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Interim Report as of 31 March 2009

HSH NORDBANK

HSH NORDBANK GROUP AT A GLANCE

Income statement (€ m)	1 Jan. – 31 March 2009	1 Jan. – 31 March 2008
Net income before taxes	-188	-91
Income after taxes / Group net loss	-260	-78

Balance sheet (€ bn)	31 March 2009	31 Dec. 2008
Total assets	206.8	208.4
Business volume	232.8	237.8

Capital ratios (%)	31 March 2009	31 Dec. 2008
Tier 1 capital ratio	6.8	7.5
Regulatory capital ratio	10.1	11.6

Employees	31 March 2009	31 Dec. 2008
Total	4,630	5,070
Germany	3,744	4,087
abroad	886	983

Long-term Ratings	Unguaranteed liabilities	Guaranteed liabilities[1]	Public sector Pfandbriefe	Ship Pfandbrief
Moody's	A2	Aa1	Aaa	Aa3
Standard & Poor's	BBB+[2]	AA–[2]	–	–
Fitch	A	AAA	–	–

[1] Liabilities covered by the guarantee obliation
[2] negative outlook

HSH NORDBANK AG – INTERIM REPORT

CONTENT

LADIES AND GENTLEMEN,

There have been increasing signs of stabilisation in the financial markets of late, primarily in the form of improved economic indicators and various positive signals in banking. There nevertheless continues to be uncertainty as to how the markets will develop in the future and it can be assumed that, any recent progress aside, the crisis in the financial sector is currently still far from over.

HSH Nordbank achieved income before taxes of EUR −188 million in the first quarter of 2009, which, although negative, is nevertheless considerably better than anticipated. This result includes restructuring expenses and expenses relating to the utilisation of the guarantees made available by the Special Fund Financial Market Stabilization. The main reason for this deficit in the first quarter of the year was, however, loan loss provisions, which we significantly increased on the back of the extreme economic downturn.

Net interest income proved to be a positive driving force and was boosted by our successful lending business with customers. Net trading income and net income from financial investments also improved in total, despite an increase in burdens from credit investment business. The programme of cost reductions initiated in 2008 had a positive effect on administrative expenses in the first three months of 2009, and both personnel expenses and other operating expenses fell. Further sustainable relief can be expected in view of the focusing of the Bank's business model and the strict limiting of costs.

By planning to spin off our securities and loan portfolios as part of our tighter focus, we intend to substantially reduce the potential for burden felt by the future core bank. In the first few months of 2009 HSH Nordbank achieved some significant subgoals with respect to its new business concept. On 20 May 2009 the HSH Nordbank extraordinary general meeting paved the way for the implementation of a capital increase amounting to EUR 3 billion. And previously, at the beginning of April, the States of Hamburg and Schleswig-Holstein decided on this capital measure as well as a risk-shielding measure worth EUR 10 billion. With these approved corporate actions, HSH Nordbank can now draw on the full extent of the guarantee framework provided by the Special Fund Financial Market Stabilization. This will go a long way to stabilising the refinancing of the Bank, especially in view of S & P's recent downgrading of all the German federal state banks.

Even with the signs of recovery of the past few weeks, the 2009 financial year will remain a difficult year for the banking sector and the conspicuous decline in economic activity will continue to weigh heavy on our lending business. Considering the economic risks and the difficult refinancing conditions, HSH Nordbank will continue to advance with caution in its new business, in full recognition of the risks. The high net interest income in the first quarter shows that we are able to exploit our opportunities in the current market environment. What we now need is to further focus on our core competences. We have already taken some important steps towards the Bank's realignment, and we shall continue along this path at full speed.

Prof. Dr. Dirk Jens Nonnenmacher
Chairman of the Management Board of HSH Nordbank AG

INTERIM MANAGEMENT REPORT FOR THE HSH NORDBANK GROUP

BUSINESS AND UNDERLYING CONDITIONS

Recession deepens further

The drastic global economic downturn continued unabated in the first quarter of 2009. The economies in industrialised countries could have shrank even faster than at the end of last year. The emerging economies were also in recession with Asian countries suffering above all from the collapse in global trade while Eastern Europe was predominantly hit by the withdrawal of foreign capital. In the USA, the real estate market continued to plummet and the biggest fall in construction investments since the property crisis began was recorded. All in all, the demand for investment has slumped in the light of negative sales prospects and restrictive lending. Despite the ongoing increase in unemployment, spending by US consumers improved somewhat. As inventory levels were reduced further, a future increase in demand should boost production.

In the euro zone, the recession deepened again at the beginning of the year – gross domestic product shrank by approximately 1.5 % in comparison to the previous quarter and capacity utilisation remained in decline. The only positive stimuli came from the government, but they were far from able to compensate for the drop in private demand. At the start of the year, the German economy was particularly hard hit as tumbling orders from abroad curbed economic activity.

Financial markets calm down towards the end of the quarter

In the light of the ongoing recession and a decreasing rate of inflation, the central banks continued to ease monetary policy. For example, the US Federal Reserve increasingly drew on unconventional measures, in particular by starting to bulk-buy US government bonds at the end of March. By contrast, the European Central Bank had scope for further reductions in the base rate, which it slashed from 2.5 % at the beginning of January to 1.25 % by early April. As a consequence, the return on government securities with a two-year term in the euro zone fell slightly, while it remained low and moved sideways in the USA. In the USA, the return on government bonds with a ten-year term increased noticeably in light of high selling pressure, despite sizeable purchases by the Federal Reserve. In the euro zone, however, it remained largely stable at just above 3 %.

The euro considerably lost value against the US dollar up to the end of February. It was weakened by the fact that the European Central Bank had greater scope for interest rate reductions than the Federal Reserve at this point in time and also by the higher risks for public authorities in some countries within the euro zone. Since the beginning of March, the euro has appreciated to some extent as the global aversion to risk has eased off.

Volatility on the international stock markets was extremely high given the extent of the recession. After recovering at year-end 2008, the benchmark indices slumped by more than a quarter several times in the run-up to March. The focus subsequently shifted to the signs of recovery suggested by some leading indicators. Additional impetus was provided by a number of positive signals from the financial sector and weak – but less dramatic than expected – company news. However, the bottom line was that all this did not form a sufficient basis for a positive quarterly balance. The Dow Jones lost 13 %; the EURO STOXX 50 and the DAX fell by no less than 15 %.

Glimmers of hope in the banking sector

Although banks on both sides of the Atlantic once again had to record write-downs on securities and in the lending business, the first-quarter results were an improvement on the end of 2008, and many institutions actually operated in the black. Profits were primarily generated in trading – especially with bonds – and following the increase in the interest rate differential between short- and long-term debt instruments. A change to the accounting regulations, which enabled certain securities to be reallocated, thereby avoiding valuation at market value, also had a stabilising effect on results. By contrast, the recession prompted rising default rates in the traditional lending business and an associated increase in loan loss provisions and this had a negative impact. Due in part to the restrictive lending policy still pursued by banks, many governments continued to work on ways to relieve financial institutions of problematic securities.

Effects of the financial market and economic crisis on HSH Nordbank

HSH Nordbank continued to feel the effects of the financial market crisis and the economic downturn in the first quarter of 2009. The ailing credit investment business made itself felt in net trading income and the net income from financial investments. The drastic downturn on the non-monetary markets made it necessary for some of the Bank's segments to make much higher allocations to loan loss provisions. Please see the “Earnings situation” section for details of how income developed.

BUSINESS DEVELOPMENTS

Earnings situation [1)]

Income statement (€ m)	Note	January – March 2009	January – March following adjustment 2008	Change in %
Interest income		6,763	8,592	-21.3
Interest expense		-6,280	-8,205	-23.5
Net interest income	(4)	**483**	**387**	**24.8**
Loan loss provisions	(5)	-424	-61	>100
Net interest income after loan loss provisions		**59**	**326**	**-81.9**
Net commission income	(6)	51	48	6.3
Result from hedging	(7)	44	14	>100
Net trading income	(8)	181	-248	> -100
Net income from financial investments	(9)	-269	-10	>100
Administrative expenses	(10)	-214	-246	-13.0
Other operating income	(11)	8	25	-68.0
Restructuring expenses		-28	–	–
Expenses for government guarantees		-20	–	–
Net income before taxes		**-188**	**-91**	**> 100**
Income tax expense		-72	13	> -100
Income after taxes / group net loss		**-260**	**-78**	**> 100**
Group net income attributable to minority interests		-21	-1	> 100
Group net income attributable to HSH Nordbank shareholders		-239	-77	> 100

[1)] In the quarterly financial statements of 31 March 2009, HSH Nordbank AG has made retroactive amendments to the comparative period up to 31 March 2008 which have an effect on the income statement. The most important effects of these amendments for the HSH Nordbank Group can be found in the explanatory notes.

INCOME MORE THAN DOUBLED

HSH Nordbank's total income – i.e. the sum of net interest income, net commission income, the result from hedging, net trading income and the net income from financial investments – more than doubled in the first quarter of 2009 to reach EUR 490 million (previous year: EUR 191 million). This is largely due to positive valuation effects and higher net interest income.

Net interest income increased by EUR 96 million on Q1 2008, coming in at EUR 483 million. The customer lending business was largely responsible for this, growing more than EUR 13 billion in the course of 2008. Slightly higher interest margins and exchange rate effects had a positive impact here. The increase in income was also due to successful money market transactions. By contrast, we posted lower income from equity investments. Income from equity holding companies also fell.

Net commission income amounted to EUR 51 million (previous year: EUR 48 million). Two contrary effects shaped the result: income increased in the guarantees business due to a reduction in the expenses incurred in the previous year for securitisation transactions to alleviate the balance sheet. By contrast, net commission income in connection with securities fell year on year due to expenditure for the placement of a government-backed bond at the beginning of 2009 and lower commission income in the light of limited new business with clients.

At EUR 44 million, the result from hedging is attributable to hedging relationships which were not fully effective. The noticeable rise of EUR 30 million is attributable to the sharp fall in interest rates compared to the development of interest rates in the first quarter of the previous year, especially with regard to short-term rates.

Net trading income improved in the first quarter of 2009 to EUR 181 million. The Bank posted a loss of EUR 248 million in the previous year. A number of factors were responsible for the positive development. Write-downs on the credit investment portfolio dropped to EUR 93 million (previous year: EUR 166 million). In addition, income was generated on a number of transactions in other portfolios due to the reversal of write-downs; cross-selling activities also boosted the result. Other positive factors included the valuation of derivatives which could not be included in hedge accounting and other valuation effects, for example on liabilities designated at fair value. However, foreign exchange valuations and the creation of model reserves led to higher expenses.

Net income from financial investments deteriorated to EUR −269 million (previous year: EUR −10 million). This was almost exclusively due to higher write-downs on the credit investment portfolio and other securities items. For details on the development of the credit investment portfolio, please refer to the risk report in this interim report.

Loan loss provisions soar

HSH Nordbank is reacting to the extremely weak economy by forming portfolio value allowances and individual value allowances. Total expenditure in Q1 2009 amounted to EUR 424 million (previous year: EUR 61 million). Of this, portfolio value allowances accounted for EUR 218 million and EUR 206 million was attributable to individual value allowances and provisions for individual borrowers.

Cost-cutting programme shows results

Administrative expenses were down from EUR 246 million in Q1 2008 to EUR 214 million in the first three months of 2009. This EUR 32 million reduction was due to a drop in personnel expenses of EUR 14 million and a decrease in other operating expenses of EUR 18 million. Personnel expenses benefited from the job cuts which have been initiated and from changes in the scope of consolidation. The fall in operating expenses was primarily attributable to cost-cutting measures in the areas of fees, marketing costs, travel expenses and other operating expenses.

Restructuring expenses of EUR 28 million were incurred in the first quarter of 2009 in connection with the realignment of the Bank.

In addition to this, the Bank posted expenditure of EUR 20 million for the Special Fund Financial Market Stabilization liquidity guarantees it utilised.

Business developments resulted in income before taxes of EUR −188 million (previous year: EUR −91 million).

After deducting income tax expenses of EUR 72 million, the result was a Group net loss of EUR 260 million (previous year: Group net loss of EUR 78 million).

Net assets and financial situation

(€ m)	Note	03/31/2009	12/31/2008	Change in %
Assets				
Cash reserve		1,808	1,419	27.4
Loans and advances to banks	(13)	21,904	23,340	-6.2
Loans and advances to customers	(14)	119,113	117,431	1.4
Loan loss provisions	(15)	-3,120	-2,751	13.4
Positive market values of hedge derivatives	(16)	928	2,807	-66.9
Positive adjustment item from portfolio fair value hedges		486	427	13.8
Assets Held For Trading	(17)	27,588	26,802	2.9
Financial investments	(18)	35,634	36,511	-2.4
Intangible assets	(19)	250	246	1.6
Tangible assets	(20)	111	114	-2.6
Investment property	(20)	314	285	10.2
Current tax assets		593	572	3.7
Deferred tax assets	(21)	702	726	-3.3
Other assets	(22)	479	472	1.5
Total assets		**206,790**	**208,401**	**-0.8**

Liabilities				
Liabilities to banks	(23)	55,260	61,391	-10.0
Liabilities to customers	(24)	58,978	52,397	12.6
Securitised liabilities	(25)	55,011	58,200	-5.5
Negative market value of hedge derivatives	(26)	1,157	2,194	-47.3
Negative adjustment item from portfolio fair value hedges		1,405	1,159	21.2
Liabilities Held For Trading	(27)	19,793	17,587	12.5
Provisions	(28)	1,425	1,412	0.9
Current tax obligations		84	101	-16.8
Deferred tax obligations		49	58	-15.5
Other Liabilities	(29)	1,821	1,795	1.4
Subordinated capital	(30)	10,033	9,962	0.7
Equity	(31)	1,774	2,145	-17.3
Share capital		881	881	0.0
Capital reserve		88	88	0.0
Retained earnings		1,778	1,354	31.3
Revaluation reserve		-708	-562	26.0
Currency translation reserve		-46	-85	-45.9
Group profit/loss		-239	424	>-100
Total before minority interests		1,754	2,100	-16.5
Minority interests		20	45	-55.6
Total liabilities		**206,790**	**208,401**	**-0.8**

BALANCE SHEET DEVELOPMENT DICTATED BY ECONOMIC AND FINANCIAL CRISIS

The financial market crisis and the weak economy affected the development of key balance sheet items of HSH Nordbank in the first quarter of 2009. As at 31 March 2009, total assets fell 0.8 % to EUR 206,790 million (31 December 2008: EUR 208,401 million). While loans and advances to banks dropped by EUR 1.4 billion to EUR 21,904 billion, loans and advances to customers increased slightly by EUR 1.7 billion to EUR 119.1 billion in the light of limited new lending and exchange rate effects.

Loan loss provisions increased by 13.4 % in comparison to year-end 2008 to come in at EUR 3,120 million (31 December 2008: EUR 2,751 million). This was mainly due to a marked rise of EUR 381 million in loan loss provisions for loans and advances to customers. Loan loss provisions for banks were down EUR 12 million; however, a sharp drop in portfolio value allowances to EUR 10 million (31 December 2008: EUR 48 million) was offset by an increase of EUR 26 million in provisioning for individual risks.

Assets held for trading rose by 2.9 % to EUR 27,588 million. Contrary effects were seen here. Bonds and debentures decreased by 21.0 % to EUR 5,609 million. This was largely due to the ongoing winding down of the portfolio. However, the reduction was more than offset by an increase in the positive market value of derivative financial instruments, which rose to EUR 21,607 million (31 December 2008: EUR 18,983 million).

Financial assets decreased by EUR 877 million to EUR 35,634 million (−2.4 %). This drop is largely attributable to changes in the portfolios of debentures and other fixed-income securities, which reflects the ongoing winding down of the credit investment portfolio.

The largest items on the liabilities side of HSH Nordbank's balance sheet are liabilities to banks, liabilities to customers and securitised liabilities.

Liabilities to banks fell 10.0 % to EUR 55,260 million against the backdrop of a largely illiquid interbank market (31 December 2008: EUR 61,391 million). This drop was more than offset by a sharp rise in liabilities to customers, which came in at EUR 58,978 million. This is equivalent to an increase of EUR 6,581 million.

Securitised liabilities fell again in the first quarter of 2009. As at 31 March 2009, they amounted to EUR 55,011 million – 5.5 % below the year-end 2008 figure of EUR 58,200 million. This was attributable to the Bank's reduced issuing activity in the first quarter caused by the current financial market crisis.

Liabilities held for trading – consisting predominantly of the negative market value of derivative financial instruments – rose by EUR 2,206 million to EUR 19,793 million (31 December 2008: EUR 17,587 million).

The Group's subordinated capital totalled EUR 10,033 million as at 31 March 2009 (31 December 2008: EUR 9,962 million).

At EUR 1,774 million, equity was down 17.3 % as at 31 March 2009 (31 December 2008: EUR 2,145 million). This change largely resulted from the loss for the quarter and a reduction in the revaluation reserve. The latter contributed EUR −146 million towards this development, of which EUR −134 million is attributable to AFS assets in the credit investment portfolio.

To strengthen the equity base and fulfil the Tier 1 capital ratio required by the Special Fund Financial Market Stabilization (SoFFin), the States of Hamburg and Schleswig-Holstein approved a capital increase of EUR 3 billion and a EUR 10 billion subordinate guarantee in April 2009.

Total off-balance-sheet obligations fell by EUR 3,440 million to EUR 25,986 million (31 December 2008: EUR 29,426 million), with the sharpest drops seen in contingent liabilities (EUR −434 million) and other off-balance-sheet obligations (EUR −3,006 million). In conjunction with the decrease in total assets, the overall business volume fell by 2.2 % to EUR 232,776 million as at 31 March 2009.

Tier 1 capital amounts to EUR 7.8 billion

As at 31 March 2009, the total Tier 1 capital fell to EUR 7.8 billion (31 December 2008: EUR 8.4 billion); regulatory capital totalled EUR 11.6 billion (31 December 2008: EUR 12.9 billion). The Tier 1 capital ratio (including the market risk position) reached 6.8 % (31 December 2008: 7.5 %) and the regulatory capital ratio fell to 10.1 % (31 December 2008: 11.6 %). According to the Group financial statements approved in April 2009 – which are not taken into account in this report – the ratios will initially fall further. However, the EUR 3 billion capital increase of the Bank due to take place in the second quarter and the planned state guarantee will boost the Tier 1 capital ratio and the regulatory capital ratio well beyond the above-mentioned figures.

Placement of SoFFin-guaranteed bonds

Initial signs that the situation on the financial markets was beginning to ease emerged in the first quarter of 2009. These signs of recovery were backed by a number of positive signals from the banking sector and improved early economic indicators. However, the refinancing activities of banks continued to focus on issuing government-backed bonds, while unguaranteed issues were only possible to a limited extent.

At the beginning of 2009, HSH Nordbank became one of the first German banks to utilise its government guarantee framework to cover its refinancing requirements with a benchmark issue totalling EUR 3 billion and a term of three years. Back in December 2008, the Bank issued two short-dated bonds which are ECB eligible and serve as a liquidity reserve. The Special Fund Financial Market Stabilization (SoFFin) furnished the EUR 30 billion liquidity guarantee – of which just EUR 10 billion was initially approved up to April 2009 – on the condition that the Bank was restructured to isolate its troubled assets and its capital resources were improved. HSH Nordbank applied for the government guarantees in November 2008 to overcome a liquidity situation which threatened its ongoing existence.

After the States of Hamburg and Schleswig-Holstein signed off the Bank's restructuring and capitalisation concept in early April 2009 and concluded a SoFFin-approved holding agreement for their shares in HSH Nordbank, SoFFin approved the remaining EUR 20 billion guarantee line within the total available framework of EUR 30 billion. HSH Nordbank then successfully placed a second SoFFin-guaranteed bond with a volume of EUR 3 billion on the capital market at the end of April 2009. As at mid-May 2009, HSH Nordbank has issued SoFFin-guaranteed bonds with a volume of EUR 19 billion, EUR 6 billion of which was raised directly in the capital markets. Having deposited a further EUR 13 billion with the Bundesbank to increase our collateral pool for money market transactions, the Bank has further liquidity reserves in addition to the available SoFFin liquidity facility in the amount of EUR 11 billion.

The Bank also succeeded in placing longer-term unsecured debt instruments totalling approximately EUR 0.6 billion and covered bonds with a volume of EUR 0.4 billion with domestic investors. At the end of the quarter, deposits by banks and non-banks were virtually on a par with their level at year-end 2008. While deposits by banks remained stable at the beginning of the second quarter, we saw a decline in deposits by non-banks. For detailed information about the liquidity situation and liquidity management, please refer to the risk report in this interim report.

SEGMENTS

THE SEGMENTS AT A GLANCE

Segments		Transportation & Energy			Real Estate	Corporate & Private Banking		Financial Markets & Institutions		Corporate Center
Divisions (€ m)		Shipping	Trans-portation	Energy	Real Estate Clients	Corporate Clients	Private Banking	Financial Markets	Savings Banks	
Total income	**Q1 – 2009**	107	44	32	111	108	14	-8	9	-45
	Q1 – 2008	79	48	24	90	116	20	-88	10	29
Operating profit	**Q1 – 2009**	22	-80	-4	72	-133	3	-144	5	-78
	Q1 – 2008	57	29	18	41	47	7	-153	5	-1
Average tied-up equity	**Q1 – 2009**	295	189	57	233	449	15	589	19	37
	Q1 – 2008	478	429	122	570	1,201	36	1,236	11	150

TRANSPORTATION & ENERGY SEGMENT

The Transportation & Energy segment – which includes the Shipping, Transportation and Energy divisions – posted income before taxes of EUR −62 million for the first quarter of 2009 (previous year: EUR 104 million).

Transportation & Energy (€ m)	Q1 – 2009	Q1 – 2008	Change in %
Net interest income	165	108	52.8
Net comission income	20	26	-23.1
Net trading income	-6	15	> -100
Net income from financial investments	4	2	100.0
Total income	**183**	**151**	**21.2**
Loan loss provisions	-197	-1	> 100
Administrative expenses	-48	-49	-2.0
Other operating income	–	3	-100
Operating profit	**-62**	**104**	**> -100**
Average tied-up equity	541	1.029	-47.4

Shipping

Higher risk provisioning

Following the slump in global trade and the shipping markets at the end of 2008, the container shipping and bulk carrier sectors experienced a further decline in vessel utilisation and increasing excess capacity in the first quarter of 2009. Nevertheless, the bulk carrier market showed initial signs of easing, albeit at a low level. Charter rates were able to recover from their lowest points as a result of a temporary increase in demand for iron ore – especially from China – but they were in decline again by the end of the quarter.

In this difficult environment, the Shipping division generated income of EUR 107 million (previous year: EUR 79 million). Net interest income made the largest contribution to this, exceeding the previous year's figure despite a decrease in the volume of new business. In addition to higher margins, the development of the US dollar-euro exchange rate had a positive effect on net interest income. The effects of the fall in the number of transactions concluded were felt more keenly on net income from trading and commission. Net commission income nonetheless almost equalled the previous year's figure. Although sales results for risk management products remained high, they were unable to compensate for the above-mentioned effects on income from trading.

By creating new loan loss provisions of EUR 61 million, we are preparing ourselves for the growing economic risks. Largely due to the increased need for risk provisioning, income before taxes amounted to EUR 22 million and was therefore unable to match the previous year's figure of EUR 57 million.

Transportation

Earnings down slightly on the year

The Transportation division posted earnings of EUR 44 million for the first three months of 2009 (previous year: EUR 48 million). Transaction-dependent commission income and additional earnings from cross-selling activities were badly affected by the lower volume of new business in Q1 twinned with the difficult refinancing conditions. The pleasing increase in net interest income – the largest source of revenue – is primarily a result of our substantial business expansion in the previous year. Costs were down on the year, due in particular to savings made in the course of the realignment. Although it was only necessary to increase loan loss provisions for individual borrowers moderately, substantially higher general loan loss provisions were formed in the light of the economic downturn. This allocation in particular resulted in income before taxes of EUR −80 million (previous year: EUR +29 million).

Energy

Income up

The Energy division generated total revenue of EUR 32 million in the first quarter. This clear increase on the previous year (EUR 24 million) was primarily attributable to higher net interest income. The division benefited from a number of wind energy and solar projects realised and initiated in Germany and abroad in the 2008 financial year. Since the fourth quarter of 2008, Energy has seen a substantial decrease in new business as its clients have scaled back their activities and financing costs have risen. This has affected the net income from commission and trading in particular as they are linked to volumes and transactions. Substantially higher risk provisioning was also necessary in the Energy division, resulting in income before taxes falling from EUR +18 million in Q1 2008 to EUR −4 million.

REAL ESTATE

Increase in earnings

The Real Estate segment – which comprises HSH Nordbank's financing operations in the property sector and the activities of its subsidiary HSH Real Estate AG – generated total earnings of EUR 111 million in the first quarter of 2009 (previous year: EUR 90 million). Income before taxes was up on the year at EUR 72 million.

Real Estate (€ m)	Q1 – 2009	Q1 – 2008	Change in %
Net interest income	91	81	12.3
Net commission income	15	2	>100
Net trading income	5	6	–16.7
Net income from financial investments	–	1	–100
Total income	**111**	**90**	**23.3**
Loan loss provisions	–10	–7	42.9
Administrative expenses	–35	–39	–10.3
Other operating income	6	–3	>100
Operating profit	**72**	**41**	**75.6**
Average tied-up equity	233	570	–59.1

Real estate financing

In the financing business, the Real Estate Clients division generated earnings of EUR 107 million (previous year: EUR 85 million). Against the backdrop of difficult refinancing, the volume of new business in real estate financing remained very low in the first three months of the year. Positive effects were felt from the higher, risk-adequate margins which the Bank succeeded in achieving on new business and extensions in the past year and the first quarter of 2009. One-off commission revenue was also recorded.

HSH Real Estate AG

As expected, HSH Real Estate AG recorded a negative result in the first quarter. As in previous years, earnings from project business and equity holdings will only increase later in the the year. Fund transactions made a positive contribution towards income in Q1, thanks in particular to commission earned by the subsidiary HGA Capital.

Despite the weak dynamics on the property markets, the real estate subsidiary was able to successfully progress with a number of projects in the first quarter. For example, we acquired 25.1 % of BIT Beteiligungs- & Investitions-Treuhand AG, a subsidiary of Aragon AG. This equity investment strengthens HSH Real Estate AG's position in the sale of closed-end funds.

CORPORATE & PRIVATE BANKING

The Corporate & Private Banking segment incorporates the Corporate Clients and Private Banking divisions. At EUR −130 million, the segment's income before taxes in the first three months of 2009 remained well below the previous year's figure of EUR 54 million.

Corporate & Private Banking (€ m)	Q1 – 2009	Q1 – 2008	Change in %
Net interest income	102	106	−3.8
Net commission income	21	26	−19.2
Net trading income	5	4	25.0
Net income from financial investments	−6	–	–
Total earnings	**122**	**136**	**−10.3**
Loan loss provisions	−206	−30	>100
Administrative expenses	−46	−53	−13.2
Other operating income	–	1	−100
Operating profit	**−130**	**54**	**>−100**
Average tied-up equity capital	464	1,237	−62.5

Corporate Clients

Provisioning for higher risks

As the economy remained weak, demand for credit was muted in the Corporate Clients division in the first quarter of 2009. Our clients' cautious approach to investing primarily made itself felt in the long-term segment. However, developments differed in the individual sectors with demand remaining largely stable in the field of consumer goods, for example.

Total earnings in the first three months of 2009 amounted to EUR 108 million – EUR 8 million below the previous year's figure (EUR 116 million). Adjusted for effects arising from the valuation of securities which are included in the net income from financial investments and did not occur in Q1 2008, total earnings amounted to EUR 114 million. Net interest income accounted for the majority of this and remained on a par with the previous year's figure at EUR 94 million. Net trading income and net commission income fell slightly short of the previous year's reference figures. This was largely attributable to the limited new business in the opening quarter of the year. We succeeded in further cutting costs to EUR 34 million (previous year: EUR 40 million).

Risk provisioning increased as a result of a greater probability of default due to the widespread economic crisis and therefore impinged on the Q1 result. All in all, we increased the net allocations to loan loss provisions in Q1 2009 to EUR 207 million (previous year: EUR 30 million). All of this resulted in income before taxes of EUR −133 million (previous year: EUR 47 million).

Private Banking

Pressure on earnings

In the Private Banking division, earnings totalled EUR 14 million in the first quarter of 2009 (previous year: EUR 20 million). This drop was mainly due to a reduction in income from securities and the deposits business, which was primarily attributable to lower interest rate margins prompted by dwindling current interest rates and intense competition for client deposits. Earnings from the lending business also fell as risks were wound down. Foreign currency and precious metal trading made greater contributions towards earnings. Despite the difficult market conditions, assets under management remained satisfactorily constant. Due to an improved cost situation, income before taxes was slightly positive at EUR 3 million compared with EUR 7 million in Q1 2008.

FINANCIAL MARKETS & INSTITUTIONS

The Financial Markets & Institutions segment comprises the financial markets divisions Capital Markets Credit, Capital Markets Structuring & Trading, Capital Markets Clients, Asset & Investment Management and Group Treasury along with the credit investment portfolio and the Savings Banks division. In total, the segment posted income before taxes of EUR −139 million (previous year: EUR −148 million). This included write-downs on the credit investment portfolio (CIP) amounting to EUR 341 million (previous year: EUR 189 million). Details on the portfolio can be found in the risk report.

Financial Markets & Institutions (€ m)	Q1 – 2009	Q1 – 2008	Change in %
Net interest income	247	95	>100
Net commission income	-2	7	>-100
Net trading income	-3	-171	>100
Net income from financial investments	-241	-9	>-100
Total income	1	-78	>100
Loan loss provisions	-75	1	>-100
Administrative expenses	-65	-71	-8.5
Other operating income	–	–	–
Operating profit	-139	-148	-6.0
Average tied-up equity	608	1,247	-51.2

Financial Markets

Positive result

Excluding write-downs on the CIP, the Financial Markets division at HSH Nordbank posted positive income before taxes of EUR 197 million in the first three months of 2009 (previous year: EUR 36 million). The rise in the first quarter of this year was first and foremost due to the significant increase in net interest income to EUR 242 million compared with EUR 90 million in the first three months of 2008. In addition to above-average liquidity transformation, this development resulted to a great extent from the active management of our balance sheet items. For example, the sharp increase in money market curves had an effect in conjunction with the considerable reduction in the interest rate level, as did the vast increase in the spreads between the markets for secured and unsecured liquidity.

Without taking the write-downs on the CIP into account, net trading income amounted to EUR 88 million, EUR 94 million above the comparable figure of EUR −6 million from the previous year. This was due to a much greater price margin between the supply and demand sides. In addition to this, earnings from customer trading received a long-term boost. At EUR 7 million excluding CIP write-downs, net income from financial investments was below the comparable Q1 2008 figure of EUR 14 million. Administrative expenses were down on the year, which also helped to improve the result.

We succeeded in maintaining the good development of our cross-selling business with capital market products for the retail sector in the first quarter of 2009, which considerably strengthened the whole Bank's earnings base. Despite limited new business at the Bank, cross-selling income remained stable at EUR 41 million in early 2009 (previous year: EUR 42 million). This was primarily due to adjustments made to existing transactions in order to limit market price risks (especially interest rate, foreign exchange and commodity hedging). We have been increasingly successful in this field since 2006, which reflects our clients' growing awareness of risk and the trust they place in our ability to provide solutions.

Savings Banks

Business with savings banks was again shaped by the difficult capital market environment in the first quarter of 2009. Demand for investment products from savings banks and their clients remained restrained, leading to a decrease in our commission income. Net interest income remained unchanged despite the planned reduction in the refinancing business with savings banks and municipalities. This was largely caused by high inflows of short-term liquidity. On balance, income before taxes remained on a par with Q1 2008 at EUR 5 million.

CORPORATE CENTER

Corporate Center (€ m)	Q1 – 2009	Q1 – 2008	Change in %
Net interest income	-12	31	>-100
Net commission income	–	-1	-100
Net trading income	-27	11	>-100
Net income from financial investments	-6	-12	-50.0
Total income	-45	29	>-100
Loan loss provisions	21	-4	>100
Administrative expenses	-29	-28	3.6
Other operating income	3	2	50.0
Restructuring expenses	-28	–	–
Operating profit	-78	-1	>-100
Average tied-up equity	37	150	-75.3

The Corporate Center segment comprises Corporate Investments and Corporate Services. Corporate Investments include central and strategic portfolios, equity investment and financing transactions and results from strategic equity holdings. Corporate Services comprise overall bank costs and the income from corporate and service divisions which is not allocated to other segments.

Compared to the previous year, the Corporate Center's total earnings in Q1 2009 experienced a noticeable decline, especially in net interest and trading income.

The decrease in net interest income was partly due to lower income from financial investments and financing transactions in connection with the sharp drop in interest rates. Another contributing factor was the fall in income from strategic portfolios and equity holdings.

OUTLOOK

The following section should be read in conjunction with other chapters in this interim report and with the outlook and risk report contained in the 2008 annual report.

Gradual economic stabilisation possible

An upward trend has been identified in various leading indicators, signalising that the downward spiral experienced by the global economy in the second quarter should lose pace. We expect the global economy to stabilise gradually in the second half of the year, thanks in part to far-reaching incentives by central banks and governments. On balance, the world economy will nevertheless shrink in 2009 and return to moderate growth in 2010.

Despite some glimmers of hope in the first quarter, 2009 is expected to be another difficult year for banks. For example, as the recession continues, financial institutions will increasingly suffer from defaults in their lending business. However, further steps to restructure the sector – for example by establishing bad banks – should also help to gradually rebuild interbank confidence.

In our opinion, the central banks in the USA and the euro zone will not revert to raising interest rates this year in light of the weak economy. Unconventional means of boosting liquidity in the economy can also be expected to continue in the second half-year. While interest will therefore remain relatively low for shorter-term government bonds, we expect returns on longer-term government securities – especially in the USA – to increase considerably as high deficits in the public budgets and growing fears of inflation should force market prices down. Given the worsening state of the US state finances and the major ongoing structural problems faced by the US economy, the euro should rally considerably against the US dollar by year-end.

Following the recent upturn, we expect the stock markets in the USA and the euro zone to initially experience further setbacks. We anticipate that uncertainty will continue to define the mood and the consequences of the recession will impact on figures.

Challenges remain

We expect business conditions for HSH Nordbank to remain difficult for the rest of 2009. The marked reduction in economic activity – which is affecting many of our clients – will continue to have a palpable effect on our lending business. In view of these economic risks and the difficult refinancing situation, the opportunities to enter into new, larger-scale commitments are limited. This could also impact on HSH Nordbank's earnings situation in the quarters to come. Rising default rates are also to be expected within our loan portfolios. As a result, the need for default risk provisioning remains high. We are continuing to wind down our existing credit investment portfolios. Financial investments should therefore impinge on results to a much lesser extent in 2009 than in the previous year.

The high net interest income in Q1 shows that we are in a position to utilise business opportunities in the current market situation. It is also pleasing that the cost-cutting measures initiated in the previous year already began bearing fruit in the first quarter. By consistently reining in operating expenses and instigating major job cuts as part of the realigned business model, we will noticeably alleviate administrative expenses in 2009 and the years to come.

We have recently started to see indications of confidence returning on the financial markets and the economy recovering in the second half of 2009. Permanently improving the business environment would help the whole banking sector to overcome its difficulties. Despite these positive signals, we at HSH Nordbank expect our loan and securities portfolios to suffer further as 2009 progresses.

Strategic realignment at HSH Nordbank

In Q1 2009, the realignment of HSH Nordbank initiated in the second half of 2008 and the Bank's planned recapitalisation made further progress. The aim of this realignment is to ensure the Company's ongoing existence by focusing on consistently attractive core activities.

Equity base strengthened

At the beginning of April 2009, the state parliaments in Hamburg and Schleswig-Holstein approved HSH Nordbank's business concept and an increase in equity. They also agreed to provide a financial guarantee. The two state governments had already backed the new business concept in February. In March, the Special Fund Financial Market Stabilization (SoFFin) also approved the recapitalisation and realignment concept. HSH Nordbank has been utilising a SoFFin framework guarantee to issue bonds since the end of 2008. The Special Fund Financial Market Stabilization (SoFFin) agreed to provide the guarantee amount on the condition that the Bank was restructured to isolate its troubled assets and that it improved its capital resources.

HSH Nordbank AG's ongoing existence depends on sufficient equity support measures being conducted to allow the Bank to observe regulatory equity requirements and uphold its contractual obligations to SoFFin regarding its Tier 1 capital ratio. In this respect, it is particularly important that:

- the equity support measures initiated by the Free and Hanseatic City of Hamburg and the State of Schleswig-Holstein (EUR 3 billion capital increase and subordinate guarantee worth EUR 10 billion) are implemented. This is primarily subject to approval under EU law, a resolution by the annual general meeting and conclusion of a guarantee agreement,
- the German Federal Financial Supervisory Authority and the Bundesbank do not take any regulatory measures in the meantime,
- the SoFFin maintains the granted guarantee framework and makes it available to the extent which is necessary.

In May 2009, the HSH Nordbank annual general meeting is due to vote on capitalisation measures including an additional EUR 3 billion of equity. On 12 May 2009, the Supervisory Board of HSH Nordbank recommended that the annual general meeting approve the motion. In addition, HSH Nordbank is expected to be provided with a financial guarantee worth approximately EUR 10 billion for the purpose of risk shielding. The overall concept for the Bank's future is subject to the European Commission's approval.

Realignment progress

a) Business model

The individual segments' business models were reviewed as part of HSH Nordbank's strategic realignment. This involved examining in particular their diversification, risk position, income prospects and refinancing ability. Based on this, we identified any necessary adjustments to the segments' strategies and derived strategic and planning targets accordingly in the first quarter of 2009.

b) Restructuring

Reducing administrative expenses forms a crucial part of the realignment. One of our aims is to cut the number of employees (full-time jobs) by 1,100 between 2009 and 2011 and thereby slash personnel expenses. An employer / works council agreement was approved in April which is designed to ensure that jobs are shed in a socially responsible manner. Further site adjustments are also planned.

c) Portfolio spin-off

As part of its realignment, HSH Nordbank decided to reduce its total assets, separate non-strategic activities and portfolios with no direct customer link from the core bank and reduce them in due course as part of a wind-down strategy in order to improve its risk profile and sharpen its business model. The individual portfolios were identified in the first quarter of 2009. In addition to gradually winding down portfolios by means of redemptions and strictly limited new business, the Bank is also examining its options for selling or spinning off portfolios. The Bank has therefore starting developing a concept for legally divesting portfolios.

d) Optimising core bank functions

The Management Board has also defined further measures as part of the overall realignment project. For example, one sub-project is examining the fields of information technology and transaction services with a view to reducing operating expenses. The decision-making process for lending is also being reviewed with the aim of improving the culture, organisation and processes pertaining to risk and adapting the organisation, infrastructure and resources to the new corporate structure.

Rating downgraded in May 2009

At the beginning of May 2009, the rating agency Standard & Poor's downgraded its long- and short-term ratings for German federal state banks following an extensive review. This also affects HSH Nordbank. HSH Nordbank's long-term rating was reduced by two levels to BBB+ and its short-term rating was corrected downwards by one notch to A-2. Given the major realignment, the strengthening of the capital base and the extensive risk shielding implemented as part of the development of the new business model, the extent of the downgrading was unexpected.

The Bank will therefore utilise the SoFFin guarantee framework totalling EUR 30 billion to a greater extent than planned to refinance its business activities as we currently expect that investors may withdraw their deposits from the Bank and that the placement of unsecured issues will become even more difficult. As at mid-May 2009, HSH Nordbank had utilised EUR 19 billion of the framework guarantee. Of this, EUR 6 billion was issued directly on the capital markets. Having deposited a further EUR 13 billion with the Bundesbank to extend our collateral pool for money market transactions, the Bank now has further liquidity reserves in addition to the available SoFFin liquidity facility in the amount of EUR 11 billion.

The deterioration in the refinancing conditions also makes it necessary for us to further restrict our new lending business. This could have a greater impact on the Bank's earnings than planned.

In addition to restricting new business and making greater use of the SoFFin guarantees, the expected inflow of funds from the planned EUR 3 billion capital increase and the EUR 10 billion risk shielding will contribute towards stabilising the Bank's refinancing situation. Additional funds should also be freed up by disposing of assets, restructuring and issuing Pfandbriefe.

The planned spin-off of securities and loan portfolios which forms part of the realignment will considerably reduce the potential strain on the future core bank and stabilise its income development. Following the planned legal separation of the restructuring unit, we can expect investors to have a far more positive view of the Bank based on its new business model. This will ensure that the much-reduced business volume of the future core bank can be refinanced in the long term. In the short term, the government guarantees provided by SoFFin will be the principal means of safeguarding liquidity in the Bank's estimation.

Please refer to the risk report for more detailed information about the effects of the revised rating on the Bank's liquidity and risk situation.

ANTICIPATED SEGMENT DEVELOPMENTS

Economic and financial market developments shape our expectations for the Bank's segments and we anticipate the effects of these developments on future opportunities and risks to differ from segment to segment as the specific market conditions vary. Due to the economic downturn, greater risk provisioning requirements are to be expected in all areas of lending.

Shipping: difficult market conditions

As ordering has virtually come to a standstill and the global economy is beginning to recover, we should see an upturn in the traditionally cyclical shipping markets from the second half-year onwards. However, this trend can be expected to be too weak in 2009 to prevent further excess capacity from arising on the shipping markets, let alone reverse it, as the number of finished vessels flooding the markets will simply be too great. The growing number of orders being cancelled and newbuildings being postponed along with older tonnage being scrapped will not therefore be expected to recover substantially overall. As many shipping companies are currently facing a difficult income situation, orders of new vessels appear unlikely. Sales of used vessels are set to cool compared with 2008, and transactions will also be concluded at much lower prices.

Transportation: economic situation taking effect

Despite the weak global economy, the transportation market nevertheless offers a wide range of business opportunities for financing and advising specialists in this sector in 2009. With a comparatively stable demand for credit, new business will mainly be restricted by the fact that access to liquidity on the financial markets – especially in the dollar zone – remains difficult. However, the financing gap on the aviation market seems to have been largely closed thanks to an increase in supplier financing, holdings by specialised export credit agencies (ECA) and adjusted delivery plans.

Nonetheless, the economic situation must be expected to have a marked effect on aviation over the coming months. The further spread of swine flu could also have a negative impact, depending on its extent. Government infrastructure measures to stimulate the economy should continue to shape the infrastructure market for the time being.

Energy: curbed growth

Despite the critical current environment, further growth can be expected in the market for renewable energies, although this growth is set to fall well below that seen in the previous years. Thanks to our position as a leading financier and arranger in this sector and based on the customer enquiries we have received, we believe there is a good chance we will be able to support numerous attractive projects in the course of the year and further boost the number and volume of new transactions concluded. This will enable us to improve on the modest start to the year.

Real Estate: limited number of projects

Given the major impact the financial market crisis has had on property markets, we can expect a limited number of new projects to be realised in the market in 2009. In addition to this, the volume of transactions is set to remain low and new project developments are likely to be repeatedly postponed. However, we will also see a much greater need among our clients to prolong existing financing when it falls due. Despite the difficult refinancing conditions, we want to accommodate this need wherever possible.

It remains HSH Real Estate AG's objective to significantly increase its property (assets under management) as a leading investment and asset manager. For this reason, we will continue ramping up our fund business. Alongside asset management, advisory activities will remain crucial. We see the volatile markets we are currently experiencing as an opportunity for new approaches to consultancy.

Corporate Clients: economy makes itself felt

In the course of 2009, business opportunities in the Corporate Clients sphere will be heavily influenced by reduced economic activity and higher financing costs. We can only expect the economy to stabilise – triggering a tangible increase in new business – in 2010. Despite the difficult underlying conditions, we are consolidating our business with medium-sized companies by means of a broad range of tailored solutions which go beyond classic lending. These services focus in particular on capital structure optimisation, liquidity control and risk management.

Private Banking: growing willingness to invest

As the year progresses, we expect our clients to become increasingly keen to invest. We anticipate that investors will once again focus more strongly on high-return forms of investment. Due to the business environment, earnings at HSH Nordbank's Private Banking division can be expected to remain under pressure for some time, however. In spite of this, we will continue to refine and further develop our range of services for wealthy private clients and foundations in order to provide our clients with the best possible service and acquire new accounts as a leading northern German provider.

Savings Banks: product portfolio adjusted

Following another downswing in Q1 2009, we expect the demand from savings bank clients for attractive financial products twinned with high-quality advice to increase again in the second half-year. As the year progresses, in addition to providing quality investment products, our Savings Banks division will focus on loan portfolio management, the joint syndicated lending business and the management of its own investments. To utilise the market potential to the full, we want to intensively support the more than 200 savings banks in Germany with which we have a business relationship by providing solution-orientated advice.

Financial Markets: client business expanding

As well as planning and implementing the Bank's refinancing activities, the Financial Markets division focuses on supporting the core areas and institutional clients. As new lending business is currently limited, our cross-selling activities are concentrating on restructuring existing hedging and refinancing transactions. Our cross-selling activities have been increasingly successful in recent years and should help to permanently grow and diversify our income. The credit investment business which has been managed by the central Group Risk Management unit since the end of 2008 is gradually being wound down to reduce risk. Further details can be found in the risk report below.

RISK REPORT

The Bank's material risks include default, liquidity, market and operational risks. The methods, instruments and processes use to manage these risks are described in detail in the risk report which forms part of our 2008 annual report.

Financial market crisis and economic downturn

Following the intensification of the crisis on the money and capital markets in autumn 2008, the refinancing conditions for banks became even more difficult. Despite initial signs of recovery, the situation on the money and capital markets did not ease in the first quarter of 2009. This continues to have a major impact on HSH Nordbank's liquidity situation.

To cover its refinancing requirements, HSH Nordbank issued a SoFFin-guaranteed benchmark bond with a volume of EUR 3 billion and a term of three years in January 2009. In April 2009, the state parliaments in Hamburg and Schleswig-Holstein approved the new business model and the EUR 3 billion capital increase in conjunction with a financial guarantee worth EUR 10 billion as protection from unexpected losses. After SoFFin signed off the remaining portion of the financial guarantee we applied for in 2008, thereby approving up to EUR 30 billion in full, a second SoFFin-guaranteed bond with a two-year term was successful placed on the capital market at the end of April 2009.

Due to the loss posted for 2008 and the loss anticipated for the financial year 2009, our risk coverage potential has fallen further since 31 December 2008. Loan loss provisions in the lending business totalled EUR −0.4 billion in the first quarter of 2009. The planned capitalisation measures are intended to improve our critical capital situation and thereby re-establish our risk-bearing capacity.

Downgraded rating expected to have an additional impact

On 6 May 2009, the rating agency Standard & Poor's downgraded our long- and short-term ratings to BBB+ and A-2 respectively. At this stage it is impossible to conclusively assess the effect of the downgrades on our liquidity and risk situation.

At present, we expect the downgrades to lead to difficulties in respect of long-term funding, the withdrawal of deposits and higher collateral requirements for derivative transactions, thereby further aggravating our liquidity situation.

When it became apparent that its rating would be downgraded, the Bank initiated various measures in April 2009 to be prepared for the expected additional impact on the liquidity situation. In addition to increasing our utilisation of the SoFFin framework guarantee, we further restricted our new lending business. All in all, we consider the action taken to be an appropriate means of stabilising HSH Nordbank's liquidity situation despite the rating downgrades.

Further information on the effects of the rating downgrade can be found in the "Outlook" section of this interim report.

Risk-bearing capacity

When monitoring our risk-bearing capacity, we regularly compare the economic capital required to absorb unexpected losses (overall risk) with the available risk coverage potential. The risk coverage potential is calculated using the net asset value approach. In addition to equity (including changes to the net asset value), the net asset value takes factors such as unrealised gains and losses from securities, equity holdings and lending into account along with negative P & L effects. Default, market, liquidity and operational risks 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, no correlating factors with a risk-reducing effect were taken into account.

On the reporting date, the risk coverage potential totalled EUR 8,421 million (31 / 12 / 2008: EUR 9,862 million). This includes the anticipated loss for the 2009 financial year in full but excludes the planned capital increase.

The economic capital required for default risks amounted to EUR 7,899 million (31 / 12 / 2008: EUR 6,629 million) on the reporting date.

Compared with 31 December 2008, the market risk grew by EUR 184 million to EUR 512 million.

As a reaction to the shortage of liquidity on the markets, HSH Nordbank introduced a value-at-risk approach back in early 2008 to quantify the liquidity maturity transformation risk. This long-term / structural liquidity risk represents the risk that the refinancing costs associated with the open liquidity items will grow. As planned, the way in which the liquidity-adjusted value at risk (LVaR) is calculated was refined in early 2009 based on the data we acquired in the course of 2008. Our analyses showed that the liquidity maturity transformation risk was overestimated in the previous year due to the conservative LVaR approach we used. The adjustments reflect the Bank's risk situation more accurately. At EUR 1,105 million, the LVaR as at 31 March 2009 was EUR 200 million above the year-end 2008 figure due to further increases in the liquidity gaps since the end of 2008. The risk coverage potential does not include the risk of insolvency – which is a more pertinent expression of the liquidity risk for the Bank than the maturity transformation risk in the current financial market crisis – as the loss is not quantifiable. The "Liquidity risk" section contains further details, including information on managing the risk of insolvency.

Operational risks have been identified using the standard approach defined in the German Solvency Regulation (SolvV) since 2008. The relevant economic capital required amounted to EUR 261 million as at 31 March 2009 (31 / 12 / 2008: EUR 291 million).

On the reporting date, the total economic risk was EUR 9,777 million (31 / 12 / 2008: EUR 9,016 million). Without taking the planned EUR 3 billion capital increase into account, utilisation of the risk coverage potential therefore came to 116 % (31 / 12 / 2008: 91 %). This means that the Bank's risk-bearing capacity was exhausted at the end of March 2009. The implementation of the EUR 3 billion capital increase and the EUR 10 billion financial guarantee – expected in mid-2009 – will re-establish this risk-bearing capacity. Once the capital increase has been completed and the Bank's strategic realignment has taken a more concrete shape, new risks limits for the individual types of risk will be derived from the risk coverage potential for 2009.

Default risk

The financial and economic crisis prompted a dramatic downturn in the real economy in Q1 2009. This impacted on our lending business, making higher allocations to loan loss provisions necessary. The Bank expects that the uncertain economic situation and the increased probability of further credit events at central governments will lead to high corporate spreads and a sharp increase in default rates throughout the Bank's loan portfolio. Details on the existing loan loss provisions can be found in figures 5 and 15 of the explanatory notes.

Wind-down of the credit investment portfolio

In the wake of the financial market crisis, the credit investment portfolio had a severe impact on HSH Nordbank. As a result, the Bank decided in September 2008 to wind down the credit investment portfolio in a way which would not cause excessive slippage or damage income. By utilising market opportunities, the portfolio's total exposure was reduced by approximately 27 % overall from EUR 29,968 billion at the end of 2007 to EUR 21,836 billion on 31 December 2008. We continued to wind down our portfolio in the first quarter of 2009. As at 31 March 2009, the total volume of the portfolio – taking into account foreign exchange effects – amounted to EUR 20,582 million. It was therefore approximately 6 % below the figure at year-end 2008.

After recognising a total negative effect of EUR 2.9 billion on the Group income statement in the financial years 2007 / 2008, further effects were felt in Q1 2009, of which EUR 0.3 billion was recognised in the income statement and EUR 0.1 billion in the revaluation reserve.

The Group's credit investment portfolio also included unrealised losses totalling EUR 1.8 billion (31 / 12 / 2008: EUR 1.8 billion). According to IFRS, unrealised losses arise within the IFRS asset category "Loans and receivables" (LAR) from market value losses which are not categorised as credit-related and permanently impairing value.

The main impact on P & L in the first quarter of 2009 resulted from bank bonds and structured products such as RMBS of home equity loans (securitised private US property loans) and collateralised loan obligations (securitised European and US corporate client loans).

On 31 March 2009, we published additional information [1] focusing on the credit investment portfolio and leveraged loans in line with a recommendation by the Financial Stability Forum on behalf of the G-7 finance ministers and central bank governors. The special publication can be found on our website, www.hsh-nordbank.de, under "Investor Relations".

Liquidity risk

HSH Nordbank breaks its liquidity risk down into the risk of insolvency and maturity transformation risk. The maturity transformation risk also forms part of our risk-bearing capacity concept and has already been described in detail above. The risk of insolvency represents the possibility of the Bank being unable fulfil its own due payment obligations or refinancing requirements either in full or to the extent planned. To measure the refinancing requirements, the Bank's liquidity-related transactions are converted into cash flows and portrayed in maturity ranges together with the payments made and received (liquidity development report). The differences between inpayments and outpayments serve as a metric for the risk. These so-called gaps are limited and monitored on a day-to-day basis.

Due to the intensification of the crisis in the money and capital markets in autumn 2008, the refinancing conditions for banks became even more difficult. Unsecured funding is still only available to a limited extent. This had a negative impact on HSH Nordbank's liquidity situation in the first quarter of 2009 and required greater utilisation of its potential liquidity. We therefore drew more heavily on liquidity provided by central banks through secured lending of our collateral pool. We also increased the collateral pool (e.g. by depositing commercial loans) and the cover pool for Pfandbrief issues. After a brief recovery deposits by banks returned to the low level seen at the end of 2008 in the reporting period. Deposits by non-banks were only down slightly.

In addition to the normal-case liquidity development report, which is drawn up based on business proceeding in a normal market environment, we have been conducting a market liquidity stress test since autumn 2008 to take into account the ongoing critical market development. The following table shows the relative utilisation of the liquidity potential in the normal-case and stress liquidity development report for various cumulative liquidity gaps on 31 March 2009. In each case, utilisation corresponds to the proportion of the whole liquidity coverage potential accounted for by the cumulative gap. This also takes the utilisation of central bank lending into account.

Limitation of the cumulated liquidity gaps
Utilisation of the upper limit 31 Mar. 2009

(%)	Normal Case	Stress Case
Day 1	30	41
Day 7	45	68
Day 14	70	91
Week 3	67	100
Week 4	64	104
Week 8	66	116
Month 3	85	152
Month 6	83	151
Month 12	77	161

In the normal-case assessment, the liquidity potential is utilised by a maximum of 85 % in the third month. According to the stress liquidity development report, the liquidity potential is not exhausted in the short term (up to three weeks); however, it is exceeded from the fourth week onwards. The maximum utilisation is 161 % in the twelfth month.

At the end of April 2009, HSH Nordbank successfully placed its second benchmark bond backed by the Special

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

Fund Financial Market Stabilization (SoFFin) with a two-year term and a volume of EUR 3 billion. This enabled us to significantly improve our liquidity situation within this timeframe. Once the markets have calmed down and we have made further use of the guarantees furnished by SoFFin and the States of Hamburg and Schleswig-Holstein, we expect sufficient long-term funding and long-term money market funding to reduce the utilisation rates again despite the rating downgrade in May 2009.

The regulatory indicator for liquidity risks is the liquidity ratio stipulated in the German Liquidity Regulation (LiqV). At between 1.17 and 1.37, it remained above the regulatory minimum of 1.0 at all times during the reporting period. The average figure for the first three months of 2009 was 1.28 (2008: 1.25).

Market risks affecting trading and banking book items

HSH Nordbank uses a value-at-risk approach (99.0 % confidence, 1-day holding period, 250 days of data history) to measure and control market risks. The following table shows how the individual types of market risk developed in the first quarter of 2009. On 31 March 2009, the market risk inherent in our trading book items totalled EUR 7.0 million while our banking book items were exposed to market risks of EUR 58.2 million. Taking into account risk-reducing correlating effects, the aggregate market risk totalled EUR 62.1 million. The rise since year-end 2008 resulted principally from the expansion of the Pfandbrief spread in the Group Treasury portfolios. In the course of monitoring the risk-bearing capacity, this value at risk was upscaled to the figure of EUR 512 million when aggregating the individual risk types to identify the overall risk.

	Interest rate risk		Foreign exchange risk		Equity risk		Commodity risk		Market risk (aggregate)	
Daily Value-at-Risk (€ m)	**1 Jan. – 31 Mar. 2009**	**1 Jan. – 30 Dec. 2008**	**1 Jan. – 31 Mar. 2009**	**1 Jan. – 30 Dec. 2008**	**1 Jan. – 31 Mar. 2009**	**1 Jan. – 30 Dec. 2008**	**1 Jan. – 31 Mar. 2009**	**1 Jan. – 30 Dec. 2008**	**1 Jan. – 31 Mar. 2009**	**1 Jan. – 30 Dec. 2008**
Average	38.0	22.5	24.2	10.3	6.0	10.3	0.2	0.5	47.8	27.0
Maximum	44.8	34.7	42.8	27.0	9.9	15.2	0.3	1.3	64.5	48.2
Minimum	24.8	13.1	12.2	3.9	3.4	4.4	0.0	0.1	27.9	16.8
Year-end	38.4	24.9	40.0	10.7	3.4	4.4	0.2	0.2	62.1	24.0

The Group is exposed to other risks as detailed in the 2008 annual report. These remained largely unchanged in the year to date.

INTERIM FINANCIAL STATEMENTS OF THE HSH NORDBANK GROUP

INCOME STATEMENT OF THE HSH NORDBANK GROUP

for the period 1 January to 31 March 2009

Income statement (€ m)	Note	January – March 2009	January – March following adjustment 2008	Change in %
Interest income		6,763	8,592	–21.3
Interest expense		–6,280	–8,205	–23.5
Net interest income	(4)	**483**	**387**	**24.8**
Loan loss provisions	(5)	–424	–61	>100
Net interest income after loan loss provisions		**59**	**326**	**–81.9**
Net commission income	(6)	51	48	6.3
Result from hedging	(7)	44	14	>100
Net trading income	(8)	181	–248	> –100
Net income from financial investments	(9)	–269	–10	>100
Administrative expenses	(10)	–214	–246	–13.0
Other operating income	(11)	8	25	–68.0
Restructuring expenses		–28	–	–
Expenses for government guarantees		–20	–	–
Net income before taxes		**–188**	**–91**	**> 100**
Income tax expense		–72	13	> –100
Income after taxes / group net loss		**–260**	**–78**	**> 100**
Group net income attributable to minority interests		–21	–1	> 100
Group net income attributable to HSH Nordbank shareholders		–239	–77	> 100

Earnings per share (€)	Note	January – March 2009	January – March following adjustment 2008
Earnings per share (undiluted)	(12)	–2.71	–1.09
Earnings per share (diluted)		–2.26	–1.09
Number of shares (millions)		**88**	**70**
Weighted average of shares outstanding		17	–
Weighted average of shares outstanding adjusted for the anticipated conversion		105	70

STATEMENT OF INCOME AND EXPENSES RECOGNISED BY THE HSH NORDBANK GROUP

Net earnings for the period recognised and not recognised in the income statement (€ m)	**January – March 2009**	**January – March following adjustment 2008**
Income after taxes / group net loss	–260	–78
Change in		
revaluation reserve (before taxes)	–151	–145
o / w exchange rate effects	–4	–17
currency translation reserve	39	–81
Deferred taxes on changes not recognised in the income statement	5	33
o / w exchange rate effects	3	–
Net earnings for the period recognised and not recognised in the income statement	–367	–271
Net earnings for the period allocable to shares in minority interests	–21	–1
Net earnings for the period allocable to HSH Nordbank shareholders	–346	–270

BALANCE SHEET OF THE HSH NORDBANK GROUP

as at 31 March 2009

(€ m)	Note	03/31/2009	12/31/2008	Change in %
Assets				
Cash reserve		1,808	1,419	27.4
Loans and advances to banks	(13)	21,904	23,340	–6.2
Loans and advances to customers	(14)	119,113	117,431	1.4
Loan loss provisions	(15)	–3,120	–2,751	13.4
Positive market values of hedge derivatives	(16)	928	2,807	–66.9
Positive adjustment item from portfolio fair value hedges		486	427	13.8
Assets Held For Trading	(17)	27,588	26,802	2.9
Financial investments	(18)	35,634	36,511	–2.4
Intangible assets	(19)	250	246	1.6
Tangible assets	(20)	111	114	–2.6
Investment property	(20)	314	285	10.2
Current tax assets		593	572	3.7
Dereferred tax assets	(21)	702	726	–3.3
Other assets	(22)	479	472	1.5
Total assets		**206,790**	**208,401**	**–0.8**
Liabilities				
Liabilities to banks	(23)	55,260	61,391	–10.0
Liabilities to customers	(24)	58,978	52,397	12.6
Securitised liabilities	(25)	55,011	58,200	–5.5
Negative market value of hedge derivatives	(26)	1,157	2,194	–47.3
Negative adjustment item from portfolio fair value hedges		1,405	1,159	21.2
Liabilities Held For Trading	(27)	19,793	17,587	12.5
Provisions	(28)	1,425	1,412	0.9
Current tax obligations		84	101	–16.8
Deferred tax obligations		49	58	–15.5
Other Liabilities	(29)	1,821	1,795	1.4
Subordinated capital	(30)	10,033	9,962	0.7
Equity	(31)	1,774	2,145	–17.3
Share capital		881	881	0.0
Capital reserve		88	88	0.0
Retained earnings		1,778	1,354	31.3
Revaluation reserve		–708	–562	26.0
Currency translation reserve		–46	–85	–45.9
Group profit/loss		–239	424	>–100
Total before minority interests		1,754	2,100	–16.5
Minority interests		20	45	–55.6
Total liabilities		**206,790**	**208,401**	**–0.8**

ABRIDGED CASH FLOW STATEMENT OF THE HSH NORDBANK GROUP

Abridged cash flow statement
(€ m)

	2009	2008
Cash and cash equivalents as at 1 January	1,419	1,197
Cash flow from operating activities	–452	2,328
Cash flow from investing activities	806	–710
Cash flow from financing activities	43	–124
Effect of exchange rate changes	–5	–
Effects from changes in the scope of consolidation	–3	–
Cash and cash equivalents as at 31 March	1,808	2,691

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 Group net income/loss, 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.

Explanatory notes

STATEMENT OF CHANGES IN EQUITY OF THE HSH NORDBANK GROUP

Statement of changes in equity
(€ m)

	Share capital
As at 1 January 2008	702
Changes in 2008:	
Group net loss	–
Changes not recognised in the income statement	–
Changes recognised in the income statement	–
Exchange rate changes	–
Change in retained earnings	–
As at 31 March 2008	702
Group net loss	–
Changes not recognised in the income statement	–
Changes recognised in the income statement	–
Exchange rate changes	–
Dividend payments and distributions	–
Capital increases / reductions	179
Change in retained earnings	–
Change in the capital reserve	–
Changes in the scope of consolidation	–
Transactions with shareholders	–
As at 31 December 2008	881
As at 1 January 2009	881
Group net loss	–
Changes not recognised in the income statement	–
Changes recognised in the income statement	–
Exchange rate changes	–
Change in retained earnings	–
As at 31 March 2009	881

Capital reserve	Retained earnings	of which: actuarial profit / loss acc. to IAS 19	Currency translation reserve	Revaluation reserve	Group profit / loss	Total before minority interests	Minority interests	Total
2,317	1,505	95	-114	-180	50	4,280	88	4,368
–	–	–	–	–	-77	-77	-1	-78
–	–	–	–	-89	–	-89	–	-89
–	–	–	–	-18	–	-18	–	-18
–	–	–	-81	-5	–	-86	3	-83
–	50	–	–	–	-50	–	–	–
2,317	1,555	95	-195	-292	-77	4,010	90	4,100
–	–	–	–	–	-2,592	-2,592	-34	-2,626
–	54	54	–	-309	–	-255	-2	-257
–	–	–	–	25	–	25	–	25
–	–	–	110	-6	–	104	-2	102
–	-175	–	–	–	–	-175	-6	-181
806	–	–	–	–	–	985	–	985
–	-58	–	–	–	58	–	–	–
-3,035	–	–	–	–	3,035	–	–	–
–	-14	–	–	20	–	6	5	11
–	-8	–	–	–	–	-8	-6	-14
88	1,354	149	-85	-562	424	2,100	45	2,145
88	1,354	149	-85	-562	424	2,100	45	2,145
–	–	–	–	–	-239	-239	-21	-260
–	–	–	–	-100	–	-100	–	-100
–	–	–	–	-39	–	-39	–	-39
–	–	–	39	-7	–	32	-4	28
–	424	–	–	–	-424	–	–	–
88	1,778	149	-46	-708	-239	1,754	20	1,774

General information

1. ACCOUNTING PRINCIPLES

HSH Nordbank AG has issued debt instruments as defined in Section 2 (1) sentence 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 publicly traded 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).

The interim financial statements as at 31 March 2009 were prepared in accordance with the IFRS as decreed and published by the International Accounting Standards Board (IASB) and as adopted by the European Union. Application of IAS 34 (Interim Reporting) was given particular consideration.

The same accounting and valuation methods were applied to the interim financial statements as to the Group financial statements of HSH Nordbank AG as at 31 December 2008.

These interim financial statements were subjected to a review.

The following accounting standards were applied to these interim financial statements for the first time:

IAS 1 (rev. 2007)	(Presentation of Financial Statements)
IFRS 8	(Segment Reporting)
IAS 20	(Accounting for Government Grants and Disclosure of Government Assistance)

Implementation of these standards did not have any significant effect on the interim financial statements.

The Group financial statements are based on the assumption that the enterprise is a going concern. HSH Nordbank bases this assumption primarily on the following package of implemented measures:

- Safeguarding of sufficient liquidity in the difficult market environment based on the guarantee of the Special Fund Financial Market Stabilization (SoFFin) at the end of November 2008 for the issuing of debt instruments of up to € 30 billion.
- Major strategic realignment of HSH Nordbank implemented by the Management Board in order to steer the Bank back towards a successful future.
- Confirmation of the realignment concept by the SoFFin on 7 March 2009 and the Supervisory Board on 9 March 2009.
- Resolution of the state parliament of Hamburg on 1 April 2009 and of Schleswig-Holstein on 3 April 2009 to grant HSH Nordbank a capital contribution of € 3 billion and a guarantee of a further € 10 billion to screen against risks.

When considering the going concern principle during the preparation of the Group financial statements, the most significant uncertainties relating to events and conditions were taken into account. The continued existence of HSH Nordbank AG depends on sufficient measures to increase equity capital, so that regulatory capital requirements can be met and the contractual obligations towards the Special Fund Financial Market Stabilization (SoFFin) relating to the Tier 1 capital ratio can be fulfilled. In particular, this calls for the following:

a. The equity boosting measures that have been arranged (capital increase of € 3 billion and a subordinate guarantee of € 10 billion) by the Free and Hanseatic City of Hamburg and the Federal State of Schleswig-Holstein must be implemented. This requires in particular the EU regulatory approval, a resolution being passed at the annual general meeting and the conclusion of the guarantee contract.

b. The German Federal Financial Supervisory Authority (BaFin) and the Bundesbank do not take any regulatory action in the meantime.
c. The SoFFin maintains the granted guarantee framework and makes it available to the extent which is necessary.

For more information on the going concern principle, please see the management report.

All findings up to 15 May 2009 were taken into consideration.

2. ADJUSTMENTS TO THE PREVIOUS YEAR'S FIGURES

These financial statements include various adjustments in comparison to the figures in the interim report as at 31 March 2008 and the amended figures of the first-half report for 2008 pertaining to this reporting date. These exclusively relate to issues which already resulted in adjustments to the previous year's figures in the Group financial statements as at 31 December 2008.

The implemented changes were evaluated in accordance with IAS 8 und were classified as changes in accordance with IAS 8.14 et seq. or as amendments in accordance with IAS 8.41 et seq.

The adjustments to the comparative values for the income statement are fully documented in this chapter. Significant changes to the notes or other components of the financial statements are listed separately insofar as they are not related to the presented balance sheet changes. Adjustments have also been made to the segment reporting as a result of the restatement within the Group income statement.

I. AMENDMENTS PURSUANT TO IAS 8.41 ET SEQ.

In accordance with IAS 8.41 et seq. all amendments were applied retroactively to all periods for which reports have been published thus far.

A) Presentation amendments

Changes in the presentation of loans and advances and structured transactions

Amendments to the disclosure of the securities of a subsidiary resulted in a shift of € 6 million in interest earned between interest earned from fixed-income securities (AFS) and interest earned from loan and money market transactions (LAR) (increase).

Credit rating-linked FV changes categorised as Designated at Fair Value

In the Group financial statements as at 31 December 2008, HSH Nordbank took into account the calculation of credit rating-linked value adjustments to liabilities categorised as Designated at Fair Value (DFV). The adjustments made retroactively in this context resulted in an increase of € 17 million in net trading income in the financial statements as at 31 March 2008.

Changes in the presentation of the notes to net trading income

- A reduction in the income realised on HFT financial investments and an increase in the valuation result on HFT financial investments of € 51 million as at 31 March 2008.
- The profit contributions of derivatives related to underlyings categorised as Designated at Fair Value (DFV) were recognised as income from designated financial investments. In the current financial statements, these profit contributions are recognised as results from Held For Trading (HFT) transactions for the period under review and the same period of the previous year. In this context, the valuation result from HFT financial investments in the comparative figures as at 31 March 2008 was reduced and the valuation result from DFV financial investments was increased by € 352 million.

B) Other amendments

Amendment to classification according to IAS 39

A number of financial instruments previously categorised as Loans And Receivables (LAR) were retrospectively categorised as Designated at Fair Value (DFV) as of the conclusion of the transactions. These transactions are accordingly measured at fair value. In addition, a financial guarantee and a liquidity facility relating to some of these underlyings were retrospectively classified as derivatives as of the conclusion of the transactions and were measured accordingly. One transaction previously categorised as Loans And Receivables was retrospectively recognised as a financial instrument categorised as Available For Sale (AFS). The interest originally collected on this interest-free transaction was cancelled. Altogether, the adjustments as at the reporting date of 31 March 2008 resulted in a reduction of € 160 million in net trading income and of € 1 million in net interest income.

Dividends of unincorporated companies

Up to 2007, the dividends of unincorporated German companies were recognised in the same reporting period as current income from equity holdings and affiliated companies, even if the financial statements of the companies in question were not available at the conclusion of the preparation of the Group financial statements. We have changed this accounting method retrospectively and do not recognise dividends until the definitive individual financial statements have been made available. This resulted in the dividends of some companies not being recognised in the income statement of the actual reporting period.

This resulted in a € 4 million reduction in investment income in the interim financial statements as at 31 March 2008.

Day one profit and loss

Taking day one profit and loss value adjustments for structured products into account resulted in an increase in net trading income of € 1 million in the financial statements as at 31 March 2008.

Amendments to notes

Transactions with equity holdings of less than 20 % were taken into account for the details in note (39) in accordance with IAS 24. The corresponding notes for 2008 were amended.

II. Changes to accounting and valuation methods pursuant to IAS 8.14 et seq.

Portfolio value allowances

Reclassifying currency exchange rate changes to portfolio value allowances as net trading income resulted in a release of € 12 million in loan loss provisions and of € 2 million in net income from financial investments as at 31 March 2008.

III. Effects of the amendments on deferred taxes

Based on these amendments, deferred taxes for the reporting periods in question were calculated again. As at 31 March 2008, an amendment of € 5 million (expenses) was made, affecting net income.

IV. Summary of the effects

The following tables show the effects of the adjustments for the main items of the income statement, including the effects on income taxes, and the net earnings per share.

Adjustments Q1 2008 (€ m)	January – March 2008 Before adjustment	Adjustment	Following adjustment
Net interest income	392	-5	387
Loan loss provisions	-49	-12	-61
Net trading income	-118	-130	-248
Net income from financial investments	-8	-2	-10
Other items (excluding adjustments)	-159	–	-159
Net income before taxes	**58**	**-149**	**-91**
Income taxes	18	-5	13
Income after taxes / group net income / loss	**76**	**-154**	**-78**
Net income allocable to shares in minority interests	-1	–	-1
Group net income allocable to HSH Nordbank shareholders	**77**	**-154**	**-77**

Adjustments Q1 2008 (€ m)	January – March 2008 Before adjustment	Adjustment	Following adjustment
Group net income attributable to HSH Nordbank shareholders (€ m) – undiluted	77	-154	-77
Group net income attributable to HSH Nordbank shareholders (€ m) – diluted	77	-154	-77
Number of shares (millions)			
Average number of ordinary shares outstanding – undiluted	70	–	70
Weighted average of shares outstanding adjusted for the anticipated conversion – diluted	70	–	70
in €			
Earnings per share (undiluted)	1.15	-2.24	-1.09
Earnings per share (diluted)	1.15	-2.24	-1.09

3. SCOPE OF CONSOLIDATION

In addition to the parent company HSH Nordbank AG, Hamburg / Kiel, 54 (31 December 2008: 57) companies have been consolidated. This includes 18 (31 December 2008: 18) special-purpose entities which should be consolidated according to the provisions of SIC 12.

The following subsidiaries or special-purpose entities are included in the Group financial statements of HSH Nordbank AG:

Fully consolidated subsidiaries		Location	Share of equity capital (in %)
Company			
1	Adessa Grundstücksverwaltungsgesellschaft mbH & Co Vermietungs KG	Kiel	0.0
2	AHL 2 [1]	Frankfurt a.M.	100.0
3	Carrera Capital Finance Ireland Limited	Dublin	0.0
4	Carrera Capital Finance Limited	Jersey	0.0
5	CPM Luxembourg S.A. [2]	Luxembourg	3.2
6	CPM Securitisation S.A.[2]	Luxembourg	3.2
7	Ealing Investments Limited	London	100.0
8	Equilon GmbH	Hamburg	100.0
9	Endor 8. Beteiligungs GmbH & Co. KG [5]	Hamburg	94.8
10	Foxtrot Funding I Limited	Dublin	0.0
11	Hambornberg Immobilien- und Verwaltungs-GmbH [3]	Duisburg	100.0
12	Hamborner Aktiengesellschaft [4]	Duisburg	52.7
13	HGA Capital Grundbesitz und Anlage GmbH [5]	Hamburg	100.0
14	HSH Asset Management S.A. [2]	Luxembourg	100.0
15	HSH Corporate Finance GmbH	Hamburg	100.0
16	HSH Investment Management S.A. [2]	Luxembourg	100.0
17	HSH N Composits GmbH	Kiel	100.0
18	HSH N Finance (Guernsey) Limited	Guernsey	100.0
19	HSH N Funding I [6]	Grand Cayman	100.0
20	HSH N Funding II	Grand Cayman	100.0
21	HSH Nordbank Private Banking S.A.[2]	Luxembourg	100.0
22	HSH Nordbank Securities S.A.	Luxembourg	100.0
23	HSH Money EuroPlus [1]	Luxembourg	100.0
24	HSH Private Equity GmbH	Hamburg	100.0
25	HSH RE Beteiligungs GmbH [5]	Hamburg	100.0
26	HSH Real Estate AG	Hamburg	100.0
27	International Fund Services & Asset Management S.A. [2]	Luxembourg	51.6
28	Jantar GmbH	Hamburg	100.0
29	LB Immo Invest GmbH [5]	Hamburg	100.0
30	Leashold Verwaltungs GmbH & Co. KG	Hamburg	100.0
31	Lebus L.P.	Grand Cayman	71.6
32	Mesitis GmbH	Hamburg	100.0
33	Minerva GmbH	Lockstedt	100.0
34	Minimoa GmbH	Hamburg	100.0
35	Nubes GmbH	Lockstedt	100.0
36	Neptune Ship Finance (Luxembourg) S.á.r.l. & CIE, SECS.	Luxembourg	100.0
37	Neptune Finance Partner S.á.r.l.	Luxembourg	100.0
38	Neptune Finance Partner II S.á.r.l.	Luxembourg	100.0
39	Perseus Investment Limited Partnership	Jersey	100.0
40	Pregu GmbH	Hamburg	100.0
41	Poseidon Funding Limited	Jersey	0.0
42	Rasmus Purchase No. 1 Limited	Jersey	0.0
43	Rasmus Purchase No. 2 Limited	Jersey	0.0

Fully consolidated subsidiaries		Location	Share of equity capital (in %)
	Company		
44	Rasmus Purchase No. 3 Limited	Jersey	0.0
45	Rasmus Purchase No. 4 Limited	Jersey	0.0
46	Rasmus Purchase No. 6 Limited	Jersey	0.0
47	Rasmus Purchase No. 7 Limited	Jersey	0.0
48	Rasmus Purchase No. 8 Limited	Jersey	0.0
49	Resparc Funding Limited Partnership I	Hongkong	0.0
50	Resparc Funding Limited Partnership II	Jersey	0.0
51	Resparc Funding Limited Partnership III	Jersey	0.0
52	Sotis S.à.r.l.[2]	Luxembourg	100.0
53	Swift Capital 1 Europäische Fondsbeteiligungen GmbH & Co. KG	Hamburg	99.5
54	Thestor GmbH	Hamburg	100.0

1) Shares in special funds
2) A subsidiary of HSH Nordbank Securities S.A.
3) A subsidiary of Hamborner Aktiengesellschaft
4) A subsidiary of HSH RE Beteiligungs GmbH
5) A subsidiary of HSH Real Estate AG
6) A subsidiary of HSH N Composits GmbH

The following companies were incorporated into the scope of consolidation for the first time as at 31 March 2009:

- Foxtrot Funding I Limited, Dublin
- Neptune Ship Finance (Luxembourg) S.á.r.l. & CIE, SECS, Luxembourg
- Neptune Finance Partner S.á.r.l., Luxembourg
- Neptune Finance Partner II S.á.r.l., Luxembourg

In contrast to 31 December 2008, the following companies/ funds are no longer included in the scope of consolidation:

- Spielbank SH GmbH & Co. Casino Flensburg KG
- Spielbank SH GmbH & Co. Casino Kiel KG
- Spielbank SH GmbH & Co. Casino Lübeck-Travemünde KG
- Spielbank SH GmbH & Co. Casino Stadtzentrum Schenefeld KG
- Spielbank SH GmbH & Co. Casino Westerland auf Sylt KG
- Spielbank SH GmbH
- Discovery

The Spielbank companies were deconsolidated as at 1 January 2009, since they do not have any substantial effect on the Group's net assets, financial and earnings situation.

The Discovery special fund was dissolved as at 31 March 2009.

Notes on the income statement

4. NET INTEREST INCOME

Net interest income
(€ m)

	January – March 2009	January – March 2008
Net income from		
lending and money market transactions	1,434	2,045
fixed-income securities	350	609
trading activities	76	156
derivative financial instruments	4,864	5,728
unwinding	24	9
Current income from		
equities and other non-fixed-income securities	3	7
unconsolidated subsidiaries	–	8
equity holdings	10	28
other holdings	2	2
Subtotal net income	**6,763**	**8,592**
of which attributable to financial instruments not categorised as HFT or DFV according to IAS 39	1,854	2,608
Interest expenses for		
liabilities to banks	387	866
liabilities to customers	493	656
securitised liabilities	558	903
subordinated capital	115	125
trading activities	1	–
derivative financial instruments	4,726	5,655
Subtotal interest expenses	**6,280**	**8,205**
of which attributable to financial instruments not categorised as HFT or DFV according to IAS 39	1,413	2,130
Total	**483**	**387**

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

Net interest income also contains income and expenses from amortisation of positive and negative adjustment items from portfolio fair value hedges and the matching proceeds from the closing of the underlying transactions which are contributed to adjustment items.

In case of unchanged payment expectations, a change in the present value of impaired loans and advances (unwinding) occurs over time. The interest income from such loans and advances is calculated as the present value by adding accrued interest using the original effective interest rate.

5. LOAN LOSS PROVISIONS

Loan loss provisions (€ m)	January – March 2009	January – March 2008
Expenses from allocations to loan loss provisions	557	200
Income from releases of loan loss provisions	157	135
Direct write-downs	1	–
Recoveries on loans and advances previously depreciated	1	5
Expenses from allocations to provisions in the lending business	38	1
Income from releases of provisions in the lending business	14	–
Total	424	61

Loan loss provisions in the on-balance-sheet lending business relate exclusively to assets which are categorised as Loans And Receivables (LAR).

6. NET COMMISSION INCOME

Net commission income (€ m)	January – March 2009	January – March 2008
Commission income from		
lending business	34	27
securities business	8	13
guarantee business	13	17
foreign business	4	4
payments and account transactions	1	1
Other fees and commission income	14	30
Subtotal commission income	74	92
Commission expenses from		
lending business	6	5
securities business	10	7
guarantee business	–	15
foreign business	1	1
payments and account transactions	1	1
Other commission expenses	5	15
Subtotal commission expenses	23	44
Total	51	48

Commission expenses and income also include expenses and income from financial instruments of the categories of Designated at Fair Value (DFV) and Held For Trading (HFT). € 55 million (previous year: € 49 million) was incurred by financial instruments measured at fair value and not recognised in the income statement. € –4 million (previous year: € –1 million) of net commission income was incurred by financial instruments measured at fair value and recognised in the income statement.

7. 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 results on hedge accounting. The item contains the corresponding profit/loss contributions from micro and portfolio fair value hedging relationships.

Result from hedging (€ m)	January – March 2009	January – March 2008
Fair value changes from hedging transactions	398	294
Micro fair value hedge	62	21
Portfolio fair value hedge	336	273
Fair value changes from hedged items	–354	–280
Micro fair value hedge	–72	–26
Portfolio fair value hedge	–282	–254
Total	**44**	**14**

A development in the evaluation of OTC interest rate derivatives, which constitutes a change in the method of estimation in accordance with IAS 8.32 et seq., resulted in a one-time change to the result from hedging of € –5 million as at 31 March 2009.

8. NET TRADING INCOME

Net trading income comprises realised income and the valuation result of financial instruments in the categories of Held For Trading (HFT) and Designated at Fair Value (DFV). Income from foreign currency transactions, credit derivatives and commodities is taken into account under other products. Gains and losses on currency translation are also recorded in this item of the income statement.

Interest income from financial instruments of the categories Designated at Fair Value (DFV) and Held For Trading (HFT) are shown under net interest income.

Net trading income (€ m)	Bonds and interest rate derivatives		Equities and equity derivatives		Other products		Total	
	January – March 2009	January – March 2008	January – March 2009	January – March 2008	January – March 2009	January – March 2008	January – March 2009	January – March 2008
Realised net income								
Held For Trading	125	-27	7	–	80	-18	212	-45
Designated at Fair Value	–	-16	-1	-1	5	–	4	-17
Subtotal	**125**	**-43**	**6**	**-1**	**85**	**-18**	**216**	**-62**
Valuation result								
Held For Trading	392	-333	-5	-184	-266	176	121	-341
Designated at Fair Value	-163	-10	5	163	2	2	-156	155
Subtotal	**229**	**-343**	**–**	**-21**	**-264**	**178**	**-35**	**-186**
Total	**354**	**-386**	**6**	**-22**	**-179**	**160**	**181**	**-248**

In the reporting period, € −144 million (previous year: € −101 million) of the changes in fair value of the financial assets in the category of Designated at Fair Value (DFV) related to credit spread changes, and not to changes of market interest rates. Cumulatively, the sum of € −1,169 million (previous year: € −567 million) was attributable to changes in the credit spread.

In the case of liabilities in the IAS 39 category of Designated at Fair Value (DFV), the change in value attributable to credit spread changes and not to changes of market interest rates amounted to € 196 million in the reporting period (previous year: € 17 million). Cumulatively, € 479 million (previous year: € 31 million) was attributable to changes in the credit spread.

A development in the evaluation of OTC interest rate derivatives, which constitutes a change in the method of estimation in accordance with IAS 8.32 et seq., resulted in a one-time change to the net trading income of € 42 million as at 31 March 2009.

9. NET INCOME FROM FINANCIAL INVESTMENTS

In addition to any realised gains and losses from financial investments of the categories of Loans And Receivables (LAR) and Available For Sale (AFS), write-downs and write-ups are recognised under this item as part of impairment losses or reversals of impairment losses. In the case of financial investments of the category of 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 (€ m)	January – March 2009	January – March 2008
Available For Sale (AFS) financial investments		
realised gains / losses (–)	3	9
write-downs	23	28
write-ups	5	49
Subtotal	–15	30
Loans And Receivables (LAR) financial investments		
realised gains / losses (–)	4	1
write-downs	293	129
write-ups	20	90
Subtotal	–269	–38
Additions to portfolio revaluation	3	2
Releases of portfolio revaluation	18	–
Total	–269	–10

The increase in impairments is caused by increased write-downs on the credit investment portfolio as a result of the current financial crisis.

10. ADMINISTRATIVE EXPENSES

Administrative expenses (€ m)	January – March 2009	January – March 2008
Personnel expenses	106	120
Other operating expenses	99	116
Depreciation on tangible and intangible assets	9	10
Total	214	246

11. OTHER OPERATING INCOME

Other operating income (€ m)	January – March 2009	January – March 2008
Other operating income	19	39
Other operating expenses	11	14
Total	**8**	**25**

12. EARNINGS PER SHARE

To calculate earnings per share, the Group net income allocable to the HSH Nordbank shareholders is divided by the weighted average number of ordinary shares outstanding during the financial year. The calculation was based on non-rounded values.

Earnings per share	January – March 2009	January – March 2008
Attributable Group net income (€ m) – undiluted	–239	–77
Dilution effects from: convertible bonds	–	–
Attributable Group net income (€ m) – diluted	–239	–77
Number of shares (millions)		
Average number of ordinary shares outstanding – undiluted	88	70
Dilution effects from: convertible bonds	17	–
Weighted average of shares outstanding adjusted for the anticipated conversion – diluted	105	70
in €		
Earnings per share (undiluted)	–2.71	–1.09
Earnings per share (diluted)	–2.26	–1.09

Notes on the balance sheet

13. LOANS AND ADVANCES TO BANKS

Loans and advances to banks
(€ m)

	03/31/2009	12/31/2008
Due daily	5,773	6,070
Other loans and advances	16,131	17,270
Total before loan loss provisions	**21,904**	**23,340**
Loan loss provisions	398	410
Total after loan loss provisions	**21,506**	**22,930**

14. LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers
(€ m)

	03/31/2009	12/31/2008
Retail customers	3,016	3,086
Corporate clients	105,417	103,760
Public authorities	10,680	10,585
Total before loan loss provisions	**119,113**	**117,431**
Loan loss provisions	2,722	2,341
Total after loan loss provisions	**116,391**	**115,090**

15. LOAN LOSS PROVISIONS

Loan loss provisions
(€ m)

	03/31/2009	12/31/2008
Loans and advances to banks	398	410
Loans and advances to customers	2.722	2.341
Loan loss provisions for balance sheet items	**3.120**	**2.751**
Provisions for warranties, letters of cred-it, lending commitments	513	472
Total	**3.633**	**3.223**

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

Development of total loan loss provisions for banks (€ m)	Individual value allowance		Portfolio value allowance		Total	
	03/31/2009	12/31/2008	03/31/2009	12/31/2008	03/31/2009	12/31/2008
As at 1 January	362	–	48	7	410	7
Additions	30	362	–	41	30	403
Releases	–	–	38	–	38	–
Utilisation	–	–	–	–	–	–
Transfers	-2	–	–	–	-2	–
Unwinding	-2	–	–	–	-2	–
Changes in the scope of consolidation	–	–	–	–	–	–
Exchange rate changes	–	–	–	–	–	–
As at 31 March 2009/31 December 2008	388	362	10	48	398	410

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

Development of total loan loss provisions for customers (€ m)	Individual value allowance		Portfolio value allowance		Total	
	03/31/2009	12/31/2008	03/31/2009	12/31/2008	03/31/2009	12/31/2008
As at 1 January	1,670	1,121	671	401	2,341	1,522
Additions	278	1,230	249	284	527	1,514
Releases	119	403	–	11	119	414
Utilisation	31	257	–	–	31	257
Transfers	–	–	–	–	–	–
Unwinding	-22	-36	–	–	-22	-36
Changes in the scope of consolidation	–	6	–	–	–	6
Exchange rate changes	13	9	13	-3	26	6
As at 31 March 2009/31 December 2008	1,789	1,670	933	671	2,722	2,341

The value allowances only affect items classified as Loans And Receivables (LAR).

16. 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 cross-currency interest rate 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.

Positive market value of hedge derivatives

(€ m)	03/31/2009	12/31/2008
Positive market value of derivatives from micro fair value hedging items	353	270
Positive market value of derivatives from portfolio fair value hedging items	575	2,537
Total	928	2,807

The volume of hedged portfolios changed significantly in comparison to 31 December 2008, causing a substantial decline in the volume of hedge derivatives. The corresponding items are now recognised in the balance sheet as derivatives categorised as Held For Trading (HFT).

17. ASSETS HELD FOR TRADING

Only financial assets belonging to the category of Held For Trading (HFT) are recognised under assets Held For Trading. These essentially comprise financial instruments Held For Trading purposes including accrued interest and derivatives with a positive market value which are either not designated as derivative hedge instruments or are used as hedging instruments without meeting the requirements of hedge accounting in accordance with IAS 39.

Assets Held For Trading

(€ m)	03/31/2009	12/31/2008
Debentures and other fixed-interest securities	5,777	7,275
Equities and other non-fixed income securities	116	125
Positive market value arising from derivative financial instruments	21,607	18,983
Other assets Held For Trading	88	419
Total	27,588	26,802

18. FINANCIAL INVESTMENTS

In particular, financial instruments belonging to the category of 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 not Held For Trading and other fixedincome securities, shares and other non-fixed-income securities, holdings in unconsolidated subsidiaries, and joint ventures and associated companies not recognised pro rata or at equity in the Group financial statements.

Financial investments
(€ m)

	03/31/2009	12/31/2008
Debentures and other fixed-income securities	33,381	34,455
Equities and other non-fixed-income securities	992	956
Equity holdings	1,086	940
Interests in affiliated companies	175	160
Total	**35,634**	**36,511**

19. INTANGIBLE ASSETS

Software acquired or developed inhouse and goodwill acquired are recognised under intangible assets.

Intangible assets
(€ m)

	03/31/2009	12/31/2008
Goodwill	135	135
Software	98	94
Software developed inhouse	61	57
Software acquired	37	37
Other intangible assets	17	17
Total	**250**	**246**

20. TANGIBLE ASSETS AND INVESTMENT PROPERTY

Land and buildings, operating equipment and leased assets under operating leases where the Group is lessor are stated as tangible assets.

Tangible assets
(€ m)

	03/31/2009	12/31/2008
Land and buildings	48	48
Plant and equipment	42	47
Leasing objects	20	19
Assets under construction	1	–
Total	**111**	**114**

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

Investment properties
(€ m)

	03/31/2009	12/31/2008
Investment properties	314	285
Total	314	285

21. DEFERRED TAX ASSETS

Of the deferred tax assets of € 702 million (31 December 2008: € 726 million), € 80 million (31 December 2008: € 80 million) are tax loss carry-forwards in Germany. Our business model, strategic adjustments and the resultant future cash flow ensure that tax assets maintain their value to their capitalised amount.

22. OTHER ASSETS

All assets that cannot be attributed to any of the other asset items are recognised under other assets.

Other assets comprised the following items as at the balance sheet date:

Other assets
(€ m)

	03/31/2009	12/31/2008
Accrued income	54	57
Claims from other taxes	33	19
Claims on investment companies and affiliated companies	19	16
Claims for fund transactions	15	17
Tenant loans	10	9
Other claims from securities commission transactions	–	3
Other assets	348	351
Total	479	472

23. LIABILITIES TO BANKS

Liabilities to banks
(€ m)

	03/31/2009	12/31/2008
Due daily	2,982	7,763
Other Liabilities with a defined maturity	52,278	53,628
Total	55,260	61,391

24. LIABILITIES TO CUSTOMERS

Liabilities to customers
(€ m)

	03/31/2009	12/31/2008
Savings deposits	87	90
Other Liabilities		
Due daily	8,799	9,102
Term liabilities	50,092	43,205
Total	**58,978**	**52,397**

25. SECURITISED LIABILITIES

Securitised liabilities
(€ m)

	03/31/2009	12/31/2008
Debentures issued	51,002	53,499
Money market instruments issued	3,154	3,863
Other securitised liabilities	855	838
Total	**55,011**	**58,200**

Repurchased own debentures of € 12,145 million (31 December 2008: € 13,256 million), own money market instruments of € 1,145 million (31 December 2008: € 1,418 million) and own other securitised liabilities of € 0 million (31 December 2008: € 7 million) were deducted from securitised liabilities.

26. NEGATIVE MARKET VALUE OF HEDGE DERIVATIVES

This item shows the market value of derivatives which have a negative fair value and which are stated in hedge accounting. At present, only interest rate and cross-currency interest rate 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.

Negative market value of hedge derivatives
(€ m)

	03/31/2009	12/31/2008
Negative market value of derivatives from micro fair value hedging items	376	397
Negative market value of derivatives from portfolio fair value hedging items	781	1,797
Total	**1,157**	**2,194**

The volume of hedged portfolios changed significantly in comparison to 31 December 2008, causing a substantial decline in the volume of hedge derivatives. The corresponding items are now recognised in the balance sheet as derivatives categorised as Held For Trading (HFT).

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 primarily comprises derivatives with a negative market value which are either not designated as derivative hedge instruments or are used as hedging instruments, but do not meet the requirements of hedge accounting as per IAS 39. Delivery commitments from short sales of securities are also recognised in this category.

Liabilities Held For Trading
(€ m)

	03/31/2009	12/31/2008
Negative fair value arising from derivative financial instruments		
Interest rate-based transactions	16,565	12,746
Currency-based transactions	2,059	3,759
Other transactions	994	1,008
Securities delivery commitments	175	74
Total	19,793	17,587

28. PROVISIONS

Provisions
(€ m)

	03/31/2009	12/31/2008
Provisions for pension obligations	563	563
Provisions in the lending business	513	472
Provisions for restructuring	135	131
Provisions for litigation risks and litigation costs	29	30
Provisions for personnel expenses	8	23
Other provisions	177	193
Total	1,425	1,412

Of the provisions in the lending business, € 51 million (previous year: € 60 million) relates to portfolio value allowances and € 60 million (previous year: € 44 million) to individual value allowances for warranty bonds, guarantees and letters of credit. They also include portfolio value allowances of € 102 million (previous year: € 84 million) and individual value allowances of € 300 million (previous year: € 284 million) for irrevocable loan commitments.

29. OTHER LIABILITIES

All liabilities that cannot be attributed to any of the other liabilities items are recognised under other liabilities.

Other Liabilities
(€ m)

	03/31/2009	12/31/2008
Collateral for guarantees given	1,264	1,286
Accrued expense	59	56
Liabilities to personnel	52	36
Liabilities for outstanding invoices	44	57
Other tax liabilities	23	7
Other	379	353
Total	1,821	1,795

The collateral for guarantees given serves to hedge leasing payments arising from sale-and-lease-back transactions.

30. SUBORDINATED CAPITAL

Under subordinated capital, the HSH Nordbank Group recognises subordinated liabilities, silent participations and profit participation capital. Based on their contractual structure and financial character, the participations of the typical silent partner represent debt, which is why they are recognised in the balance sheet as subordinated capital.

Subordinated capital
(€ m)

	03/31/2009	12/31/2008
Subordinated liabilities	5,410	5,518
Silent participations	1,749	1,720
Profit participation capital	2,874	2,724
Total	10,033	9,962

31. EQUITY

Equity
(€ m)

	03/31/2009	12/31/2008
Share capital	881	881
Capital reserve	88	88
Retained earnings	1,778	1,354
Gains from pension obligations not recognised in the income statement (after taxes)	149	149
Revaluation reserve	-708	-562
Currency translation reserve	-46	-85
Group profit/loss	-239	424
Equity before minority interests	1,754	2,100
Minority interests	20	45
Total	1,774	2,145

Segment reporting of the HSH Nordbank Group

Segment reporting of the HSH Nordbank Group (€ m / %)		Transportation & Energy	Real Estate	Corporate & Private Banking	Financial Markets & Institutions	Corporate Center	Reconciliation	Group
Total income	03/31/2009	183	111	122	1	-45	118	490
	03/31/2008	151	90	136	-78	29	-137	191
Loan loss provisions	03/31/2009	-197	-10	-206	-75	21	43	-424
	03/31/2008	-1	-7	-30	1	-4	-20	-61
Administrative expenses	03/31/2009	-48	-35	-46	-65	-29	9	-214
	03/31/2008	-49	-39	-53	-71	-28	-6	-246
Other operating income	03/31/2009	–	6	–	–	3	-1	8
	03/31/2008	3	-3	1	–	2	22	25
Restructuring expenses	31.3.2009	–	–	–	–	-28	–	-28
	03/31/2008	–	–	–	–	–	–	–
Expenses for government guarantees	03/31/2009	–	–	–	–	–	-20	-20
	03/31/2008	–	–	–	–	–	–	–
Income before taxes	03/31/2009	-62	72	-130	-139	-78	149	-188
	03/31/2008	104	41	54	-148	-1	-141	-91
Average equity	03/31/2009	541	233	464	608	37	77	1,960
	03/31/2008	1,029	570	1,237	1,247	150	1	4,234
Cost / income ratio (CIR) in %	03/31/2009	26.4%	31.5%	37.4%	–	–	–	43.7%
	03/31/2008	32.5%	43.3%	39.0%	–	96.6%	–	128.8%
Return on equity (ROE) before taxes and restructuring in %	03/31/2009	-46.0%	123.6%	-111.8%	-91.5%	-541.0%	–	-28.6%
	03/31/2008	40.4%	28.8%	17.5%	-47.5%	-2.7%	–	-8.6%

Based on the risk-adjusted capital requirement, the planned capital benefit is distributed among the segments from the Corporate Center segment.

In addition, planned Group overheads are allocated from the Corporate Center segment to the segments on the basis of the risk-adjusted capital requirement (50 %) and the proportion of directly attributable costs (50 %).

Average (reported) equity is allocated to the segments on the basis of the risk-adjusted economic capital requirement.

The cost / income ratio represents the quotient between administrative expenses and total income.

The return on equity is based on the relationship between average equity and income before taxes less restructuring expenses and expenses for government guarantees.

With the conversion of segment reporting to IFRS 8, the Corporate Center segment is now presented separately, and no longer under Other / reconciliation.

For a detailed explanation of the individual segments, see the management report.

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

- Net income from hedges 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 are not reported in the segments.
- Credit effects on DFV liabilities in net trading income are not attributed to any segments.

Notes on financial instruments

32. CARRYING AMOUNTS OF FINANCIAL INSTRUMENTS BY IAS 39 CATEGORIES

Carrying amounts of financial instruments by IAS 39 categories (€ m)								31 March 2009
						Without IAS 39-category		
	LAR	AFS	DFV	HFT	LIA	Hedge Accounting (Fair Value)	Other	Total
Assets								
Cash reserve	–	–	–	–	–	–	1,808	1,808
Loans and advances to banks	21,297	102	505	–	–	–	–	21,904
Loans and advances to customers	117,664	–	1,301	–	–	–	–	118,965
Finance lease business	–	–	–	–	–	–	148	148
Positive market value of hedge derivatives	–	–	–	–	–	928	–	928
Assets Held For Trading	–	–	–	27,588	–	–	–	27,588
Financial investments	13,003	19,689	2,942	–	–	–	–	35,634
Other assets	479	–	–	–	–	–	–	479
Total assets	**152,443**	**19,791**	**4,748**	**27,588**	**–**	**928**	**1,956**	**207,454**
Liabilities								
Liabilities to banks	–	–	381	–	54,879	–	–	55,260
Liabilities to customers	–	–	3,754	–	55,224	–	–	58,978
Securitised liabilities	–	–	4,748	–	50,263	–	–	55,011
Negative market value of hedge derivatives	–	–	–	–	–	1,157	–	1,157
Liabilities Held For Trading	–	–	–	19,793	–	–	–	19,793
Subordinated capital	–	–	2,102	–	7,931	–	–	10,033
Other Liabilities	–	–	–	–	1,821	–	–	1,821
Total liabilities	**–**	**–**	**10,985**	**19,793**	**170,118**	**1,157**	**–**	**202,053**

Carrying amounts of financial instruments by IAS 39 categories (€ m)								31 March 2008
						Without IAS 39-category		
	LAR	AFS	DFV	HFT	LIA	Hedge Accounting (Fair Value)	Other	Total
Assets								
Cash reserve	–	–	–	–	–	–	1,419	1,419
Loans and advances to banks	22,842	50	448	–	–	–	–	23,340
Loans and advances to customers	116,025	–	1,264	–	–	–	–	117,289
Finance lease business	–	–	–	–	–	–	142	142
Positive market value of hedge derivatives	–	–	–	–	–	2,807	–	2,807
Assets Held For Trading	–	–	–	26,802	–	–	–	26,802
Financial investments	13,229	19,933	3,349	–	–	–	–	36,511
Other assets	472	–	–	–	–	–	–	472
Total assets	**152,568**	**19,983**	**5,061**	**26,802**	**–**	**2,807**	**1,561**	**208,782**
Liabilities								
Liabilities to banks	–	–	367	–	61,024	–	–	61,391
Liabilities to customers	–	–	3,699	–	48,698	–	–	52,397
Securitised liabilities	–	–	5,803	–	52,397	–	–	58,200
Negative market value of hedge derivatives	–	–	–	–	–	2,194	–	2,194
Liabilities Held For Trading	–	–	–	17,587	–	–	–	17,587
Subordinated capital	–	–	1,949	–	8,013	–	–	9,962
Other Liabilities	–	–	–	–	1,795	–	–	1,795
Total liabilities	**–**	**–**	**11,818**	**17,587**	**171,927**	**2,194**	**–**	**203,526**

33. RECLASSIFICATION IN ACCORDANCE WITH IAS 39 (REV. 2008)

Due to the global financial market crisis and its effects on the measurement of securities portfolios, HSH Nordbank AG applies the revisions of IAS 39 (rev. 2008). In the third quarter of 2008, financial instruments in the categories of Held For Trading (HFT) and Available For Sale (AFS) were reclassified as Loans And Receivables (LAR).

Carrying amount and repayment amount (€ m)	at the time of reclassification	**2009**
Reclassification of AFS to LAR (carrying amount)	1,841	
Reclassification of HFT to LAR (carrying amount)	1,020	
Expected repayment amount	2,988	
Carrying amount as at 31 March 2009		2,713
Fair value as at 31 March 2009		2,689

The effective interest rate applied to financial instruments in the Held For Trading (HFT) category ranged from 0.03 % to 14.72 %. The effective interest rate for financial instruments in the Available For Sale (AFS) category was within a range of 2.97 % – 9.75 %.

The following table shows the effects of the reclassified financial instruments in the reporting period and the effects that would have occurred since the time of reclassification had the reclassification not been effected:

Effects of reclassification / without reclassification (€ m)	January – March **2009**
Valuation yield potentially generated without reclassification	-20
Revaluation reserve potentially generated without reclassification	47
Actual result in the income statement	49

In the first quarter of 2009, no financial instruments in the categories of Held For Trading (HFT) and Available For Sale (AFS) were reclassified as Loans And Receivables (LAR).

34. 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 at the balance sheet date. The table provides a breakdown of the instruments by IAS 39 category and counterparty rating.

Credit quality (€ m)	1 (AAA) to 1 (AA–)		1 (A+) to 1 (A–)		2 to 5		6 to 9	
	03/31/2009	12/31/2008	03/31/2009	12/31/2008	03/31/2009	12/31/2008	03/31/2009	12/31/2008
Held For Trading (HFT)								
Assets Held For Trading	5,104	9,862	3,548	4,078	4,773	4,123	12,072	7,657
Designated at Fair Value (DFV)								
Loans and advances to banks	229	281	97	118	2	9	171	33
Loans and advances to customers	562	793	237	334	4	25	420	94
Financial investments	1,334	2,101	564	884	9	67	995	248
Available For Sale (AFS)								
Loans and advances to banks	57	23	33	11	11	5	–	11
Financial investments	7,514	10,102	878	1,662	1,856	2,845	6,249	4,463
Loans And Receivables (LAR)								
Loans and advances to banks	10,016	6,332	5,532	3,442	1,926	1,949	416	9,431
Loans and advances to customers	20,203	23,070	10,038	10,800	26,776	28,194	38,162	32,434
Financial investments	2,102	2,575	1,044	1,205	2,785	3,146	3,969	3,620
Other assets	87	103	43	48	115	126	164	145
Total	47,208	55,242	22,014	22,582	38,257	40,489	62,618	58,136

Credit quality (€ m)	10 to 12		13 to 15		16 to 18		Other	
	03/31/2009	12/31/2008	03/31/2009	12/31/2008	03/31/2009	12/31/2008	03/31/2009	12/31/2008
Held For Trading (HFT)								
Assets Held For Trading	910	567	955	338	226	177	–	–
Designated at Fair Value (DFV)								
Loans and advances to banks	–	3	7	4	–	–	–	–
Loans and advances to customers	–	8	17	10	–	–	–	–
Financial investments	–	21	40	28	–	–	–	–
Available For Sale (AFS)								
Loans and advances to banks	–	–	1	1	–	–	–	–
Financial investments	–	208	1,079	65	35	–	–	–
Loans And Receivables (LAR)								
Loans and advances to banks	407	254	1,292	252	854	377	–	–
Loans and advances to customers	5,602	5,507	6,815	2,572	4,004	2,971	–	–
Financial investments	583	615	709	287	417	332	–	–
Other assets	24	25	29	12	17	13	–	–
Total	7,526	7,208	10,944	3,569	5,553	3,870	–	–

II. CARRYING AMOUNTS OF OVERDUE, UNIMPAIRED FINANCIAL ASSETS

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

Carrying amounts of overdue, unimpaired financial assets (€ m)	Overdue < 3 mths		Overdue 3 – 6 mths		Overdue 6 – 12 mths		Overdue > 12 mths		Fair value of collateral		Renegotiated credit volume	
	03/31/2009	12/31/2008	03/31/2009	12/31/2008	03/31/2009	12/31/2008	03/31/2009	12/31/2008	03/31/2009	12/31/2008	03/31/2009	12/31/2008
Designated at Fair Value (DFV)												
Loans and advances to customers	63	–	–	–	–	–	–	–	–	–	–	–
Loans And Receivables (LAR)												
Loans and advances to banks	89	22	–	–	–	–	–	–	40	27	–	–
Loans and advances to customers	968	1,711	61	47	48	27	85	79	526	1,345	126	231
Total	**1,120**	**1,733**	**61**	**47**	**48**	**27**	**85**	**79**	**566**	**1,372**	**126**	**231**

Ten days after the balance sheet date of 31 March 2009, payments in the amount of € 27 million had been received for transactions with a total carrying amount of € 669 million. These are recognised here in the < 3 months overdue category, as a payment is considered to be overdue after a delay of just one day.

The overdue but unimpaired loan portfolio is backed by collateral in the form of real estate liens, pledge agreements 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 at the balance sheet date. The financial assets are broken down by category.

Impaired financial assets and collateral (€ m)	Gross carrying amount of impaired financial assets		Impairment		Carrying amount of financial assets after impairment		Fair value of collateral for impaired financial assets	
	03/31/2009	12/31/2008	03/31/2009	12/31/2008	03/31/2009	12/31/2008	03/31/2009	12/31/2008
Loans And Receivables (LAR)								
Loans and advances to banks	764	782	388	362	376	420	1	–
Loans and advances to customers	5,048	8,755	1,790	1,684	3,258	7,071	1,543	1,644
Financial investments [1]	2,887	2,389	1,250	939	1,637	1,450	–	46
Available For Sale (AFS)								
Financial investments [1]	1,994	948	159	361	1,835	587	655	–
Total	**10,693**	**12,874**	**3,587**	**3,346**	**7,106**	**9,528**	**2,199**	**1,690**

[1] The financial investments categorised as LAR and AFS are shown in the balance sheet as net values i.e. as carrying amounts after value allowances.

35. CREDIT RISK EXPOSURE

The maximum credit risk exposure comprises both the IFRS carrying amounts shown in note (32), which take into account loan loss provisions amounting to € 3,120 million (previous year: € 2,751 million), and the off-balance-sheet business set out in note (36).

Credit risk exposure (€ m)	Carrying amount/ Nominal volume 03/31/2009	12/31/2008
Assets		
Held For Trading (HFT)		
Assets Held For Trading	27,588	26,802
Designated at Fair Value (DFV)		
Loans and advances to banks	505	448
Loans and advances to customers	1,301	1,264
Financial investments	2,942	3,349
Available For Sale (AFS)		
Loans and advances to banks	102	50
Financial investments	19,689	19,933
Loans And Receivables (LAR)		
Loans and advances to banks	20,899	22,432
Loans and advances to customers	115,090	113,826
Financial investments	13,003	13,230
Other assets	479	472
Excluding IAS 39 category		
Cash reserve	1,808	1,419
Positive market value of hedge derivatives	928	2,807
Subtotal balance sheet business	**204,334**	**206,032**
Off-balance-sheet business		
Excluding IAS 39 category		
Contingent liabilities	5,875	6,308
Irrevocable loan commitments	20,112	23,118
Subtotal off-balance-sheet business	**25,987**	**29,426**
Total credit risk exposure	**230,321**	**235,458**

For details of collateral received, see note (38).

36. CONTINGENT LIABILITIES, IRREVOCABLE LOAN COMMITMENTS AND OTHER OBLIGATIONS

Off-balance-sheet business (€ m)	03/31/2009	12/31/2008
Contingent liabilities	5,875	6,308
Irrevocable credit commitments	20,112	23,118
Total	**25,987**	**29,426**

There were no other obligations.

Other disclosures

37. REPORT ON DERIVATIVE TRANSACTIONS

Derivative financial instruments were used increasingly and to a significant extent for the purposes of efficient risk hedging, exploiting market opportunities and meeting the special financing needs of customers. We engage in derivatives business first and foremost with banks based in an OECD country.

The nominal volume of derivative transactions, which is broken down by risk and maturity structure in the following tables, amounted to € 737,716 million as at the balance sheet date (31 December 2008: € 744,291 million).

In addition to the derivatives set out in the tables, 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 € 4,917 million and € 4,591 million respectively at the balance sheet date (31 December 2008: € 5,480 million and € 5,011 million).

I. VOLUMES

Derivative transactions with interest rate risks (€ m)	Nominal value 03/31/2009	12/31/2008
Interest rate swaps	549,386	536,054
FRAs	15,938	20,375
Interest rate options		
Long positions	4,784	3,624
Short positions	3,162	1,890
Caps, floors	33,783	33,495
Exchange-traded contracts	1,394	1,492
Other forward interest rate transactions	6,488	6,347
Total	**614,935**	**603,277**

Derivative transactions with interest rate and currency risks (€ m)	Nominal value 03/31/2009	12/31/2008
Cross currency swaps	41,729	36,611

Derivative transactions with currency risks (€ m)	Nominal value 03/31/2009	12/31/2008
Forward exchange transactions	63,548	82,520
Currency options		
Long positions	4,822	5,931
Short positions	4,219	5,471
Total	**72,589**	**93,922**

Derivative transactions with equity and other price risks (€ m)	Nominal value 03/31/2009	12/31/2008
Equity options		
Long positions	1,834	2,232
Short positions	3,006	3,672
Forward equity transactions	104	599
Exchange-traded contracts	420	893
Equity-/index-based swaps	2,312	2,652
Commodity contracts	787	433
Total	**8,463**	**10,481**

II. MATURITIES

Maturities (€ m)	Interest rate risks 03/31/2009	Interest rate risks 12/31/2008	Interest rate and currency risks 03/31/2009	Interest rate and currency risks 12/31/2008	Currency risks 03/31/2009	Currency risks 12/31/2008	Equity/other price risks 03/31/2009	Equity/other price risks 12/31/2008
Maturities								
up to 3 months	112,074	114,367	30,548	25,597	39,442	59,256	1,095	1,610
3 months to 1 year	84,587	85,255	1,464	1,082	27,084	28,266	1,553	2,232
1 year to 5 years	226,173	210,226	5,781	5,981	5,239	5,561	2,912	3,617
more than 5 years	192,101	193,429	3,936	3,951	824	839	2,903	3,022
Total	614,935	603,277	41,729	36,611	72,589	93,922	8,463	10,481

38. DISCLOSURES ON COLLATERAL RECEIVED AND TRANSFERRED

I. TRANSFERRED COLLATERAL

HSH Nordbank had transferred assets amounting to € 29,245 million (31 December 2008: € 59,902 million) as collateral as at 31 March 2009.

Collateral transferred by the Bank are primarily assets which have been transferred to the reserve stock in order to collateralise the placement of Pfandbriefe in accordance with the German Pfandbrief Act (PfandBG) and the Public Pfandbrief Act (ÖPG). In addition, assets like securities, loan notes and other loans for the short-term collateralisation of money market loans have been deposited as collateral with domestic and foreign commercial and central banks.

HSH Nordbank enters into repurchase agreements as part of (national and international) bilateral repo framework contracts. The liabilities associated with this are recognised in the balance sheet as liabilities to banks and customers. The repurchase agreements are monitored for collateralisation in the form of daily measurement of the transactions. In the event of certain premises, the counterparty is authorised to demand that HSH Nordbank deposits further collateral. The collateral provided is subject to full transfer of rights, i.e. the guarantee can, in principle, behave/act like the owner and in particular effect dispositions in the form of transfers of ownership or pledges. If, after HSH Nordbank has provided collateral, the market situation changes to the extent that there is surplus cover, HSH Nordbank is entitled to demand a release of collateral from the counterparty. In the case of securities collateral, securities of the same type and quality ("the same class") must be provided in return and without any burdens. In the case of the provision of securities collateral, the collateral provided may not be returned in the form of liquid funds.

In the case of triparty repo transactions, the above-mentioned conditions and collateralisation procedures are to be applied simultaneously between HSH Nordbank and the counterparty, while the transactions are carried out via a triparty agent.

Money market loans are first and foremost collateralised against the pledging and transfer of securities to the pledged securities account of the European Central Bank. Loan notes and other loans are not pledged to the European Central Bank, but are assigned silently. An interim resale or pledge is not possible.

II. COLLATERAL RECEIVED IN REPO TRANSACTIONS

HSH Nordbank received financial and nonfinancial assets with a fair value of € 4,748 million (31 December 2008: € 5,308 million) in collateral from guarantors through repurchase agreements, securities lending transactions and triparty repo transactions. These assets are not subject to any disposal or liquidation restrictions and include cash collateral of € 2,624 million (previous year: € 3,465 million) received by HSH Nordbank in the financial year. No transactions relating to this collateral were resold or pledged in 2008 or 2009.

HSH Nordbank enters into repurchase agreements, securities lending transactions and triparty repo transactions on the basis of standardised framework contracts with selected counterparties. The same conditions and collateralisation procedures apply as to transferred collateral.

III. OTHER RECEIVED COLLATERAL

No assets arising from the liquidation of collateral were capitalised during the financial year (31 December 2008: € 0 million).

To boost refinancing in the capital market, HSH Nordbank AG received a liquidity guarantee of € 30 billion by the Special Fund Financial Market Stabilization (SoFFin). The guarantee is equivalent to an absolute suretyship with no benefit of discussion. The debentures of € 10 billion issued up to 31 March 2009 are wholly guaranteed by the SoFFin. The guaranteed debentures have maturities ranging between 3 months and 3 years.

The expenses incurred as a result of the guarantee being granted and provided are recognised as a separate item in the income statement.

39. LOANS AND ADVANCES AND LIABILITIES TO EQUITY HOLDINGS AND AFFILIATED COMPANIES AS WELL AS OTHER RELATED COMPANIES AND PARTIES

As part of ordinary business operations, transactions with unconsolidated equity holdings and affiliated companies and with other related companies and parties are carried out according to generally accepted market terms and conditions.

I. SUBSIDIARIES

Subsidiaries – assets

(€ m)	03/31/2009	12/31/2008
Loans and advances to customers	639	856
Assets Held For Trading	39	45
Financial investments	826	1,082
Other assets	14	11
Total	1,518	1,994

Subsidiaries – liabilities

(€ m)	03/31/2009	12/31/2008
Liabilities to customers	88	165
Securitised liabilities	–	102
Other Liabilities	–	1
Total	88	268

Subsidiaries – income statement

(€ m)	03/31/2009	03/31/2008
Net interest income	7	3
Net trading income	–8	–
Net income from financial investments	–53	–
Total	–54	3

II. ASSOCIATED AND OTHER RELATED COMPANIES

Associated and other related companies – assets
(€ m)

	03/31/2009	12/31/2008
Loans and advances to banks	876	800
Loans and advances to customers	1,015	996
Assets Held For Trading	63	40
Financial investments	1,258	1,123
Other assets	4	5
Total	**3,216**	**2,964**

Associated and other related companies – liabilities
(€ m)

	03/31/2009	12/31/2008
Liabilities to banks	362	141
Liabilities to customers	132	128
Securitised liabilities	101	–
Negative market value of hedge derivatives	–	2
Liabilities Held For Trading	9	8
Other Liabilities	2	1
Total	**606**	**280**

Associated and other related companies – income statement
(€ m)

	03/31/2009	03/31/2008
Net interest income	11	3
Net trading income	3	3
Total	**14**	**6**

III. RELATED COMPANIES AND PARTIES[1)]

Listed below are the loans and advances and liabilities to related companies and parties:

Related companies and parties – assets
(€ m)

	03/31/2009	12/31/2008
Loans and advances to customers	839	787
Positive market value of hedge derivatives	–	23
Assets Held For Trading	157	277
Financial investments	429	429
Total	**1,425**	**1,516**

Related companies and parties – liabilities
(€ m)

	03/31/2009	12/31/2008
Liabilities to customers	1,620	1,175
Securitised liabilities	508	508
Negative market value of hedge derivatives	–	15
Liabilities Held For Trading	77	40
Total	**2,205**	**1,738**

Related companies and parties – income statement
(€ m)

	03/31/2009	03/31/2008
Net interest income	4	–1
Net trading income	1	5
Net income from financial investments	–	–2
Total	**5**	**2**

1) Unless already listed under associated and other related companies.

40. NAMES AND POSITIONS OF THE MEMBERS OF THE EXECUTIVE BODIES

I. THE SUPERVISORY BOARD OF THE HSH NORDBANK GROUP

Dr. Wolfgang Peiner, Hamburg
Auditor
Chairman

Olaf Behm, Hamburg
Employee of HSH Nordbank AG
Deputy Chairman

Sabine Almut-Auerbach, Lübeck
District secretary, ver.di Southern Holstein district

Astrid Balduin, Kiel
Employee of HSH Nordbank AG

Berthold Bose, Hamburg
Regional financial services representative,
ver.di Hamburg district

Prof. Dr. Hans-Heinrich Driftmann, Elmshorn
Managing partner of Peter Kölln KGaA

Ronald Fitzau, Seevetal
Employee of HSH Facility Management Holding AG

J. Christopher Flowers, New York
Chairman of the Board of J.C. Flowers & Co. LLC

Dr. Michael Freytag, Hamburg
Senator, President of the Ministry of Finance of the
Free and Hanseatic City of Hamburg

Jens-Peter Gotthardt, Morrege
Employee of HSH Nordbank AG

Lothar Hay, Flensburg
Minister of the Interior of the State of Schleswig-Holstein

Torsten Heick, Rellingen
Employee of HSH Nordbank AG

Reinhard Henseler, Schobüll
Chairman of the Board of Nord-Ostsee Sparkasse

Jörg-Dietrich Kamischke, Selk
President of the Savings Banks Association of
Schleswig-Holstein

Rieka Meetz-Schawaller, Kiel
Employee of HSH Nordbank AG

Alexander Otto, Hamburg
Managing Director of ECE Projektmanagement
G.m.b.H. & Co. KG

Knut Pauker, Schenefeld
Employee of Spielbank SH GmbH & Co.
Casino Stadtzentrum Schenefeld KG

Edda Redeker, Kiel
ver.di northern district

Ravi S. Sinha, London
Member of the Board of J.C. Flowers & Co. LLC

Rainer Wiegard, Bargteheide
Minister of Finance of the State of Schleswig-Holstein

(a) Members of the Risk Committee

Ravi S. Sinha
Chairman

Dr. Wolfgang Peiner
Deputy Chairman

Jörg-Dietrich Kamischke

Astrid Balduin

Olaf Behm

Jens-Peter Gotthardt

Torsten Heick

Rainer Wiegard

(b) Members of the Audit Committee

Jörg-Dietrich Kamischke
Chairman

Ravi. S. Sinha
Deputy Chairman

Astrid Balduin

Olaf Behm

Jens-Peter Gotthardt

Rieka Meetz-Schawaller

Dr. Wolfgang Peiner

Rainer Wiegard

(c) Members of the Executive Committee

Dr. Wolfgang Peiner
Chairman

Rainer Wiegard
Deputy Chairman

Astrid Balduin

Olaf Behm

J. Christopher Flowers

Dr. Michael Freytag

Jörg-Dietrich Kamischke

(d) Members of the Mediation Committee

Rainer Wiegard
Chairman

Dr. Wolfgang Peiner

Olaf Behm

Torsten Heick

II. MEMBERS OF THE MANAGEMENT BOARD OF THE HSH NORDBANK GROUP

Prof. Dr. Dirk Jens Nonnenmacher
Chairman
Divisional responsibilities: Corporate Communication; Corporate Development / Management; Corporate Office and Marketing; Legal and Group Compliance; Tax; Finance; Group Risk Management; Credit Risk Management; (since 28 April 2009 also temporarily for) IT / Organisation; Human Resources; Internal Audit; Transaction Services
Born 1963

Peter Rieck
Deputy Chairman
Divisional responsibilities: Energy; Shipping; Transportation
Born 1952

Joachim Friedrich
Divisional responsibilities: Group Treasury; Asset and Investment Management; Capital Markets Clients; Capital Markets Structuring & Trading; Capital Markets Credit
Born 1964

Frank Roth
Divisional responsibilities: IT / Organisation; Human Resources; Internal Audit; Transaction Services (until 27 April 2009)
Born 1959

Bernhard Visker
Divisional responsibilities: Corporate Clients; Real Estate Clients; Private Banking; Savings Banks
Born 1966

Hamburg / Kiel, 15 May 2009

Nonnenmacher Rieck

Friedrich Visker

Review report

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 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 31 March 2009 that are part of the quarterly financial report according to § 37x Abs. 3 WpHG („Wertpapierhandelsgesetz“: „German Securities Trading Act“). The preparation of the condensed interim consolidated financial statements in accordance with those International Financial Reporting Standards (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.

Without qualifying this opinion, we wish to point to the following comments in the Group management report in the section “Ausblick” [Outlook] as well as to note 1 to the consolidated financial statements, which state that the continued existence of HSH Nordbank AG Group as a going concern depends on adequate action being taken with regard to supporting equity so that the regulatory capital requirements are met and so that the contractual obligations to the German financial market stabilisation fund (SoFFin) relating to the core capital ratio are met. In this respect, it is particularly necessary that

- the Freie und Hansestadt [Federal State of] Hamburg and the Federal State of Schleswig-Holstein implement the measures which have been initiated with the aim of supporting capital (capital increase of EUR 3 billion and second-loss guarantee of EUR 10 billion). This requires in particular EU approval, a resolution of the shareholders' general meeting as well as the completion of the guarantee contract;
- the Bundesanstalt für Finanzdienstleistungsaufsicht [German Financial Supervisory Authority] and the Bundesbank do not take any regulatory measures;
- the SoFFin maintains the granted guarantee framework and makes it available to the extent which is necessary.

Hamburg, 18 May 2009

KPMG AG
Wirtschaftsprüfungsgesellschaft

[original German version signed by:]

Krall
Wirtschaftsprüfer

Karp
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 reporting, the interim Group financial statements give a true and fair view of the 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 expected development of the Group in the rest of the year.

Hamburg / Kiel, 15 May 2009

Nonnenmacher

Rieck

Friedrich

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IMPRINT

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The interim report is also available for download on the internet: www.hsh-nordbank.com

This is an English translation of the original German version of the interim report.

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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