also rose. Net trading income went up sharply to EUR 11 million (previous year: EUR 3 million), thanks to increased demand for risk management solutions. In addition to interest rate hedging products our customers often used instruments to hedge exchange rates, especially for projects in EU countries outside the euro zone. Development of net commission income was, however, weaker as difficult syndication markets in the opening months of the year meant less commission income. Many financing transactions are also no longer syndicated but divided amongst several banks as club deals before the transaction is closed. Administrative expenses were higher than last year as a result of business expansion.

One of the most important projects in the first half-year 2008 was financing the construction and operation of a wind park in Estinnes, Belgium. This is the first deployment of what are currently the most powerful wind turbines in the world, the Enercon E-126. In the USA we also arranged acquisition financing for a portfolio of gas and hydroelectric power stations.

Additional market opportunities

We intend to continue using the generally positive environment in the renewable energies sector to build on our position in growing markets. Based on further personnel recruitment and increased market presence we see good chances of advising on attractive projects in future. The economic slowdown in many areas of the world has not had a negative impact on our business in this field to date, and in many places renewable energies are being developed at a rapid pace. Persistently high prices for power plants and a rising cost of borrowing could curb this development, as companies' less profitable projects may then no longer generate a sufficient return.

Real Estate (€ million)	1 Jan. to 30 June 2008	1 Jan. to 30 June 2007	Change in %
Net interest income	172	154	11.7
Net trading income	16	23	−30.4
Net income from financial investments	5	40	−87.5
Net commission income	12	38	−68.4
Other operating income	11	1	> 100
Total operating income	**216**	**256**	**−15.6**
Loan loss provisions	−24	43	> −100
Income after loan loss provisions	**192**	**299**	**−35.8**
Administrative expenses	−86	−93	−7.5
Net income before taxes	**106**	**206**	**−48.5**
Average equity	633	868	−27.1

Real Estate

Markets impede new business

In the first half-year 2008 the Real Estate Clients division earned a net income before taxes of EUR 106 million. This decline compared with last year's good result (EUR 206 million) is principally due to less dynamic markets for investment in property. We have also been more selective with new business in view of the difficult situation on capital markets, especially at the end of 2007, which continued to have an effect well into the second quarter of 2008.

Nevertheless, net interest income rose substantially to EUR 172 million (previous year: EUR 154 million). Income from commissions, trading and financial investments dropped in contrast to EUR 33 million (previous year: EUR 101 million), due primarily to one-off effects. Net commission income, for example, declined as a result of the placement of credit risks in the market. The decrease in net income from financial investments was attributable to higher proceeds from the sale of equity holdings in the previous year. The net allocations to loan loss provisions were moderate at EUR 24 million, as the portfolio put in a sound performance. In the first half of the previous year a net release of EUR 43 million was carried out.

Positive contribution from HSH Real Estate AG

The property subsidiary HSH Real Estate AG made a positive earnings contribution. In the first half-year 2008 it made progress on several projects, although business was tangibly affected by the weakening market conditions.

The Hamborner AG and BIG Bau-Investitionsgesellschaft both contributed to the success of HSH Real Estate in the first half-year. HSH Real Estate AG also strengthened its business in property funds for institutional investors, acquiring 33.3 % of LB Immo Invest GmbH from Real I.S. The equity stake in LB Immo Invest was increased to two thirds as of 1 July 2008. In project development HSH Real Estate and Tamm Immobilien GmbH successfully sold the two office and retail properties Großer Burstah 46–52 to the Colbert group from Paris. This was followed in the second quarter by the sale by HSH Real Estate and ABG group of the office property Am Kaiserkai 1 in the HafenCity in Hamburg to ING Real Estate. Another project development in Hamburg, the office property Bavaria Office, was sold to a closed-end fund managed by HGA Capital.

Corporate & Private Banking (€ million)	1 Jan. to 30 June 2008	1 Jan. to 30 June 2007	Change in %
Net interest income	215	222	−3.2
Net trading income	14	17	−17.6
Net income from financial investments	11	74	−85.1
Net commission income	55	77	−28.6
Other operating income	1	2	−50.0
Total operating income	**296**	**392**	**−24.5**
Loan loss provisions	−105	47	> −100
Income after loan loss provisions	**191**	**439**	**−56.5**
Administrative expenses	−112	−114	−1.8
Net income before taxes	**79**	**325**	**−75.7**
Average equity	1,327	1,338	−0.8

The fund business picked up at the beginning of the year thanks to greater equity fundraising. In the first six months HGA Capital prepared several new closed-end funds for distribution in the current year. Net fund income was impacted by value adjustments on US housing funds, which developed unfavourably recently. Business performance at LB Immo Invest was good. Services also maintained their strong market position at the beginning of the year, successfully advising in particular on a large portfolio transaction for IVG Immobilien AG and developing the asset management business.

Overall positive outlook

Given the number of customer enquiries we are assuming that the second half-year will develop well for the division. However, the crisis on capital markets will continue to affect refinancing costs for the remainder of the year. For 2008 we see the downside risks particularly in the traditionally more volatile property markets in the USA and Britain.

Corporate & Private Banking

The segment Corporate & Private Banking is made up of the Corporate Clients and Private Banking divisions. Net income before taxes for the segment in the first half-year totalled EUR 79 million, well below last year's figure of EUR 325 million.

Corporate Clients

Difficult business climate in the first half-year

Total operating income in the Corporate Clients division amounted to EUR 260 million (previous year: EUR 352 million). Adjusted for gains from the disposal of equity holdings, total operating income in the second quarter were EUR 29 million below last year's figure. Almost stable net interest income and declining administrative expenses were pleasing. Higher loan loss provisions, which were burdened for the first time by portfolio value adjustments, brought earnings down. In the previous year we had been able to realise significant net releases. Net income before taxes came to EUR 73 million (previous year: EUR 311 million).

New business was restrained in the first months of the year, but improved appreciably in the second quarter. We were able to expand our business in Berlin and Hanover in particular. Nevertheless, the market situation with its higher refinancing costs remained difficult for the Corporate Clients division. Competition is intense, particularly for medium-sized companies with superior credit ratings. One of the division's industry specialisations is the healthcare sector. In the first half-year we reported a number of successful large-scale transactions. We are currently acting as arranger for syndicated financing with a total volume of EUR 100 million in the public-private partnership project Regio Kliniken Kreis Pinneberg.

Targets can be met, despite increased risks

If the economy continues to deteriorate and prices for commodities and energy rise, we anticipate a negative impact on company cash flows and subsequently a reduced willingness to invest. Despite the climate, which is generally difficult, and the situation on financial markets which remains tense, we expect that we will be able to meet our ambitious goals for operating earnings (not including earnings from equity holdings). Continued development of our national activities, a broader product range and demand for individual financing solutions will all play a role in achieving these goals.

Private Banking

Market situation affects results

Against the backdrop of a difficult market environment, the Private Banking division produced a net income before taxes of EUR 6 million (previous year: EUR +14 million). Total operating income amounted to EUR 36 million (previous year: EUR 40 million). Net interest income was the same as last year, whilst net commission income dropped due to investors' reticence regarding securities. Administrative expenses went up as a result of our investment in further improving our market image in the affluent private banking segment. This is intended to deliver lasting improvements in the division's profitability.

Activities expanded nationwide

To achieve further success in the premium market segment we are offering additional attractive services. Distribution of our InflationsSchutzanleihe, or inflation protection bond, was particularly successful in recent months. In the second half-year 2008 we will be offering our clients further ways to craft an individual response to the flat rate tax on investment proceeds that is to be introduced at the start of 2009. Our activities to other regions of Germany will also bring additional opportunities. Above all we expect we will be able to increase the amount of client assets under management by HSH Nordbank.

Financial Markets & Institutions (€ million)	**1 Jan. to 30 June 2008**	**1 Jan. to 30 June 2007**	Change in %
Net interest income	233	209	11.5
Net trading income	−241	73	> −100
Net income from financial investments	−214	61	> −100
Net commission income	20	21	−4.8
Other operating income	5	–	–
Total operating income	**−197**	**364**	**> −100**
Loan loss provisions	−1	1	> −100
Income after loan loss provisions	**−198**	**365**	**> −100**
Administrative expenses	−152	−134	13.4
Net income before taxes	**−350**	**231**	**> −100**
Average equity	1,228	1,279	−4.0

Financial Markets & Institutions

The segment Financial Markets & Institutions includes the financial markets divisions Capital Markets Clients, Asset & Investment Management, Capital Markets Structuring & Trading, Group Treasury as well as the division Savings Banks. Altogether the segment reported a negative net income before taxes of EUR 350 million (previous year: profit of EUR 231 million).

Financial Markets

Market fluctuations depress earnings

In the first half-year the capital markets area of HSH Nordbank reported a total loss before taxes of EUR 360 million in a market still shaken by the ongoing crisis. This was well below the profit of EUR 215 million for the same period last year. Uncertainty on financial markets led to further fair value losses in our credit investment portfolio, which had to be included in the income statement for the segment. Net trading income declined from EUR 69 million in the first half-year 2007 to EUR −245 million as of 30 June this year. Net income from financial investments was negative by EUR 214 million, compared with a profit of EUR 61 million in the same period last year. The comparison with the second half-year 2007, when the subprime crisis began, shows a significant reduction in the pressure on both earnings indicators.

Increasing success in cross-selling

In the past six months we were able to report a substantial increase in our cross-selling performance for other segments of HSH Nordbank. Earnings from cross-selling rose from EUR 42 million in the first quarter 2008 to EUR 76 million in the second quarter 2008. This was primarily driven by demand from our customers for efficient risk management solutions. Against the backdrop of the current market environment our expertise in the area of interest rate, exchange rate and oil price derivatives was in particular demand. In addition, the commitment of our Corporate Finance unit led to successes for the Bank. Together with the Transportation division we were able to win an important assignment in the air freight sector. Our customer focus is increasingly bearing fruit and we intend to exploit the growth potential in cross-selling with further attractive products.

Successful placements under difficult conditions

The mood on the money and capital markets remained marked by a high degree of nervousness in the first half-year 2008. HSH Nordbank used the temporary slight respites in the market to carry out larger placements of covered and uncovered securities. In this regard we have been particularly successful with loan notes and private placements.

In future HSH Nordbank intends to transfer credit risks faster than before in order to create capacity for attractive new lending opportunities and thereby to achieve a sustainable increase in the Bank's profitability. The Capital Markets Credit division was set up for this purpose, and as from July 2008 is responsible for managing and coordinating the syndication and securitisation activities for the Bank's lending divisions.

Savings Banks

The difficult market conditions left their mark on business with savings banks in the first half-year 2008. Restrained demand for investment products on the part of savings banks and their customers meant that our commission income dropped in the first six months. Net interest income also fell below last year's figure as a result of our planned reduction in refinancing business with savings banks and municipalities. Net income before taxes therefore declined to EUR 10 million (previous year: EUR 16 million), despite lower administrative expenses. The fall in the equity requirement in conjunction with a significant rise in the return on equity for the division was a pleasing development.

We have extended our product range and our advisory services for savings banks in light of investors' and corporate clients' more conservative focus. In collaboration with the savings banks we are also making efficient financial solutions increasingly available to municipalities, also outside our core region of northern Germany.

The financial crisis has not affected our syndicated lending business with savings banks in the first half-year. We recorded greater activity in this area, particularly outside our core region.

Other / reconciliation

The difference between the sum of the individual segments and net income before taxes for HSH Nordbank Group can be seen in the reconciliation column. It includes effects of consolidation, subsidiaries not attributed to the segments and other unattributable items.

Overview of the segments (€ million)	1 Jan. to 30 June	Transportation & Energy			Real Estate	Corporate & Private Banking		Financial Markets & Institutions	
		Shipping	Transportation	Energy	Real Estate Clients	Corporate Clients	Private Banking	Financial Markets	Savings Banks
Operating income	2008	172	103	55	216	260	36	−218	21
	2007	207	95	48	256	352	40	333	31
Net income before taxes	2008	125	80	46	106	73	6	−360	10
	2007	175	58	40	206	311	14	215	16
Average equity	2008	517	456	131	633	1,290	37	1,216	12
	2007	427	460	146	868	1,286	52	1,255	24

OUTLOOK

The following section should be read in conjunction with the other sections of this interim report and with the outlook section and risk report in the annual report 2007.

Markets beleaguer banking sector

Global expansion is expected to lose further momentum in the second half of the year. The economy in the USA, but also in the euro zone, will come under pressure from ongoing corrections on property and financial markets, rising inflation and worsening prospects for sales and employment. Emerging economies, particularly in Asia, will only partly be able to make up for the decline. Financial markets will oscillate between inflationary worries on the one hand and recessionary fears on the other and remain volatile.

In view of recent negative news from the US economy we expect the US dollar to remain weak over the coming half-year, especially as the European Central Bank is not likely to change track and lower interest rates for the euro zone in the months ahead. Stock markets have already priced in most of these factors, however. Modest valuations for many companies and the impending flat rate tax in Germany from 2009 should bolster equities.

In all likelihood banks will continue to suffer from the financial market crisis over the coming months. In particular, a sustained reduction in tension of the liquidity situation in the markets is not currently foreseeable. This may well be compounded by further strains for the banking sector from developments in national economies such as the property markets in Britain, Ireland and Spain.

Comprehensive package of measures adopted

The difficulties on money markets and capital markets and increased risks in the economy at large will continue to weigh on HSH Nordbank in the second half of the year. In particular we are not anticipating any lasting improvement in refinancing terms in the near future. However, a wide range of opportunities for issuing covered and uncovered securities and recently introduced measures to secure our liquidity enable us to limit these effects. Higher refinancing costs are partly offset by higher margins in client business. Nevertheless, the client lending business will feel the effects of the economic slowdown. Loan loss provisions are budgeted to go up in the second half-year.

In view of the current situation it is necessary to reinforce HSH Nordbank's financial strength and competitiveness. At the beginning of September we therefore adopted a comprehensive package of measures. This move has three objectives. Firstly, we intend to bolster our financial strength and sharply reduce capital employed and risk in response to the changed circumstances. Secondly, we will make lasting improvements to the Bank's profitability and efficiency. Thirdly, we want to deploy our expertise and skills even more effectively for our customers in our core business areas.

The package follows two lines of attack: focussing the business model more sharply and making clear improvements in the cost base. The first point means specifically that we will be abandoning various activities and disposing of non-strategic equity holdings. We are also going to tighten up the overseas network and are reviewing certain activities in our core business areas as well as in the corporate and service divisions in terms of their value contribution to the Bank.

In the course of these measures we will bring costs and earnings development into a relation appropriate to the changed circumstances. This year administrative expenses are to be capped at last year's level (EUR 984 million), and by 2010 the cost base is to be cut to EUR 900 million. In addition to sharp reductions in operating expenses this will also require job cuts at HSH Nordbank.

Over the medium-term, as market conditions permit and minimising the ensuing losses we also intend to divest the credit investment portfolio managed from our Luxembourg office. This should gradually reduce the negative effects on earnings of any lasting market volatility. We have already been able to take advantage of temporary market respites to reduce the portfolio in selected areas. The planned reduction of our credit investment portfolio goes hand in hand with a renewed commitment to the Luxembourg office. We intend to undertake a strategic realignment of our operations there in line with our business model. Our aim is to ensure a positive development of our business in Luxembourg, and the know-how built up over many years and the advantages of the location are both positive factors in that equation.

By means of this package we intend to increase the return on equity after taxes to more than 10 % by 2010 (31.12.2007: 6.4 %) and cut the cost/income ratio to below 40 % (31.12.2007: 87 %).

RISK REPORT

HSH Nordbank can draw on a wide array of instruments which allow it to deliberately take on risk and to systematically identify any unfavourable developments in the risk structure. The Bank's key risks include default, market, liquidity and operational risks. The methods, instruments and processes used to manage these risks are described in detail in the risk report of our 2007 annual report.

Information on HSH Nordbank's credit investment portfolio

Total exposure in the credit investment portfolio was reduced by around 15 % in the first half-year 2008 by taking advantage of market opportunities. As of 30 June this portfolio had a total volume of EUR 25,176 million (31.12.2007: EUR 29,968 million).

After recognising a loss of EUR 1,331 million in the financial year 2007, further burdens became apparent in the first half-year 2008 with a volume of EUR 511 million which was recognised in the income statement.

In the financial statements for 2007 declines in the market values of these assets totalling EUR 60 million were taken into account in the revaluation reserve. This weighed on the revaluation reserve in the first half-year 2008 in the amount of EUR 59 million.

The balance from changes in unrecognised burdens and silent reserves amounted to EUR 265 million in 2007 and to EUR 481 million in the first half of 2008 (accumulated unrecognised burdens as of 30.06.2008: EUR 746 million).

According to IFRS, unrecognised burdens in the asset category "Loans and Receivables" (LAR) result from market value losses which cannot be permanently classified as impaired.

The mark-to-market loss taken into account in the financial statements for 2007 therefore amounted to EUR 1,656 million in total, and in the first half-year 2008 to an additional EUR 1,051 million.

The biggest burden for the income statement came from the subprime and CDO portfolios, which were particularly exposed. If the financial market crisis persists in the second half-year 2008, further write-downs in this area cannot be ruled out.

In accordance with a recommendation of the Financial Stability Forum on behalf of the Finance Ministers and the central banks Governors of G7 countries, additional information[1] on the credit investment portfolio and leveraged loans is available in a special publication on our website (www.hsh-nordbank.de/ Investor Relations).

Risk-bearing capacity

As part of monitoring our risk-bearing capacity we regularly compare the economic equity capital required to absorb unexpected losses (overall risk) with the available risk coverage potential. The following table shows the economic risk coverage potential for HSH Nordbank Group, the risk limits and the economic equity capital required for individual types of risk as well as the risk coverage potential buffer remaining.

[1] Not part of the management report or the auditors' review.

Risk-bearing capacity of the Group (€ million)	In absolute terms		in % of Risk coverage potential	
	30 June 2008	31 Dec. 2007	30 June 2008	31 Dec. 2007
Economic risk coverage potential	13,432	13,001	100	100
Risk limits				
of which: Default risk	9,163	9,982	68	77
Market risk	1,086	1,139	8	9
Liquidity risk	750	100	6	1
Operational risk	420	405	3	3
Total	11,419	11,626	85	90
Economic capital required				
of which: Default risk	5,644	5,966	42	46
Market risk	572	669	4	5
Liquidity risk	440	100	3	1
Operational risk	291	353	2	3
Total	6,947	7,088	51	55
Risk coverage potential buffer	6,476	5,913	49	45
Target buffer according to risk strategy			> 41	> 28

In the course of the financial market crisis HSH Nordbank developed and implemented as of 1 January 2008 a new method for determining the liquidity maturity transformation risk in the form of the value-at-risk approach. The value-at-risk of liquidity enables us to carry out a detailed management of our liquidity risks. In the course of this change in approach the limit, which was EUR 100 million as of 31.12.2007, was increased substantially and amounted to EUR 750 million as of the balance sheet date. The Group's utilisation of this limit amounted to EUR 440 million. Until the end of 2007 as part of risk-bearing capacity management, liquidity risk was only taken into account as a blanket sum in the amount of the determined limit. As such, a comparison of this figure as at the balance sheet date with the value as at 31.12.2007 is not meaningful.

Since the beginning of the year operational risks have been calculated using the standard approach under the Solvency Regulation. Further details can be found in the 2007 annual report. The different risk items are aggregated to the total economic risk based on the consistent use of the value-at-risk approach. The total risk represents the aggregated, unexpected losses during one year for which a probability of 99.9 % is not exceeded. In the aggregation of the various risk items for the calculation of the total risk amounting to EUR 6,947 million, no correlating factors with a risk reducing effect were taken into account.

Default risk

Details of loan loss provisions can be found in note 4 to the financial statements.

Market risks of trading book and banking book positions

HSH Nordbank uses a value-at-risk approach to measure and manage market risks (99.0 % confidence level, holding period of 1 day, 250 days of data history). The following table shows the developement of individual types of market risk over the first half-year 2008. As of 30 June 2008 the market risk of the positions in our trading book came to EUR 6.4 million and that of the positions in the banking book to EUR 24.9 million. Taking into account risk-mitigating effects of correlation, aggregate market risk amounted to EUR 26.4 million. Within risk-bearing capacity management this value-at-risk is scaled upwards to EUR 572 million during the aggregation of the individual risk types.

Liquidity risk

One management indicator for liquidity risks is the liquidity ratio as calculated under the Liquidity Regulation (LiquidV). In the reporting period the ratio was between 1.18 and 1.35, i.e. above the regulatory minimum of 1.0. The average for the first half-year was 1.25.

As a result of the continuing high degree of uncertainty on the money and capital markets, refinancing conditions were exceptionally difficult for banks in the first half-year 2008. This also put strain on HSH Nordbank's liquidity position, which was as a result under pressure but at no time critical. HSH Nordbank used the temporary slight reductions in tension to carry out larger refinancing transactions with mid-term maturities. In the area of short-term maturities we recorded stable demand from investors. In addition to the refinancing possibilities mentioned, measures recently introduced also contribute to the strengthening of our liquidity in a volatile market environment.

Detailed information on the liquidity and refinancing situation in view of the ongoing financial crisis is included in this interim report in the "Net assets and financial situation" section.

Over the year to date there has been virtually no change in the other risks affecting the Group, which are described in detail in the annual report 2007.

Daily value-at-risk (VaR) (€ million)

	Interest rate risk		Foreign exchange risk		Equity risk		Commodity risk		Market risk (aggregated)	
	1 Jan. to 30 June 2008	**1 Jan. to 31 Dec. 2007**	**1 Jan. to 30 June 2008**	**1 Jan. to 31 Dec. 2007**	**1 Jan. to 30 June 2008**	**1 Jan. to 31 Dec. 2007**	**1 Jan. to 30 June 2008**	**1 Jan. to 31 Dec. 2007**	**1 Jan. to 30 June 2008**	**1 Jan. to 31 Dec. 2007**
Average	21.7	12.0	9.3	5.6	10.8	11.4	0.4	0.3	26.4	19.9
Maximum	32.5	33.9	24.4	17.9	14.7	14.5	0.8	1.0	40.6	38.5
Minimum	13.1	7.2	3.9	0.4	8.6	8.4	0.1	0.1	16.8	11.4
Year-end	24.9	31.1	7.3	17.9	11.7	12.1	0.4	0.8	26.4	38.5
– of which trading book	5.0	17.2	2.1	2.1	0.5	0.5	0.4	0.8	6.4	16.9

INTERIM FINANCIAL STATEMENTS OF HSH NORDBANK GROUP

INCOME STATEMENT OF HSH NORDBANK GROUP

for the period 1 January to 30 June 2008

(€ million)	Note	1st half-year 2008	1st half-year 2007	Change in %
Interest income	(3)	16,499	14,253	15.8
Interest expense	(3)	−15,700	−13,530	16.0
Net interest income		**799**	**723**	**10.5**
Loan loss provisions	(4)	−131	102	> −100
Net interest income after loan loss provisions		**668**	**825**	**−19.0**
Net commission income	(5)	100	179	−44.1
Result from hedging	(6)	−14	−20	−30.0
Net trading income	(7)	−64	115	> −100
Net income from financial investments	(8)	−164	178	> −100
Administrative expenses	(9)	−490	−435	12.6
Other operating income	(10)	63	29	> 100
Net income before taxes		**99**	**871**	**−88.6**
Income taxes		22	−128	> −100
Net income after taxes		**121**	**743**	**−83.7**
Profit / loss attributable to minority interest		8	−16	> −100
Group net income		**129**	**727**	**−82.3**

Appropriation of profit (€ million)	1st half-year 2008	1st half-year 2007
Group net income	**129**	**727**
Appropriation of profit for silent participations dedicated to conversion	–	24
Consolidated profit	**129**	**703**

STATEMENT OF INCOME AND EXPENSES RECOGNISED BY HSH NORDBANK GROUP

HSH Nordbank Group's net earnings for the period are made up of Group net income and the income and expenses recognised directly in equity without effect on the income statement.

(€ million)	1st half-year 2008	1st half-year 2007
Group net income	**129**	**727**
Change in revaluation reserve (before taxes)	−286	−54
Change in currency translation reserve	−64	−15
Change in actuarial gains (before taxes)	56	–
Deferred taxes on changes without effect on the income statement	35	21
Net earnings for the period with and without effect on income	**−130**	**679**

Quarterly overview (€ million)	Q2 2008	Q1 2008	Q2 2007	Q1 2007
Interest income	7,902	8,597*	7,403	6,850
Interest expense	−7,495	−8,205	−7,010	−6,520
Net interest income	**407**	**392***	**393**	**330**
Loan loss provisions	−82	−49	17	85
Net interest income after loan loss provisions	**325**	**343***	**410**	**415**
Net commission income	52	48	96	83
Result from hedging	−28	14	−3	−17
Net trading income	54	−118*	84	31
Net income from financial investments	−156	−8*	36	142
Administrative expenses	−244	−246	−204	−231
Other operating income	38	25	26	3
Net income before taxes	**41**	**58***	**445**	**426**
Income taxes	4	18*	−93	−35
Net income after taxes	**45**	**76***	**352**	**391**
Profit/loss attributable to minority interest	7	1	−14	−2
Group net income	**52**	**77***	**338**	**389**

* Adjusted. See note (1).

BALANCE SHEET OF HSH NORDBANK GROUP

as at 30 June 2008

(€ million)	Note	30 June 2008	31 Dec. 2007	Change in %
Assets				
Cash reserve		386	1,197	−67.8
Loans and advances to banks	(12)	24,890	28,541	−12.8
Loans and advances to customers	(13)	112,045	105,475	6.2
Loan loss provisions	(14)	−1,511	−1,554	−2.8
Positive market value of hedge derivatives	(15)	1,742	1,302	33.8
Adjustment item from portfolio fair value hedges		−125	−23	> 100
Assets held for trading	(16)	20,582	24,255	−15.1
Financial investments	(17)	43,742	43,309	1.0
Intangible assets	(18)	344	340	1.2
Tangible assets	(19)	114	117	−2.6
Investment property	(20)	255	258	−1.2
Non-current assets held for sale and discontinued operations		69	65	6.2
Current tax assets		660	337	95.8
Deferred tax assets	(21)	954	815	17.1
Other assets	(22)	215	429	−49.9
Total assets		**204,362**	**204,863**	**−0.2**

(€ million)	Note	30 June 2008	31 Dec. 2007	Change in %
Liabilities				
Liabilities to banks	(23)	54,355	57,764	−5.9
Liabilities to customers	(24)	55,767	50,247	11.0
Securitised liabilities	(25)	66,982	70,230	−4.6
Negative market value of hedge derivatives	(26)	1,796	1,080	66.3
Adjustment item from portfolio fair value hedges		−438	−3	> 100
Liabilities held for trading	(27)	9,468	8,376	13.0
Provision	(28)	737	781	−5.6
Curret tax obligations		290	258	12.4
Deferred tax obligations		92	99	−7.1
Other liabilities	(29)	2,211	2,124	4.1
Subordinated capital	(30)	8,824	9,296	−5.1
Equity		4,278	4,611	−7.2
Share capital		702	702	0.0
Capital reserve		2,317	2,317	0.0
Retained earnings		1,523	1,597	−4.6
Revaluation reserve		−401	−168	> 100
Currency translation reserve		−185	−121	52.9
Minority interest		193	224	−13.8
Consolidated profit		129	60	> 100
Total liabilities		**204,362**	**204,863**	**−0.2**

ABRIDGED CASH FLOW STATEMENT OF HSH NORDBANK GROUP

Abridged cash flow statement (€ million)	1st half-year 2008	1st half-year 2007
Cash and cash equivalents as at 1 January	1,197	938
Cash flow from operating activities	460	3,305
Cash flow from investing activities	−655	−4,792
Cash flow from financing activities	−616	1,507
Effect of exchange rate changes	–	−6
Cash and cash equivalents as at 30 June	386	952

The cash flow statement shows the changes in cash and cash equivalents in the reporting period, broken down into cash flow from operating activities, cash flow from investing activities and cash flow from financing activities.

Cash and cash equivalents is equivalent to the cash reserve item in the balance sheet and comprises cash on hand, balances at central banks, treasury bills, discounted treasury notes and similar debt instruments issued by public-sector institutions and bills of exchange.

The cash flow statement is presented using the indirect method, i.e. starting with the net earnings for the period, the cash flow from operating activities is calculated by adding back non-cash expenses and deducting non-cash income and adjusting for cash changes in assets and liabilities used in operating activities.

NOTES

Statement of changes in equity of HSH Nordbank Group

Statement of changes in equity (€ million)

	Share capital	Conversion capital	Capital reserve
As at 1 January 2007	**623**	**750**	**1,646**
Group net income	–	–	–
Allocations to / withdrawals from retained earnings	–	–	–
Changes in unrealised gains / losses	–	–	–
Dividend payments and payments for conversion capital	–	–	–
Exchange rate changes	–	–	–
Changes in scope of consolidation	–	–	–
As at 30 June 2007	**623**	**750**	**1,646**
Group net income	–	–	–
Capital increases / decreases	79	−750	671
Allocations to / withdrawals from retained earnings	–	–	–
Changes in unrealised gains / losses	–	–	–
Changes affecting Group net income	–	–	–
Dividend payments and payments for conversion capital	–	–	–
Exchange rate changes	–	–	–
Changes in scope of consolidation	–	–	–
As at 31 December 2007	**702**	**–**	**2,317**
Group net income	–	–	–
Allocations to / withdrawals from retained earnings	–	–	–
Changes in unrealised gains / losses	–	–	–
Changes affecting Group net income	–	–	–
Exchange rate changes	–	–	–
As at 31 March 2008	**702**	**–**	**2,317**
Group net income	–	–	–
Changes in unrealised gains / losses	–	–	–
Changes affecting Group net income	–	–	–
Dividend payments and payments for conversion capital	–	–	–
Exchange rate changes	–	–	–
Changes in scope of consolidation	–	–	–
As at 30 June 2008	**702**	**–**	**2,317**

* Adjusted. See note (1).

Retained earnings	of which actuarial gains and losses under IAS 19	Currency translation reserve	Revaluation reserve	Consolidated profit	Total before minority interest	Minority interest	Total incl. minority interest
848	**16**	**−52**	**53**	**604**	**4,472**	**4**	**4,476**
–	–	–	–	727	727	16	743
604	–	–	–	−604	–	–	–
–	–	–	−6	–	−6	–	−6
−160	–	–	–	−24	−184	−5	−189
–	–	−15	−1	–	−16	–	−16
28	–	–	−26	–	2	98	100
1,320	**16**	**−67**	**20**	**703**	**4,995**	**113**	**5,108**
–	–	–	–	−442	−442	−21	−463
–	–	–	–	–	–	–	–
177	–	–	–	−177	–	–	–
79	79	–	−201	–	−122	−3	−125
–	–	–	−7	–	−7	–	−7
–	–	–	–	−24	−24	−1	−25
–	–	−54	−6	–	−60	–	−60
21	–	–	26	–	47	136	183
1,597	**95**	**−121**	**−168**	**60**	**4,387**	**224**	**4,611**
–	–	–	–	77*	77*	−1	76*
60	–	–	–	−60	–	–	–
–	–	–	−89	–	−89	–	−89
–	–	–	−18	–	−18	–	−18
–	–	−84	−5	–	−89	−4	−93
1,657	**95**	**−205**	**−280**	**77***	**4,268***	**219**	**4,487***
–	–	–	–	52	52	−7	45
38	38	–	−297	–	−259	−2	−261
–	–	–	177	–	177	–	177
−175	–	–	–	–	−175	−7	−182
–	–	20	−1	–	19	−10	9
3	–	–	–	–	3	–	3
1,523	**133**	**−185**	**−401**	**129**	**4,085**	**193**	**4,278**

General information

(1) ACCOUNTING PRINCIPLES

HSH Nordbank AG has issued debt instruments as defined in Section 2 (1) (1) of the German Securities Trading Act (WpHG) on an organised market as defined in Section 2 (5) WpHG and is thus obliged as a capital market-oriented company as defined in Regulation (EC) No. 1606 / 2002 of the European Parliament and the Council dated 19 July 2002 (IAS Regulation) in conjunction with Section 315a (1) of the German Commercial Code (HGB) to draw up its Group financial statements in accordance with International Accounting Standards (IFRS / IAS).

The interim Group financial statements as at 30 June 2008 have been prepared in accordance with IFRS regulations as applicable in the EU, in particular in accordance with IAS 34, Interim Financial Reporting. Adjustments to pension provisions have been made in accordance with IAS 34.C4, and total tax expense was calculated on the basis of IAS 34.B12 in combination with IAS 34.30(c). Apart from these issues, the same accounting and valuation principles have been applied in these interim Group financial statements as those used for the Group financial statements as at 31 December 2007. As such, the information in this interim report should be read in combination with the information provided in the published, audited Group financial statements as at 31 December 2007.

In preparing these financial statements, the stipulations of Section 37w in conjunction with Section 37y (2) WpHG have been taken into account. The interim financial statements for the half-year have been reviewed by the auditors in accordance with Section 37w (5) WpHG.

All insights gained up to 5 September 2008 inclusive have been taken into account.

In its interim financial statements as at 30 June 2008 HSH Nordbank has made adjustments to certain items for the comparison period first quarter 2008 which affected the balance sheet, income statement and statement of changes in equity as shown in the notes. The adjustments did not affect reporting periods before 1 January 2008. In the first quarter net interest income and net income from financial investments declined by EUR 33 million and EUR 9 million, respectively, and net trading income went up by EUR 61 million. More precise measurement of accrued interest and taxes and issues of disclosure were the reasons for the adjustments. The following table shows the effects of the adjustments for the main items, including the effects on income taxes.

Adjustments to 1st quarter (€ million)	1st quarter 2008		
	Before adjustment	Adjustment	After adjustment
Net interest income	425	−33	392
Net trading income	−179	61	−118
Net income from financial investments	1	−9	−8
Net income before taxes	**39**	**19**	**58**
Income taxes	41	−23	18
Group net income / Consolidated profit	**81**	**−4**	**77**

(2) GROUP OF CONSOLIDATED COMPANIES

In addition to the parent company HSH Nordbank AG, Hamburg and Kiel, 55 companies (31 December 2007: 62) have been consolidated. This includes 20 (31 December 2007: 24) special purpose entities which should be consolidated according to the provisions of SIC 12.

HSH Private Equity GmbH, Hamburg, which assumes and manages equity holdings, including shareholder loans, was acquired by HSH Nordbank AG on 1 January 2003 with no goodwill arising. The company was consolidated for the first time in the second quarter of 2008 due to its increased significance for the net assets, financial and earnings situation of the Group.

The following subsidiaries or special purpose entities were not consolidated, in contrast to as at 31 December 2007:

- Burgville Investments Ltd., London
- Pellecea GmbH, Hamburg
- Südinvest 107, Unterföhring
- Sotis S.à r.l., Luxemburg
- HSH Corporate Finance A/S, Copenhagen
- Drambol Ltd., Dublin
- Ranadon Ltd., Dublin
- Hagnola Ltd., Dublin

Burgville Investments Ltd., Pellecea GmbH and the fund Südinvest 107 were deconsolidated as of 1 January 2008 on the grounds that they had disposed of their main assets and no longer had any material effect on the Group‘s net assets, financial or earnings situation.

The transaction represented by the company Sotis S.à r.l. has expired as scheduled. The company was deconsolidated as of 1 January 2008.

HSH Corporate Finance A/S was deconsolidated as of 1 January 2008 having discontinued its business activities.

The special purpose entities Drambol Ltd., Ranadon Ltd. and Hagnola Ltd. were also deconsolidated in the second quarter 2008 as their business had been discontinued.

Notes to the income statement

(3) NET INTEREST INCOME

Net interest income (€ million)	1st half-year 2008	1st half-year 2007
Interest income from		
lending and money market transactions	3,710	3,555
fixed-income securities	989	844
trading activities	336	343
derivative financial instruments	11,324	9,339
unwinding	17	21
Current income from		
equities and other non-fixed-income securities	30	31
unconsolidated subsidiaries	7	20
equity holdings	81	100
other holdings	5	–
Total interest income	**16,499**	**14,253**
of which attributable to financial instruments not categorised as HFT or DFV under IAS 39	4,727	4,360
Interest expenses for		
liabilities to banks	1,262	1,310
liabilities to customers	1,384	1,035
securitised liabilities	1,611	1,548
subordinated capital	247	219
other liabilities	–	1
derivative financial instruments	11,196	9,417
Total interest expense	**15,700**	**13,530**
of which attributable to financial instruments that are not categorised as HFT or DFV under IAS 39	4,152	3,749
Net interest income	**799**	**723**

Interest income and expense from trading and hedging derivatives are recognised in interest income and expense from derivative financial instruments.

Net interest income also contains income and expenses from the amortisation of the adjustment items from portfolio fair value hedges and the corresponding proceeds from the disposal of the underlying transactions which contributed to the adjustment item.

In addition, interest income from impaired receivables is calculated as the cash value including accrued interest using the original effective interest rate of the receivables (unwinding).

(4) LOAN LOSS PROVISIONS

Loan loss provisions (€ million)	1st half-year 2008	2007
Expenses from allocations to loan loss provisions	349	92
Income from releases of loan loss provisions	226	181
Direct write-downs	4	5
Recoveries on loans and advances previously depreciated	8	13
Expenses from allocations to provisions in the lending business	16	4
Income from releases of provisions in the lending business	4	9
Total	**131**	**–102**

Additions and releases of loan loss provisions are made up of a net addition of EUR 75 million for individual risk provisioning (previous year: EUR 20 million) and of EUR 48 million for value adjustments on the portfolio of loans and advances to banks and customers. Value adjustments of EUR 16 million were made on contingent liabilities. In the same period last year portfolio value adjustments amounting to EUR 109 million were released as a result of improvements achieved under Basel II measurement procedures.

Loan loss provisions in the on-balance-sheet lending business relate exclusively to assets which are categorised as loans and receivables (LAR).

(5) NET COMMISSION INCOME

Net commission income (€ million)	1st half-year 2008	2007
Commission income from lending business	79	109
Commission income from guarantee business	30	21
Commission income from securities business	27	42
Commission income from foreign business	8	10
Commission income from payments and accounts transactions	3	3
Other fees and commission income	32	48
Total commission income	**179**	**233**
Commmission expenses from lending business	9	10
Commission expenses from guarantee business	20	4
Commission expenses from securities business	16	21
Commission expenses from foreign business	2	1
Commission expenses from payment transactions and accounts transactions	1	2
Other commission expenses	31	16
Total commission expenses	**79**	**54**
Total	**100**	**179**

Of net commission income, EUR 103 million (previous year: EUR 161 million) was attributable to financial instruments measured at fair value not recognised in profit or loss. EUR −3 million (previous year: EUR 18 million) of net commission income was attributable to financial instruments measured at fair value and recognised in the income statement.

(6) RESULT FROM HEDGING

The change in value attributable to the hedged risk for designated underlying and hedging transactions in effective hedging relationships is recognised in the result from hedging. This item contains the corresponding profit contributions from micro and portfolio fair value hedging items.

Result from hedging (€ million)	1st half-year 2008	2007
Fair value changes from hedging transactions	−316	−517
of which: micro fair value hedge	7	−52
portfolio fair value hedge	−323	−465
Fair value changes from hedged items	302	497
of which: micro fair value hedge	−14	53
portfolio fair value hedge	316	444
Total	**−14**	**−20**

(7) NET TRADING INCOME

Net trading income includes all realised and unrealised valuation gains and losses arising from financial assets and financial obligations in the trading portfolio, in other words financial instruments held for trading (HFT). Realised and unrealised valuation gains and losses from instruments designated at fair value (DFV) are also reported here.

Gains and losses from currency translation are also recorded in this item of the income statement. Interest income from financial instruments of the IAS 39 categories designated at fair value (DFV) and held for trading (HFT) are shown under net interest income. The heading "other products" shows income and expenses from foreign currency transactions and commodities.

1st half-year

Net trading income (€ million)	Bonds and interest rate derivatives 2008	2007	Equities and equity derivatives 2008	2007	Other products 2008	2007	Total 2008	2007
Net income from trading portfolios (HFT)								
Fair value changes	137	172	−16	30	61	33	182	235
Realised net income	2	−59	25	24	3	−3	30	−38
Subtotal	**139**	**113**	**9**	**54**	**64**	**30**	**212**	**197**
Net income from designated at fair value portfolios (DFV)								
Fair value changes	−316	−17	53	−18	4	−46	−259	−81
Realised net income	−16	−1	−1	–	–	–	−17	−1
Subtotal	**−332**	**−18**	**52**	**−18**	**4**	**−46**	**−276**	**−82**
Total	**−193**	**95**	**61**	**36**	**68**	**−16**	**−64**	**115**

(8) NET INCOME FROM FINANCIAL INVESTMENTS

In addition to any realised gains and losses from financial investments of the categories loans and receivables (LAR) and available for sale (AFS), write-downs and write-ups are recognised in this category as part of impairment losses or reversals of impairment losses. In the case of financial investments of the IAS 39 category available for sale (AFS), write-ups are only undertaken for debt instruments and only to a maximum of their historical cost of acquisition.

Net income from financial investments (€ million)	1st half-year 2008	2007
Available for sale financial investments		
– Realised gains / losses	20	241
– Write-downs	47	57
– Write-ups	29	–
Sum	**2**	**184**
Loans and receivables financial investments		
– Realised gains / losses	10	–1
– Write-downs	222	5
– Write-ups	61	–
Sum	**–151**	**–6**
Allocation for portfolio revaluation	15	–
Release of portfolio revaluation	–	–
Total	**–164**	**178**

(9) ADMINISTRATIVE EXPENSES

Administrative expenses comprise personnel expenses, operating expenses and depreciation on tangible and intangible assets:

Administrative expenses (€ million)	1st half-year 2008	2007
Personnel expenses	242	221
Other operating expenses	229	198
Depreciation on tangible and intangible assets	19	16
Total	**490**	**435**

(10) OTHER OPERATING INCOME

Other operating income (€ million)	1st half-year 2008	2007
Other operating income	89	60
Other operating expenses	26	31
Total	**63**	**29**

(11) EARNINGS PER SHARE

To calculate earnings per share, the Group net income is divided by the weighted average number of ordinary shares outstanding during the financial year.

Earnings per share	1st half-year 2008	2007
Group net income (€ million)	129	727
Average number of ordinary shares outstanding (million)	70	62
Earnings per share (€)	**1.84**	**11.67**

Calculated earnings per share are based on the Group net income taking into account profits or losses attributable to minority interest. The calculation was based on non-rounded values. At the reporting date there were no conversion or option rights for shares in Group companies outstanding, diluted earnings are therefore the same as undiluted earnings per share.

Notes to the balance sheet

(12) LOANS AND ADVANCES TO BANKS

Loans and advances to banks (€ million)	30 June 2008	31 Dec. 2007
Due daily	6,168	6,981
Other loans and advances	18,722	21,560
Total before loan loss provisions	**24,890**	**28,541**
Loan loss provisions	8	7
Total after loan loss provisions	**24,882**	**28,534**

(13) LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers (€ million)	30 June 2008	31 Dec. 2007
Retail customers	3,522	3,964
Corporate clients	97,871	91,597
Public authorities	10,652	9,914
Total before loan loss provisions	**112,045**	**105,475**
Loan loss provisions	1,503	1,547
Total after loan loss provisions	**110,542**	**103,928**

(14) LOAN LOSS PROVISIONS

Loan loss provisions (€ million)	**30 June 2008**	**31 Dec. 2007**
Loans and advances to banks	8	7
Loans and advances to customers	1,503	1,547
Loan loss provisions for balance sheet items	**1,511**	**1,554**
Provisions for warranties, letters of credit, lending commitments	54	43
Total	**1,565**	**1,597**

The development of total loan loss provisions for banks during the reporting period was as follows:

	Individual value adjustments		Portfolio value adjustments		Total	
Loan loss provisions for banks (€ million)	**30 June 2008**	**31 Dec. 2007**	**30 June 2008**	**31 Dec. 2007**	**30 June 2008**	**31 Dec. 2007**
As at 1 January	–	4	7	13	7	17
Additions	–	–	1	–	1	–
Releases	–	1	–	6	–	7
Utilisation	–	3	–	–	–	3
As at 30 June 2008 / 31 December 2007	**–**	**–**	**8**	**7**	**8**	**7**

The development of total loan loss provisions for customers during the reporting period was as follows:

	Individual value adjustments		Portfolio value adjustments		Total	
Loan loss provisions for customers (€ million)	**30 June 2008**	**31 Dec. 2007**	**30 June 2008**	**31 Dec. 2007**	**30 June 2008**	**31 Dec. 2007**
As at 1 January	1,121	1,281	426	522	1,547	1,803
Additions	297	510	51	2	348	512
Releases	222	401	4	98	226	499
Utilisation	146	227	–	–	146	227
Unwinding	−17	−40	–	–	−17	−40
Exchange rate changes	−3	−2	–	–	−3	−2
As at 30 June 2008 / 31 December 2007	**1,030**	**1,121**	**473**	**426**	**1,503**	**1,547**

The stated value adjustments only affect items classified as loans and receivables (LAR).

(15) POSITIVE MARKET VALUE OF HEDGE DERIVATIVES

This item shows the market value of derivatives which have a positive fair value and which are used in hedge accounting. At present only interest rate and interest rate currency swaps are included as hedging instruments.

If a derivative is only designated in hedge accounting on a partial basis, this item contains the corresponding share of the derivative's fair value. In these cases the residual amount is stated under assets held for trading. Hedge accounting is only applied to interest rate risks.

Positive market value of hedge derivatives (€ million)	30 June 2008	31 Dec. 2007
Positive market value of derivates from micro fair value hedging items	290	231
Positive market value of derivates from portfolio fair value hedging items	1,452	1,071
Total	1,742	1,302

The positive market value of derivatives from portfolio fair value hedging items increased as the portfolios were larger on the balance sheet date and because additional portfolios, including some held in foreign currencies, were also included.

(16) ASSETS HELD FOR TRADING

Only financial assets belonging to the IAS 39 category held for trading (HFT) are recognised under assets held for trading. These include primary financial instruments held for trading purposes, in particular interest-bearing securities, loan notes including accrued interest, but also equities and other trading portfolios. Also included in the category of assets held for trading are derivatives with a positive market value which are not designated as hedge derivatives.

Assets held for trading (€ million)	30 June 2008	31 Dec. 2007
Debentures and other fixed-income securities	10,412	14,173
Equities and other non-fixed-income securities	134	174
Positive market value arising from derivative financial instruments	8,990	8,847
Other assets held for trading	1,046	1,061
Total	20,582	24,255

(17) FINANCIAL INVESTMENTS

Financial instruments belonging to the category available for sale (AFS) and securities belonging to the categories of loans and receivables (LAR) and designated at fair value (DFV) are recognised under financial investments. This item includes debentures and other fixed-interest securities not held for trading, equities and other non-fixed-interest securities, holdings in unconsolidated subsidiaries as well as joint ventures and associated companies not recognised pro rata or at equity in the Group financial statements.

Financial investments (€ million)

	30 June 2008	31 Dec. 2007
Debentures and other fixed-income securities	39,942	39,438
Equities and other non-fixed-income securities	1,611	1,770
Equity holdings	2,027	1,951
Interests in unconsolidated subsidiaries	162	150
Total	**43,742**	**43,309**

(18) INTANGIBLE ASSETS

Software acquired or developed in-house and acquired goodwill are recognised under intangible assets.

Intangible assets (€ million)

	30 June 2008	31 Dec. 2007
Goodwill	272	272
Software		
of which: software developed in-house	42	40
acquired software	30	28
Total	**344**	**340**

(19) TANGIBLE ASSETS

Land and buildings used for commercial purposes, operating equipment and leased assets under operating leases where we are the lessor are reported under this item.

Tangible assets (€ million)

	30 June 2008	31 Dec. 2007
Land and buildings	49	49
Plant and equipment	48	49
Leasing objects	17	19
Total	**114**	**117**

(20) INVESTMENT PROPERTY

Investment properties are properties held to earn rental income or make capital gains but not used for own operations.

Investment property (€ million)

	30 June 2008	31 Dec. 2007
Investment property	255	258
Total	**255**	**258**

(21) DEFERRED TAX ASSETS

Tax losses carried forward account for EUR 327 million (31 December 2007: EUR 263 million) of total deferred tax assets of EUR 954 million (31 December 2007: EUR 815 million). These arose mainly in Luxemburg and to a lesser extent in Germany. Our business model, strategic adjustments and the future cash flows derived from them ensure that the value of the tax assets is sustainable.

(22) OTHER ASSETS

Other assets include all assets which cannot be allocated to another asset item.

Other assets (€ million)

	30 June 2008	31 Dec. 2007
Claims on investment companies and subsidiaries	24	87
Accrued income	29	31
Claims for fund transactions	12	23
Tenant loans	8	7
Other claims from securities commissions transactions	1	45
Other assets	141	236
Total	**215**	**429**

(23) LIABILITIES TO BANKS

Liabilities to banks (€ million)	**30 June 2008**	**31 Dec. 2007**
Due daily liabilities	5,611	5,013
Other liabilities	48,744	52,751
Total	**54,355**	**57,764**

The decline compared with the previous year is due to the deconsolidation of a company which held a significant portfolio of liabilities to banks as at 31 December 2007.

(24) LIABILITIES TO CUSTOMERS

Liabilities to customers (€ million)	**30 June 2008**	**31 Dec. 2007**
Savings deposits	92	94
Other liabilities		
due daily	8,592	9,370
liabilities with a defined maturity	47,083	40,783
Total	**55,767**	**50,247**

The rise in liabilities to customers compared with 31 December 2007 is primarily due to an increase of EUR 4.5 billion in securities sold under repurchase agreements.

(25) SECURITISED LIABILITIES

Securitised liabitlities (€ million)	**30 June 2008**	**31 Dec. 2007**
Debentures issued	59,637	60,206
Money market instruments issued	7,050	6,991
Other securitised liabilities	295	3,033
Total	**66,982**	**70,230**

Of the securitised liabilities, repurchased own debentures in the amount of EUR 1,972 million (31 December 2007: EUR 4,889 million) and own money market securities in the amount of EUR 794 million (31 December 2007: EUR 558 million) were offset.

(26) NEGATIVE MARKET VALUE OF HEDGE DERIVATIVES

This item shows the market value of derivatives which have a negative fair value and which are used for hedge accounting. At present only interest rate and interest rate currency swaps are taken into account as hedging instruments. If a derivative is only designated in hedge accounting on a partial basis, this item contains the corresponding share of the derivative's fair value. In these cases, the remainder is stated under liabilities held for trading. Hedge accounting is only shown for interest rate risks.

Negative market value of hedge derivatives (€ million)	**30 June 2008**	**31 Dec. 2007**
Negative market value of derivatives from micro fair value hedging items	245	227
Negative market value of derivatives from portfolio fair value hedging items	1,551	853
Total	**1,796**	**1,080**

The negative market value of derivatives from portfolio fair value hedging items also went up in proportion to the positive market values as a result of the larger portfolios on the reporting date and the fact that other portfolios, including some held in foreign currencies, were also included (see Note 15).

(27) LIABILITIES HELD FOR TRADING

Only financial obligations belonging to the category of held for trading (HFT) are recognised under liabilities held for trading. This includes derivatives with a negative market value which are not used as hedging instruments. Delivery commitments from short sales of securities and accrued pro rata interest are also recognised in this category. Other derivative transactions principally includes credit derivatives, commodities and index options.

Liabilities held for trading (€ million)	**30 June 2008**	**31 Dec. 2007**
Negative fair value arising from derivative financial instruments		
Interest rate-based transactions	7,325	5,970
Currency-based transactions	1,095	1,213
Other derivative transactions	487	252
Securities delivery commitments	560	939
Liabilities held for trading	1	2
Total	**9,468**	**8,376**

(28) PROVISIONS

Provisions (€ million)	**30 June 2008**	**31 Dec. 2007**
Provisions for pension obligations	577	630
Provisions in the lending business	54	43
Provisions for litigation risks and litigation costs	9	10
Provisions for personnel expenses	8	7
Other provisions	89	91
Total	**737**	**781**

The net change of EUR – 53 million in pension obligations is made up of a utilisation of EUR 16 million, additions in the amount of EUR 19 million and a release of EUR – 56 million before deferred taxes. The release totalling EUR – 38 million after deferred taxes resulted from interest rate adjustments and is recognised without effect on income. The interest rate used was 5.7 % in 2007 and 6.42 % as of 30 June 2008.

(29) OTHER LIABILITIES

Other liabilities include all liabilities which cannot be allocated to another liabilities item.

Other liabilities (€ million)	**30 June 2008**	**31 Dec. 2007**
Collateral for guarantees given	1,298	1,406
Liabilities to personnel	72	142
Liabilities for outstanding invoices	25	77
Other	816	499
Total	**2,211**	**2,124**

The collateral for guarantees given serves to hedge leasing payments arising from a sale-and-leaseback transaction.

(30) SUBORDINATED CAPITAL

Under subordinated capital we recognise profit participation certificates, subordinated liabilities and silent participations. Based on their contractual structure and financial character, the participations of the typical silent partner take the form of debt according to IAS 32, and as a result they are reported under subordinated capital.

Subordinated capital (€ million)	**30 June 2008**	**31 Dec. 2007**
Subordinated liabilities	5,414	5,547
Profit participation certificates	996	1,214
Silent participations	2,414	2,535
Total	**8,824**	**9,296**

Segment reporting for HSH Nordbank Group

(€ million)	Transportation & Energy 2008	Transportation & Energy 2007	Real Estate 2008	Real Estate 2007	Corporate & Private Banking 2008	Corporate & Private Banking 2007
	1st half-year					
Total income	**330**	**350**	**216**	**256**	**296**	**392**
Loan loss provisions	25	4	–24	43	–105	47
Income after loan loss provisions	**355**	**354**	**192**	**299**	**191**	**439**
Administrative expenses	–104	–81	–86	–93	–112	–114
Income before taxes	**251**	**273**	**106**	**206**	**79**	**325**
Average equity	1,105	1,033	633	868	1,327	1,338
Cost-income ratio (CIR) in %	31.5	23.1	39.8	36.3	37.8	29.1
Return on equity (RoE) in %	45.4	52.9	33.5	47.5	11.9	48.6

(€ million)	Financial Markets & Institutions 2008	Financial Markets & Institutions 2007	Segments total 2008	Segments total 2007	Other / reconciliation 2008	Other / reconciliation 2007	Group 2008	Group 2007
	1st half-year							
Total income	**–197**	**364**	**645**	**1,362**	**75**	**–158**	**720**	**1,204**
Loan loss provisions	–1	1	–105	95	–26	7	–131	102
Income after loan loss provisions	**–198**	**365**	**540**	**1,457**	**49**	**–151**	**589**	**1,306**
Administrative expenses	–152	–134	–454	–422	–36	–13	–490	–435
Income before taxes	**–350**	**231**	**86**	**1,035**	**13**	**–164**	**99**	**871**
Average equity	1,228	1,279	4,293	4,518	152	274	4,445	4,792
Cost-income ratio (CIR) in %	–77.2	36.8	70.4	31.0	–	–	68.1	36.1
Return on equity (RoE) in %	–57.0	36.1	4.0	45.8	–	–	4.5	36.4

The planned capital benefit was allocated from the segment Other and distributed among the business segments on the basis of economic capital requirement.

In addition, planned Group overheads were also allocated from the segment Other to the segments on the basis of economic capital requirement (50 %) and the proportion of directly attributable costs (50 %).

Average (reported) equity was allocated to the segments on the basis of economic capital commitment.

For reasons of comparability, last year‘s segment results have been adjusted in accordance with the organisational changes implemented in 2008.

In total income, the following changes in presentation of the segments led to reconciliation differences:

- Net income from hedge items is reported in accordance with internal risk management principles on the basis of internal transactions. No allocation of the income statement result from hedging to individual segments is carried out.
- The interest rate effects from the pension provisions item and the creation of model reserves were not reported in the segments.

Notes to financial instruments

(31) FAIR VALUE OF FINANCIAL INSTRUMENTS

In accordance with IFRS 7.25 we show below the fair value of financial assets and liabilities by class of financial instruments and compared with carrying amounts.

Comparison of carrying amounts and fair values (€ million)	30 June 2008			31 Dec. 2007		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Assets						
Held for trading (HFT)						
Assets held for trading	20,582	20,582	–	24,255	24,255	–
Designated at fair value (DFV)						
Loans and advances to banks	142	142	–	150	150	–
Loans and advances to customers	679	679	–	544	544	–
Financial investments	4,792	4,792	–	6,120	6,120	–
Available for sale (AFS)						
Financial investments	24,274	24,274	–	20,256	20,256	–
Loans and receivables (LAR)						
Loans and advances to banks	24,740	24,629	−111	28,384	28,334	−50
Loans and advances to customers	109,863	109,529	−334	103,383	102,960	−423
Financial investments	14,676	13,878	−798	16,933	16,587	−346
Excluding IAS 39 category						
Positive market value of hedge derivatives	1,742	1,742	–	1,302	1,302	–
Financial assets available for sale	69	69	–	65	65	–
Total assets	**201,559**	**200,316**	**−1,243**	**201,392**	**200,573**	**−819**

Comparison of carrying amounts and fair values (€ million)	30 June 2008 Carrying amount	Fair value	Difference	31 Dec. 2007 Carrying amount	Fair value	Difference
Liabilities						
Held for trading (HFT)						
Liabilities held for trading	9,468	9,468	–	8,375	8,375	–
Designated at fair value (DFV)						
Liabilities to banks	415	415	–	290	290	–
Liabilities to customers	3,742	3,742	–	3,858	3,858	–
Securitised liabilities	7,441	7,441	–	9,156	9,156	–
Subordinated capital	163	163	–	166	166	–
Other liabilities (LIA)						
Liabilities to banks	53,940	53,432	–508	57,474	57,638	164
Liabilities to customers	52,025	51,702	–323	46,389	45,884	–505
Securitised liabilities	59,541	59,044	–497	61,074	60,381	–693
Subordinated capital	8,661	8,521	–140	9,130	9,021	–109
Excluding IAS 39 category						
Negative market value of hedge derivatives	1,796	1,796	–	1,080	1,080	–
Total liabilities	**197,192**	**195,724**	**–1,468**	**196,992**	**195,849**	**–1,143**

For financial instruments for which there is an active market, the fair value is determined by the stock exchange rates or market price as of the balance sheet date. If there is no active market for certain financial instruments, the fair value is calculated using accepted valuation models. In particular for receivables and liabilities which are recognised on the balance sheet at amortised cost, the fair value was determined by discounting the cash flows, taking into account rating-dependent spreads.

The carrying amounts of loans and advances to banks and loans and advances to customers in the IAS 39 category loans and receivables (LAR) are shown less the reported loan loss provisions, since the fair value may also reflect possible impairments.

(32) CREDIT RISK ANALYSIS OF FINANCIAL ASSETS AND INFORMATION ON COLLATERAL

I. Credit quality of financial instruments which are neither impaired nor overdue

The table below gives information on the credit quality of financial instruments which were neither impaired nor overdue as of the balance sheet date. The table provides a breakdown of the instruments by IAS 39 category and counterparty rating.

Credit quality (€ million)	1 (AAA) to 1 (AA–)		1 (A+) to 1 (A–)		2 to 5		6 to 9	
	30 June 2008	31 Dec. 2007	30 June 2008	31 Dec. 2007	30 June 2008	31 Dec. 2007	30 June 2008	31 Dec. 2007
Held for trading (HFT)								
Assets held for trading	6,545	7,643	9,797	646	958	613	2,653	1,462
Designated at fair value (DFV)								
Loans and advances to banks	116	112	5	19	2	6	1	4
Loans and advances to customers	559	406	23	68	9	20	3	16
Financial investments	3,940	4,564	162	765	65	228	22	176
Available for sale (AFS)								
Financial investments	12,101	7,884	4,558	1,818	964	400	5,269	343
Loans and receivables (LAR)								
Loans and advances to banks	7,067	16,767	2,965	2,572	4,309	2,409	9,804	1,170
Loans and advances to customers	22,995	32,468	10,742	10,039	27,659	21,530	36,581	18,362
Financial investments	2,873	4,722	1,342	1,460	3,456	131	4,571	2,670
Total	56,196	74,566	29,594	17,387	37,422	25,337	58,904	24,203

Credit quality (€ million)	10 to 12		13 to 15		16 to 18		Other	
	30 June 2008	31 Dec. 2007	30 June 2008	31 Dec. 2007	30 June 2008	31 Dec. 2007	30 June 2008	31 Dec. 2007
Held for trading (HFT)								
Assets held for trading	406	1,277	31	15	1	3	191	10,988
Designated at fair value (DFV)								
Loans and advances to banks	–	–	–	–	–	–	18	9
Loans and advances to customers	–	–	–	–	–	–	85	34
Financial investments	–	1	1	–	–	–	602	386
Available for sale (AFS)								
Financial investments	45	478	123	47	–	–	–	6,599
Loans and receivables (LAR)								
Loans and advances to banks	344	1,309	187	143	7	–	4	3,891
Loans and advances to customers	6,761	5,055	2,315	1,374	1,623	1,234	–	13,011
Financial investments	845	735	289	200	203	180	–	1,892
Total	8,401	8,855	2,946	1,779	1,834	1,417	900	36,810

Changes in some rating classes compared with 31 December 2007 are partly due to the finalised Basel II calculation and adjustments made as a result.

II. Assets overdue, renegotiated volumes and collateral from unimpaired financial assets

The table below shows financial assets which were overdue but not impaired as of the balance sheet date. The carrying amounts are compared to the renegotiated credit volume and the collateral provided. The assets are broken down by IAS 39 category. Where an IAS 39 category is not explicitly listed, there were no assets overdue in that category.

Time overdue of unimpaired financial assets (€ million)	Overdue < 3 mths. 30 June 2008	Overdue < 3 mths. 31 Dec. 2007	Overdue 3 – 6 mths. 30 June 2008	Overdue 3 – 6 mths. 31 Dec. 2007	Overdue 6 – 12 mths. 30 June 2008	Overdue 6 – 12 mths. 31 Dec. 2007
Loans and receivables (LAR)						
Loans and advances to banks	60	128	–	–	–	–
Loans and advances to customers	1,359	484	29	9	42	25
Total	**1,419**	**612**	**29**	**9**	**42**	**25**

Time overdue of unimpaired financial assets (€ million)	Overdue > 12 mths. 30 June 2008	Overdue > 12 mths. 31 Dec. 2007	Fair value of collateral for impaired financial assets 30 June 2008	Fair value of collateral for impaired financial assets 31 Dec. 2007	Renegotiated volume 30 June 2008	Renegotiated volume 31 Dec. 2007
Loans and receivables (LAR)						
Loans and advances to banks	–	–	7	7	–	–
Loans and advances to customers	68	81	978	356	3	–
Total	**68**	**81**	**985**	**363**	**3**	**–**

Ten days after the balance sheet date of 30 June 2008 payments in the amount of EUR 983 million had been received; this amount is included in the < 3 months category since a one day period applies for the recognition of payments as overdue.

The overdue but unimpaired loan portfolio is backed by collateral in the form of land charges, pledges and assignments. The assignments mainly comprise physical collateral such as machinery, sea containers and other tangible assets.

Restructured lending transactions are considered renegotiated if an assessment occurs in the course of the renegotiation of the contractual terms as a result of changes to the interest rate structure, maturity and / or other terms agreed.

III. Impaired financial assets and associated collateral

The table below shows all impaired financial assets and the associated collateral pledged as of the balance sheet date. The financial assets are broken down by IAS 39 category.

Impaired financial assets and the fair value of associated collateral (€ million)	Gross carrying amount of impaired financial assets		Impairment		Carrying amount of financial assets after impairment		Fair value of collateral for impaired financial assets	
	30 June 2008	**31 Dec. 2007**	**30 June 2008**	**31 Dec. 2007**	**30 June 2008**	**31 Dec. 2007**	**30 June 2008**	**31 Dec. 2007**
Loans and receivables (LAR)								
Loans and advances to banks	1	1	–	–	1	1	–	–
Loans and advances to customers	2,219	2,243	1,030	1,121	1,189	1,122	389	270
Financial investments	1,658	2,396	561	453	1,097	1,943	801	–
Available for sale (AFS)								
Financial investments	1,286	2,755	72	69	1,214	2,686	371	–
Total	**5,164**	**7,395**	**1,663**	**1,643**	**3,501**	**5,752**	**1,561**	**270**

Collateral exists for impaired financial assets in form of land charges.

(33) CREDIT RISK EXPOSURE

The maximum credit risk exposure is based both on the IFRS carrying amounts shown in note (31), which take into account risk provisions amounting to EUR 1,511 million (31 December: EUR 1,554 million), and on the off-balance-sheet business set out in note (35).

Maximum credit risk exposure (€ million)	Carrying amount / Nominal volume 30 June 2008	31 Dec. 2007
Assets		
Held for trading (HFT)		
Assets held for trading	20,582	24,255
Designated at fair value (DFV)		
Loans and advances to banks	142	150
Loans and advances to customers	679	544
Financial investments	4,792	6,120
Available for Sale (AFS)		
Financial investments	24,274	20,256
Loans and receivables (LAR)		
Loans and advances to banks	24,740	28,384
Loans and advances to customers	109,863	103,383
Financial investments	14,676	16,933
Excluding IAS 39 category		
Positive market value of hedge derivatives	1,742	1,302
Financials assets available for sale	69	65
Sub-total balance sheet business	**201,559**	**201,392**
Off-balance-sheet business		
Excluding IAS 39 category		
Contingent liabilities	7,590	9,085
Irrevocable loan commitments	25,379	25,985
Other liabilities	–	2,000
Sub-total off-balance-sheet business	**32,969**	**37,070**
Total credit risk exposure	**234,528**	**238,462**

For details of collateral received please see note (37).

(34) CARRYING AMOUNTS OF FINANCIAL INSTRUMENTS BY IAS 39 CATEGORIES

In accordance with IFRS 7.8 the carrying amounts of financial assets and liabilities are broken down by IAS 39 category:

Carrying amounts by IAS 39 category (€ million)						**30 June 2008**
	LAR	AFS	DFV	HFT	LIA	Total
Assets						
Loans and advances to banks	24,748	–	142	–	–	24,890
Loans and advances to customers	111,366	–	679	–	–	112,045
Assets held for trading	–	–	–	20,582	–	20,582
Financial investments	14,676	24,274	4,792	–	–	43,742
Total assets	**150,790**	**24,274**	**5,613**	**20,582**	**–**	**201,259**
Liabilities						
Liabilities to banks	–	–	415	–	53,940	54,355
Liabilities to customers	–	–	3,742	–	52,025	55,767
Securitised liabilities	–	–	7,441	–	59,541	66,982
Liabilities held for trading	–	–	–	9,468	–	9,468
Subordinated capital	–	–	163	–	8,661	8,824
Total liabilities	**–**	**–**	**11,761**	**9,468**	**174,167**	**195,396**

Carrying amounts by IAS 39 category (€ million)						**31 Dec. 2007**
	LAR	AFS	DFV	HFT	LIA	Total
Assets						
Loans and advances to banks	28,391	–	150	–	–	28,541
Loans and advances to customers	104,931	–	544	–	–	105,475
Assets held for trading	–	–	–	24,255	–	24,255
Financial investments	16,933	20,256	6,120	–	–	43,309
Total assets	**150,255**	**20,256**	**6,814**	**24,255**	**–**	**201,580**
Liabilities						
Liabilities to banks	–	–	290	–	57,474	57,764
Liabilities to customers	–	–	3,858	–	46,389	50,247
Securitised liabilities	–	–	9,156	–	61,074	70,230
Liabilities held for trading	–	–	–	8,376	–	8,376
Subordinated capital	–	–	166	–	9,130	9,296
Total liabilities	**–**	**–**	**13,470**	**8,376**	**174,067**	**195,913**

(35) CONTINGENT LIABILITIES, IRREVOCABLE LOAN COMMITMENTS AND OTHER OBLIGATIONS

Off-balance-sheet business (€ million)	**30 June 2008**	**31 Dec. 2007**
Contingent liabilities	7,590	9,085
Irrevocable credit commitments	25,379	25,985
Other obligations	–	2,000
Total	**32,969**	**37,070**

As of 30 June 2008 the purchase obligation for commercial paper recognised as of 31 December 2007 no longer existed.

Additional information

(36) NOTES TO DERIVATIVE TRANSACTIONS

Below, we provide details of HSH Nordbank Group´s use of derivative financial instruments as at the balance sheet date.

Derivative financial instruments were used to a considerable degree in order to hedge risk more efficiently, to take advantage of market opportunities and to cover special customer financing needs.

The nominal volume of derivative transactions amounted to EUR 687,070 million as of the balance sheet date (31 December 2007: EUR 766,983 million). We only conduct business in derivative financial instruments with counterparties whose credit rating is immaculate.

In addition to the derivatives set out in the tables below, credit derivatives are also entered into in order to hedge credit risks. The volume for which HSH Nordbank acted as guarantee (buyer) or guarantor (seller) for credit default swaps amounted to EUR 9,547 million and EUR 4,676 million, respectively, as at the balance sheet date (31 December 2007: EUR 17,929 million and EUR 4,442 million, respectively). The sharp change in volumes purchased is due to RWA transactions which no longer exist.

Derivative transactions with interest rate risk (€ million)	Nominal values	
	30 June 2008	**31 Dec. 2007**
Interest rate swaps	488,074	519,785
FRAs	13,486	8,864
Interest rate options		
long positions	9,306	26,114
short positions	10,778	22,264
Caps, floors	28,658	32,198
Exchange-traded contracts	2,139	3,363
Other forward interest rate transactions	8,188	22,096
Total interest rate risk	**560,629**	**634.684**

Derivative transactions with interest rate and currency risk (€ million)	Nominal values	
	30 June 2008	**31 Dec. 2007**
Interest rate currency swaps	29,599	20,815

Derivative transactions with currency risk (€ million)	Nominal values	
	30 June 2008	**31 Dec. 2007**
Forward exchange transactions	67,955	75,813
Currency options		
long positions	8,920	9,261
short positions	8,360	10,224
Total currency risks	**85,235**	**95,298**

Derivative transactions with equity and other price risks (€ million)	Nominal values	
	30 June 2008	**31 Dec. 2007**
Equity options		
long positions	3,449	4,109
short positions	3,413	7,061
Forward equity transactions	156	185
Exchange-traded contracts	1,068	1,226
Equity- / index-based swaps	2,890	3,090
Commodity contracts	631	515
Total equity and other price risks	**11,607**	**16,186**

The following table shows the breakdown by maturity for our derivatives business based on nominal values:

(€ million)	Interest rate risks 30 June 2008	Interest rate risks 31 Dec. 2007	Interest rate and currency risks 30 June 2008	Interest rate and currency risks 31 Dec. 2007	Currency risks 30 June 2008	Currency risks 31 Dec. 2007	Equity and other market risks 30 June 2008	Equity and other market risks 31 Dec. 2007
Maturities								
up to 3 months	107,992	192,342	19,108	8,785	53,687	65,688	651	858
up to 1 year	73,678	73,540	802	716	24,781	23,505	2,322	2,537
up to 5 years	185,840	186,961	5,679	7,678	6,046	5,298	4,346	7,562
more than 5 years	193,119	181,841	4,010	3,637	721	806	4,288	5,228
Total breakdown by maturity	**560,629**	**634,684**	**29,599**	**20,816**	**85,235**	**95,297**	**11,607**	**16,185**

(37) DISCLOSURES ON COLLATERAL RECEIVED AND TRANSFERRED

I. Collateral transferred

Assets were transferred as collateral for financial and off-balance-sheet liabilities.

The collaterals transferred by the bank are mainly assets in the form of securities pledged as short term collateral for money-market transactions or used as long-term collaterals in connection with the issue of mortgage, shipping and municipal Pfandbriefe.

HSH Nordbank has pledged securities to the European Central Bank and other foreign central banks in order to enter into open-market transactions. The securities used as collateral are recognised as loans and advances to customers, assets held for trading and financial investments. Refinancing via open-market transactions is carried out as part of the Bank's short-term liquidity management. The terms of the open-mrket transactions outstanding as of the balance sheet date are set by the central bank using the interest rate tender procedure.

II. Collateral received in repo transactions

In the course of repurchase (repos) and reverse repurchase agreements (reverse repos) the HSH Nordbank Group received financial and non-financial assets in collateral from guarantors for which no disposal or liquidation restrictions exist. None of these assets have been resold or repledged, as was the case as of 31 December 2007.

III. Other collateral received

In addition, no assets arising from the liquidation of collateral were capitalised during the financial year. As of 31 December 2007 collateral in the form of land plots and real estate under construction totalling EUR 43 million had been recognised; these were sold in 2008.

(38) LOANS AND ADVANCES AND LIABILITIES TO EQUITY HOLDINGS AND UNCONSOLIDATED SUBSIDIARIES AS WELL AS OTHER RELATED COMPANIES AND PERSONS

As part of ordinary business operations, transactions with unconsolidated equity holdings and subsidiaries and with other related companies and parties are carried out at arm's length market conditions.

I. Unconsolidated subsidiaries

Loans and advances to unconsolidated subsidiaries (€ million)	30 June 2008	31 Dec. 2007
Loans and advances to customers	728	510
Financial investments	229	151
Other assets	16	116
Total	**973**	**777**

Liabilities towards unconsolidated subsidiaries (€ million)	30 June 2008	31 Dec. 2007
Liabilities to customers	198	171
Securitised liabilities	102	457
Liabilities held for trading	1	1
Other liabilities	2	6
Total	**303**	**635**

Income and expenses from unconsolidated subsidiaries (€ million)	30 June 2008	1st half-year 31 Dec. 2007
Net interest income	33	12
Net commission income	2	–
Net trading income	4	−2
Net income from financial investments	11	21
Other operating income	–	−3
Total	**50**	**28**

II. Equity holdings

Loans and advances to equity holdings (€ million)

	30 June 2008	31 Dec. 2007
Loans and advances to banks	639	742
Loans and advances to customers	425	276
Assets held for trading	27	32
Financial investments	2,027	1,951
Other assets	3	3
Total	**3,121**	**3,004**

Liabilities to equity holdings (€ million)

	30 June 2008	31 Dec. 2007
Liabilities to banks	154	207
Liabilities to customers	64	4
Negative market value of hedge derivatives	1	–
Liabilities held for trading	5	3
Other liabilities	1	4
Total	**225**	**218**

Income and expenses from equity holdings (€ million)

	1st half-year	
	2008	2007
Net interest income	6	16
Net commission income	–	1
Result from hedging	–1	–
Net trading income	–9	–7
Other operating income	–	–11
Total	**–4**	**–1**

III. Related parties

Listed below are the loans and advances and liabilities as of the balance sheet date to related parties and companies and the stockholders the Free and Hanseatic City of Hamburg and the State of Schleswig-Holstein:

Loans and advances to related parties and stockholders (€ million)	30 June 2008	31 Dec. 2007
Loans and advances to customers	661	692
Positive market value of hedge derivatives	33	–
Assets held for trading	395	421
Financial investments	324	24
Total	**1,413**	**1,137**

Liabilities to related parties and stockholders (€ million)	30 June 2008	31 Dec. 2007
Liabilities to customers	16	41
Negative market value of hedge derivatives	10	–
Liabilities held for trading	8	12
Subordinated capital	94	92
Total	**128**	**145**

	1st half-year	
Income and expenses from related parties and stockholders (€ million)	2008	2007
Net interest income	10	61
Result from hedging	-3	–
Net trading income	12	29
Net income from financial investments	-2	-1
Total	**17**	**89**

(39) MEMBERS OF EXECUTIVE BODIES

I. The Supervisory Board of the HSH Nordbank Group

Dr. Wolfgang Peiner, Hamburg
Chairman

Olaf Behm, Hamburg
Deputy Chairman

Sabine-Almut Auerbach, Lübeck

Astrid Balduin, Kiel

Berthold Bose, Hamburg

Prof. Dr. Hans-Heinrich Driftmann, Elmshorn

Ronald Fitzau, Seevetal

J. Christopher Flowers, New York

Dr. Michael Freytag, Hamburg

Jens-Peter Gotthardt, Moorrege

Lothar Hay, Flensburg
(since 4 March 2008)

Torsten Heick, Rellingen

Reinhard Henseler, Schobüll

Jörg-Dietrich Kamischke, Selk

Rieka Meetz-Schawaller, Kiel

Alexander Otto, Hamburg

Knut Pauker, Schenefeld

Edda Redeker, Kiel

Ravi S. Sinha, London

Dr. Ralf Stegner, Bordesholm
(until 4 March 2008)

Rainer Wiegard, Bargteheide

II. The members of the Management Board of the HSH Nordbank Group

Hans Berger
Chairman

Peter Rieck
Deputy Chairman

Joachim Friedrich

Prof. Dr. Dirk Jens Nonnenmacher

Frank Roth
(since 1 July 2008)

Hartmut Strauß
(until 30 June 2008)

Bernhard Visker

Hamburg / Kiel, den 5 September 2008

Berger

Rieck

Friedrich

Nonnenmacher

Roth

Visker

CERTIFICATE OF AUDITORS' REVIEW

To HSH Nordbank AG, Hamburg and Kiel

We have reviewed the condensed interim consolidated financial statements of HSH Nordbank AG, Hamburg and Kiel, – comprising the balance sheet, the condensed income statement, condensed cash flow statement, statement of recognised income and expense, and selected explanatory notes – together with the interim Group management report of HSH Nordbank AG, Hamburg and Kiel, for the period from 1 January to 30 June 2008 that are part of the semi annual financial report according to § 37w WpHG ("Wertpapierhandelsgesetz": "German Securities Trading Act"). The preparation of the condensed interim consolidated financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and of the interim Group management report in accordance with the requirements of the WpHG applicable to interim Group management reports, is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim Group management report based on our review.

We performed our review of the condensed interim consolidated financial statements and the interim Group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material aspects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, and that the interim Group management report has not been prepared, in material aspects, in accordance with the requirements of the WpHG applicable to interim Group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, or that the interim Group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim Group management reports.

Hamburg, 5 September 2008

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft Wirtschaftsprüfungsgesellschaft

Krall
Wirtschaftsprüfer

Madsen
Wirtschaftsprüfer

RESPONSIBILITY STATEMENT BY THE MANAGEMENT BOARD

We hereby affirm that to the best of our knowledge and in accordance with the applicable reporting principles for interim financial reporting, the interim Group financial statements give a true and fair view of the net assets, financial and earnings situation of the Group, and the interim Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the Group's expected development in the remainder of the financial year.

Hamburg / Kiel, 5 September 2008

Berger   Rieck   Friedrich

Nonnenmacher   Roth   Visker

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Forward–Looking Statements

This interim report includes certain forward-looking statements.These statements are based on our beliefs and assumptions, on information currently available to us and on sources we believe to be reliable. Forward-looking statements include all statements that are not historical facts, including statements concerning possible or assumed future growth opportunities and future economic developments. Such forward-looking statements rely on a number of assumptions concerning future events and are subject to uncertainties, risks, and other factors, many of which are outside of our control, that could cause actual results to differ materially from such statements. You should not put undue reliance on any forward-looking statements. We make no representation or warranty as to the accuracy or completeness of such forward-looking statements contained in this report or that any forecast contained herein will be achieved. We have no intention or obligation to update forward-looking statements after we distribute this report. Above all, information contained in this Interim Report does not state an offer to buy or sell any security of HSH Nordbank AG.

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