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Interim Report as of 31 March 2010

HSH NORDBANK

HSH NORDBANK GROUP AT A GLANCE

Income statement (€ m)	1.1. – 31.3.2010	1.1. – 31.3.2009
Net income before restructuring	-170	-111
Group net loss	-276	-231

Balance sheet (€ bn)	31.3.2010	31.12.2009
Equity	4.2	4.4
Total assets	172.7	174.5
Business volume	189.7	192.9

Capital ratios [1] (%)	31.3.2010	31.12.2009
Tier 1 capital ratio	9.8	10.5
Regulatory capital ratio	15.0	16.1

Employees	31.3.2010	31.12.2009
Total	3,981	4,188
Germany	3,321	3,490
Abroad	660	698
Full-time positions	3,500	3,610
Germany	2,883	2,958
Abroad	617	652

Long-term ratings	Unguaranteed liabilities	Guaranteed liabilities [2]	Public-sector Pfandbriefe	Ship Pfandbriefe
Moody's	A3	Aa1	Aaa	A2
Standard & Poor's	BBB+	AA-	–	–
Fitch	A	AAA	–	–

[1] Including market risk positions, after adoption of the annual financial statements

[2] Obligations covered by Gewährträgerhaftung (guarantee obligation).

HSH NORDBANK AG – INTERIM REPORT

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LADIES AND GENTLEMEN,

The strategic realignment of HSH Nordbank continues to progress in line with plan. The results of the first quarter of 2010 are evidence of this. Despite the systematic reduction of total assets by € 34 billion compared to the previous year — now € 173 billion — and despite a weak demand for credit due to the overall economic situation HSH Nordbank stayed on target. For the period January through March, net income before restructuring amounted to € –170 million.

The Bank's course of business reflects advances in the divestment of non-strategic positions and developments in the markets. What is particularly positive is the fact that it was possible to reduce losses in the credit investment portfolio compared to the first quarter of 2009. Net income from financial investments improved markedly and was slightly positive. By contrast, we recorded a loss in net trading income as a result of negative foreign exchange effects associated with the strong rise in the value of the U.S. dollar. Despite decreased business volumes and continued weakness in demand for credit, net interest and commission income were on target with a decline corresponding with the reduced total assets.

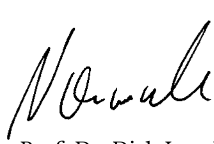
During the first quarter, we were able to reduce additions to loan loss provisions thanks to successful portfolio restructuring as well as the first signs of recovery in various industries which benefited several customers. Even in shipping, which had been particularly hard-hit by the crisis, signs for an easing of the situation have multiplied lately.

Additional successes of our cost-cutting programme are reflected in administrative expenses. The decline in personnel costs is due primarily to Bank staff reductions. Savings in various cost categories resulted in lower operating expenses.

The Group's net loss totalling € –276 million included not only positive income tax effects but also expenses for government guarantees which amounted to € 151 million for the first quarter. Of this, € 100 million related solely to payments for the second loss guarantee from the Federal States of Hamburg and Schleswig-Holstein. The Interim Financial Statement for the first quarter contains an adjustment to the 2009 Group financial statements in accordance with the requirements of IAS 8. Details are discussed in the Explanatory Notes under Note 3.

In connection with expected increases in the demand for credit, we want to again further expand our core business — which has been relieved of non-strategic positions in the course of the year — and take advantage of new business opportunities. At the same time, strict risk management with respect to existing positions as well as supporting our customers in meeting current challenges remain the focus of our actions.

It is extremely difficult to predict how the economic environment will develop. Despite improvements in economic conditions, the markets remain susceptible to setbacks. The recent nervous fluctuations in the financial markets reflected widespread uncertainty regarding the consolidation of state finances and the consequences of this situation for future economic trends. Despite risks from the general economic environment and despite the need for continued work in restructuring the Bank, I remain convinced that progress in restructuring will have an increasingly positive impact on the Bank's business and that we will be able to again report positive results in 2011.



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

QUARTERLY FINANCIAL REPORT

INTERIM MANAGEMENT REPORT FOR THE HSH NORDBANK GROUP

UNDERLYING CONDITIONS

Recovery of the global economy at differing rates

Since the beginning of the year the global economy has continuously expanded. Developments have been particularly dynamic in the emerging economies, especially in Asia. Some countries are already showing signs of overheating. By contrast, in the western industrialised countries extraordinary conditions have caused the recovery process to stall. In the U. S., the economy has slowed again after having shown extraordinary growth during the second half of 2009.

Within the Euro zone, where the economy only stagnated in the last quarter of 2009, the hard winter also entailed limited growth. Additionally, increased unemployment probably continued to reduce private consumption and business investments likely remained restrained in light of the noticeable underutilisation of capacity. In contrast, exports should have benefited from increasing demand, in particular from emerging countries. Governmental economic stimulus programmes probably also played a stimulating role. Business surveys, such as the ifo Business Climate Index or the Purchasing Managers Index, show that the economy may have begun to improve again within the Euro zone as of the beginning of the second quarter of 2010.

Renewed unease in the financial markets

Although tensions in the financial markets initially continued to ease during the first quarter of 2010, investors have become aware of new risks for the global economy over the past several months. In particular, the marked increase in public debt in many countries has caused unease, whereby the most attention has been paid to certain countries within the Euro zone — in particular Greece. Agreement regarding a rescue package by the remaining countries of the Euro zone and the IMF in mid-April caused only a temporary decline in the risk premiums on Greek government bonds which have increased markedly since the beginning of the year. Due to the worsening situation on the markets, Greece applied for the activation of the promised support measures on 23 April. However, calm only returned to the financial markets when a package of measures involving credit facilities in the amount of € 750 billion was approved by the European Commission on 9 May, the EU Member States and the IMF including securities purchases by the ECB.

Heightened investor scepticism regarding the creditworthiness of several European countries led to inflows into German government bonds, which are viewed as being secure, during the first quarter, so that yields on both the ten and two year bonds retreated slightly. The yields on the corresponding U. S. government bonds trended mostly sideways during the same period. Due to renewed turbulence at the end of April, yields on German Bunds and U. S. treasuries dropped again. Both the U. S. Federal Reserve and the European Central Bank maintained their base rates at their historically low levels. Whilst the U. S. Federal Reserve ended some of its extraordinary monetary measures, the ECB reintroduced some previously approved measures to increase liquidity in light of renewed turbulence in the financial markets during May.

Turbulence surrounding Greece's financial situation also had an effect on foreign exchange markets. Compared to the start of the year, the Euro significantly declined in value compared to the U.S. dollar during the first several months of the year despite both rescue packages.

Stock markets were also not immune to the effects of these turbulences. Following dynamic trends in market prices at the end of 2009, dividend-bearing securities started a downward trend at the beginning of January across a relatively broad front. Beginning in February, confidence returned to the stock markets and remained until far into the second quarter, however it was replaced by increasing concerns on the part of market participants caused by the worsening of the debt crisis in several countries. In particular, equities from the financially weaker European countries were subject to pressure.

Light and shadow in the banking sector

Whilst business in the capital markets proved to be a significant source of revenues for many banks during the first quarter, banks focused on lending continued to suffer from the consequences of the prior year's economic collapse. Within the Euro zone, private-sector lending levels during the first months of the year remained below those of the previous year due to decreased demand and the need on the part of the banks to improve their capital resources available. However, it did not decrease further.

BUSINESS DEVELOPMENTS

Strategic realignment continues to show effects

Business developments during the first quarter of 2010 show that HSH Nordbank is well on the way of successfully implementing its strategic realignment and putting itself on a solid footing for the future. Although the Bank has, as expected, a negative net income before taxes; at € –320 million it is consistent with budget levels. The continued effects of the Bank's realignment programme, as well as developments in the markets, are reflected in the Bank's income, loan loss provisions, costs and balance sheet. Details are set out below under the headings "Earnings situation" and "Financial position".

Earnings situation

Income statement (€ m)	1.1. – 31.3.2010	After adjustment 1.1. – 31.3.2009	Change absolute	Change in %
Interest income	3,972	6,763	-2,791	-41.3
Interest expenses	-3,528	-6,255	2,727	-43.6
Net income on hybrid financial instruments	-37	-25	-12	-48.0
Net interest income	**407**	**483**	**-76**	**-15.7**
Loan loss provisions	-329	-424	95	-22.4
Net interest income after loan loss provisions	**78**	**59**	**19**	**32.2**
Net commission income	42	51	-9	-17.6
Result from hedging	4	44	-40	-90.9
Net trading income	-132	210	-342	> -100
Net income from financial investments	27	-269	296	> 100
Administrative expenses	-197	-214	17	-7.9
Other operating income	8	8	0	0.0
Net income before restructuring	**-170**	**-111**	**-59**	**-53.2**
Result from restructuring	1	-28	29	> 100
Expenses for government guarantees	-151	-20	-131	> -100
Net income before taxes	**-320**	**-159**	**-161**	**> -100**
Income tax expenses (–) / income (+)	44	-72	116	> 100
Net income after taxes / Group net loss	**-276**	**-231**	**-45**	**-19.5**
Group net income attributable to non-controlling interests	3	-21	24	> 100
Group net income attributable to HSH Nordbank shareholders	-279	-210	-69	-32.9

Income shaped by focusing business

During the first three months of 2010, the earnings situation was impacted by the planned reduction of non-strategic business and risk positions. Total income [1] in the reporting period declined to € 348 million compared to € 519 million in the same period of the previous year.

The net interest income amounted to € 407 million (previous year: € 483 million). The decline is primarily due to the targeted limitation of activities. Compared to 31 March 2009, total assets declined by approximately € 34 billion. In addition, the demand for loans of private businesses remained to be moderate during the first quarter of 2010. New loans were primarily disbursed in connection with extensions and the fulfilment of binding commitments within the existing portfolio of the core areas. In doing so, risk-appropriate margins supported net interest income.

Net commission income amounted to € 42 million (previous year: € 51 million). The reduction also reflects primarily active reductions in business volume which were associated with less income from lending transactions. At the same time there was a relief because of the fact that the commission expenses in the previous year in connection with the placement of government guaranteed bonds no longer occurred.

In the first quarter of 2010, the result from hedging amounted to € 4 million compared to € 44 million in the same quarter of the previous year. The reduction is primarily due to changes in the yield curve within the Euro zone as well as to changes in the composition of the hedge portfolios.

During the first quarter of 2010, net trading income dropped from € +210 million (previous year) to € –132 million. The result of foreign exchange valuation which largely results from the loan loss provisions in foreign currency had a major influence on net trading income. Additional adverse influences are related primarily to value adjustments within the derivative sector due to increased probabilities of default on the part of counterparties. In addition, compared to the previous year, net trading income was lower due to reduced revenue from liabilities designated at fair value and from structured transactions which have since been divested. By contrast, considerably reduced charges within the Credit Investment Portfolio's trading portfolio had a positive effect.

Net income from financial investments, which amounted to € 27 million as at 31 March 2010 compared to € –269 million for the previous year, benefited from the value adjustments which had already been undertaken in the prior year, from progress in the reduction of risk positions and recovery in the financial markets. The Credit Investment Portfolio, which achieved positive results from valuation effects and realised gains, made a significant contribution to the positive trend.

Loan loss provisions reduced in the first quarter

HSH Nordbank recorded a decrease in expenses for loan loss provisions to € –329 million as of 31 March 2010 (previous year: € –424 million). In addition to the recovery tendencies of the economy, this reflects continuing portfolio adjustments and the high provisions already formed during the previous year. Approximately € –197 million are attributable to net allocations for loan loss provisions for single commitments during the first quarter of 2010, which primarily effect the real estate and corporate customer lending business. This includes income resulting from the reversal of loan loss provisions formed in the previous year as well as income from recoveries on receivables written off as well as direct write-downs. Loan loss provisions on portfolios amounted to € –132 million for the first quarter.

Cost reductions are having an impact

Further success of the Bank's cost-cutting programme was shown in the administrative expenses. These decreased by € 17 million from € –214 million in the previous year to € –197 million. The € 13 million decrease in personnel expenses is primarily due to the Bank's progress in reducing staff. Cost-saving measures in various types of cost such as EDP expenses had a positive impact on operating expenses, which reduced by € 4 million.

The result from restructuring amounted to € +1 million due to the reversal of provisions — related in particular to personnel measures — compared to € –28 million in the previous year.

[1] Total income is the total of net interest income, net commission income, result from hedging as well as net trading income and net income from financial investments.

Expenses for government guarantees: € 151 million

The cost of taking up government guarantees in the first quarter of 2010 totalled € – 151 million, which break down as follows: € – 120 million for the second loss guarantee provided by the Free and Hanseatic City of Hamburg and the Federal State of Schleswig Holstein in the second quarter of 2009 and € – 31 million for guarantees from the Financial Market Stabilisation Fund (SoFFin). By contrast, in the first quarter of 2009, only € – 20 million of the SoFFin guarantees used since end-November 2008 were related to government guarantees.

Results in line with targets

Reductions in total income as planned and expenses related to state guarantees caused net income before taxes of € – 320 million as at 31 March 2010 to lag behind the prior year's results of € – 159 million — however this was in line with targets set by the Bank. Taking into account the positive income tax effects amounting to € 44 million, a net loss of € – 276 million (previous year: € – 231 million) was recognised at Group level.

Financial position

Balance sheet (€ m)	31.3.2010	After adjustment 31.12.2009	Change absolute	Change in %
Assets				
Cash reserve	681	1,296	-615	-47.5
Loans and advances to banks	12,285	15,541	-3,256	-21.0
Loans and advances to customers	112,226	110,557	1,669	1.5
Loan loss provisions	-5,158	-4,718	-440	9.3
Positive fair values of hedging derivatives	1,727	1,684	43	2.6
Positive adjustment item from portfolio fair value hedges	309	295	14	4.7
Assets held for trading	17,751	16,879	872	5.2
Financial investments	29,671	29,690	-19	-0.1
Intangible assets	197	197	0	0.0
Property, plant and equipment	100	101	-1	-1.0
Investment properties	327	316	11	3.5
Non-current assets held for sale and disposal groups	637	586	51	8.7
Current tax assets	501	518	-17	-3.3
Deferred tax assets	1,248	1,204	44	3.7
Other assets	244	338	-94	-27.8
Total assets	**172,746**	**174,484**	**-1,738**	**-1.0**
Liabilities				
Liabilities to banks	36,778	38,591	-1,813	-4.7
Liabilities to customers	51,601	49,803	1,798	3.6
Securitised liabilities	49,671	53,121	-3,450	-6.5
Negative fair values of hedging derivatives	497	517	-20	-3.9
Negative adjustment item from portfolio fair value hedges	1,268	1,085	183	16.9
Liabilities held for trading	16,276	14,649	1,627	11.1
Provisions	1,558	1,619	-61	-3.8
Liabilities relating to disposal groups	11	19	-8	-42.1
Current tax liabilities	81	78	3	3.8
Deferred tax liabilities	81	93	-12	-12.9
Other liabilities	1,581	1,583	-2	-0.1
Subordinated capital	9,125	8,884	241	2.7
Equity	4,218	4,442	-224	-5.0
Share capital	2,460	2,460	0	0.0
Capital reserve	1,509	1,509	0	0.0
Retained earnings	834	1,607	-773	-48.1
Revaluation reserve	-265	-341	76	-22.3
Currency conversion reserve	-71	-90	19	-21.1
Group loss / profit	-279	-734	455	-62.0
Total before non-controlling interests	4,188	4,411	-223	-5.1
Non-controlling interests	30	31	-1	-3.2
Total equity and liabilities	**172,746**	**174,484**	**-1,738**	**-1.0**

FURTHER REDUCTIONS IN TOTAL ASSETS

In the first quarter of 2010, HSH Nordbank continued to implement in a consistent manner restructuring measures aimed at reducing total assets. Accordingly, total assets of the HSH Group were reduced as at 31 March 2010 to € 172,746 million (31 December 2009: € 174,484 million).

The decline in balance sheet assets can be largely attributed to substantial reductions in loans and advances to banks. By contrast, loans and advances to customers and assets held for trading rose slightly.

With a minus of € 3,256 million or 21 % respectively to € 12,285 million (31 December 2009: € 15,541 million), loans and advances to banks recorded a substantial decline, contributing significantly to the reduction in total assets.

By contrast, loans and advances to customers rose slightly compared to the previous year by € 1,669 million from € 110,557 million to € 112,226 million (+ 1.5 %), largely due to exchange rate related factors.

Because of the continuing economic crisis, it was also necessary during the first quarter of 2010 to increase the amount of risk provisions by a further 9.3 % to € – 5,158 million (31 December 2009: € – 4,718 million).

Trading portfolios have been further reduced (€ – 921 million) since 31 December 2009. This effect was, however, overcompensated by the interest rate related increase in the positive market values of interest rate derivatives so that trading assets increased in total by 5.2 % to € 17,751 million.

Financial investments fell slightly to € 29,671 million (– 0.1 %).

Developments with respect to balance sheet assets are reflected on the liability side of the statement of financial position in the changes in material items.

Due to a drop in the need for refinancing it was possible to reduce liabilities to banks further from € 38,591 million to € 36,778 million (€ – 1,813 million or – 4.7 % respectively), — whilst liabilities to customers rose slightly at € 1,798 million or approximately 3.6 % respectively compared to the reporting date of the previous year. Securitised liabilities totalled € 49,671 million (31 December 2009: € 53,121 million), which corresponds to a reduction of approximately 6.5 % and represents the most significant share of the decline in balance sheet assets.

Liabilities held for trading, which largely consist of negative fair values arising from derivatives held in the trading portfolio, increased by € 1,627 million to € 16,276 million, in line with the moves in the positive fair values arising from derivatives (31 December 2009: € 14,649 million).

The increase in subordinated capital by € 241 million or approximately 2.7 % respectively to € 9,125 million (31 December 2009: € 8,884 million) was primarily caused by measurement effects related to profit participation capital.

The primary contribution to equity development was made by the change in the negative revaluation reserve, which made further improvements compared to 31 December 2009 and amounted to € – 265 million as at 31 March 2010. This change is also due to an increase in the value of AfS securities in the Credit Investment Portfolio (+ € 19 million). The net loss had a negative impact on equity. Overall, reported equity stood at € 4,218 million (31 December 2009: 4,442 million).

Reduction in business volume

Corresponding to the fall in total assets, there was an overall drop in the volume of business as at 31 March 2010 to € 189,679 million (31 December 2009: 192,927 million). At the same time, loan commitments, in particular, declined noticeably by € – 1,516 million to € 12,683 million.

Tier 1 capital ratio at 9.1 %[1)]

As at 31 March 2010, total Tier 1 capital stood at € 8.6 billion (31 December 2009: € 8.6 billion). The Tier 1 capital ratio (including market risk position) again reached a competitive level of 9.1 %. The decline compared to year’s end 2009 (9.5 %) reflects the difficult credit environment which had an effect on risk-weighted assets. Total regulatory capital as at 31 March 2010 amounted to € 13.0 billion (31 December 2009: € 13.2 billion). The regulatory capital ratio amounted to 13.8 % (31 December 2009: 14.5 %).

Regulatory figures
(%)

	31.3.2010	31.12.2009
Equity ratio (Solvency ratio)	14.3	15.1
Total ratio / Regulatory capital ratio	13.8	14.5
Tier 1 capital ratio	9.7	10.0
Tier 1 capital ratio (including market risk positions)	9.1	9.5

[1] Figures in text and tables before adoption of annual financial statements of HSH Nordbank AG

REFINANCING SITUATION

Independent refinancing advanced

The refinancing conditions for banks improved during the starting quarter of 2010 and the importance of state guaranteed issues declined significantly. However, in particular following the end of the first quarter, the markets were increasingly under stress from the debt crisis affecting several European countries.

HSH Nordbank was able to further expand its refinancing efforts among investors and for the first quarter of 2010 was able to meet the pro rata targets of the issue plan. The Bank's long-term bonds were sold primarily within the German Sparkassenverbund using adequate maturity ranges. In addition to the placement of debt instruments, the expansion of the deposit business was of primary importance. During the past several months, deposit volumes were increased slightly and at the same time maturities were extended. Among others, this was due to increased contact to core investors which include, in addition to the savings banks, the Bank's public-sector and corporate customers. Due to stable deposit volumes, and as a result of the planned reduction in refinancing needs, the utilisation of central bank facilities was subject to further reduction.

The Bank was further able to reduce the guarantee facility from the Financial Market Stabilisation Fund (SoFFin) at the end-of-year 2009. The SoFFin guarantees for issues totalling € 17 billion continue to apply. Of the outstanding liabilities guaranteed by SoFFin as at 31 March 2010, € 9 billion was related to bonds placed on the capital market (with maturities in the years 2011 and 2012) as well as € 8 billion related to bonds coming due in 2010 for purposes of strengthening the collateral pool at the European Central Bank. HSH Nordbank may apply to extend the guarantees expiring in 2010 to 31 December 2010 at the latest.

The Risk Report portion of this Interim Report contains additional detailed information regarding the liquidity and risk situation.

SEGMENT REPORTING

New segment structure of HSH Nordbank

The strategic realignment of HSH Nordbank involved a realignment of business areas in 2009 and hence the adjustment of its segment structure. The Bank groups its core activities into the segments Sector Specialist Bank, Regional Bank and Other. A further segment, the Restructuring Unit established in December 2009, was set up to pool non-strategic business and special risk positions.

Following the split-off of non-strategic commitments and their winding down in the Restructuring Unit, the Sector Specialist Bank segment will report the Bank's results in the Shipping, Transport and Renewable Energy core areas. The Regional Bank segment reports the Bank's results in core areas with a mainly regional orientation: Corporate Clients, Real Estate Clients, Savings Banks and Private Banking. The segment Other includes the financial market business, with the central refinancing function for the Group and the Bank's overall positions including strategic participations. However, the majority of the results of financial market transactions with corporate and private clients continue to be reported in the other segments. All the previous year's figures have been adjusted in line with the new segment structure for improved comparability.

SEGMENT OVERVIEW

(€ m)		Sector Specialist Bank	Regional Bank	Other	Consolidation Core Bank	**Total Core Bank**	Restructuring Unit	Consolidation Restructuring Unit	**Total Restructuring Unit**
Total income	**Q1-2010**	81	109	91	–	281	75	-8	67
	Q1-2009	117	119	168	149	553	-32	-2	-34
Loan loss provisions	**Q1-2010**	-79	-102	53	-14	-142	-187	–	-187
	Q1-2009	-24	-40	14	40	-10	-414	–	-414
Net income before restructuring	**Q1-2010**	**-39**	**-50**	**99**	**11**	**21**	**-183**	**-8**	**-191**
	Q1-2009	59	31	104	197	391	-500	-2	-502

Details of developments within the individual segments are shown below.

SECTOR SPECIALIST BANK SEGMENT

Sector Specialist Bank (€ m)	Q1-2010	Q1-2009	Change in %
Net interest income	114	109	5
Net commission income	6	15	-60
Net trading income	-43	-7	> -100
Net income from financial investments	4	–	–
Total income	**81**	**117**	**-31**
Loan loss provisions	-79	-24	> 100
Administrative expenses	-41	-34	21
Other operating income	–	–	–
Net income before restructuring	**-39**	**59**	**> -100**
Average equity	1,176	341	> 100

In the Sector Specialist Bank segment, developments at the beginning of 2010 continued to be affected by the 2009 market slump, although an increasing resurgence could be seen in all markets.

Market recovery noticeable

In the shipping markets, recovery trends strengthened unexpectedly strongly during the first quarter of 2010. Confidence grew especially in container shipping in light of the declining number of idle ships as well as rising charter rates and ship values. Although price levels remain at historic lows, some market participants already presume that the low point of this cycle has already been crossed. For example, charter rates rose by up to 25% in April compared to the prior month. Within the tanker market, the positive market sentiment strengthened after several forecasts for world-wide oil consumption were corrected upward and in particular China's oil imports increased dramatically. Charter rates rose here as well by up to 9% in April. The bulk freighter market showed stability at an adequate level.

In line with the economic development, the aviation industry likewise showed signs of recovery during the first months of 2010 after it had faced sharp declines in revenue as well as losses during the prior year. Increased passenger and freight traffic volumes at lower capacity levels ensured a steadily improving utilisation of aircraft fleets.

In the infrastructure sector an increasing willingness to invest is noticeable. HSH Nordbank is focusing on seaports and airports, markets which are also benefiting from a cyclical rise in business activities. Intermittent flight groundings caused by the ash cloud from an Icelandic volcano have had a limited effect on airlines to date; long-term effects are not expected to be substantial. The fact that passengers did not substantially change their air travel behaviour contributes to the easing of the negative effects resulting from this event.

In the renewable energy market, growth has again improved during the last months following restrained developments in the previous year. Here, it may be found that within this sector long-term growth trends dominate and the negative effects of the financial crisis are fading into the background. Within the wind energy sector, price declines for turbines due to the financial crisis have provided encouragement on the demand side. Similarly, the prices for solar modules show a downward trend so that attractiveness with respect to many projects is increasing despite decreasing incentive measures.

Focus on management of the existing portfolio

During the first quarter of 2010, business in the Sector Specialist Bank segment was restrained. As at the beginning of the year, the noticeable return of confidence in the markets had not yet made itself felt in terms of new business at the Bank. Over the past months, providing support to our customers through the crisis and risk management related to the existing portfolio were central to our commitment so that new disbursements were primarily related to extensions and the fulfilment of existing loan commitments. Total income amounted to € 81 million (previous year: € 117 million).

Loan loss provisions remained high during the first quarter of 2010. With respect to the segment Sector Specialist Bank, loan loss provisions totalled € – 79 million for the months January through March 2010 (previous year: € – 24 million). In light of the continued restrained development of the business, HSH Nordbank booked net income before restructuring within the segment Sector Specialist Bank of € – 39 million (previous year: € 59 million).

REGIONAL BANK SEGMENT

Regional Bank
(€ m)

	Q1–2010	Q1–2009	Change in %
Net interest income	89	93	–4
Net commission income	16	23	–30
Net trading income	4	9	–56
Net income from financial investments	–	–6	100
Total income	**109**	**119**	**–8**
Loan loss provisions	–102	–40	> 100
Administrative expenses	–54	–49	10
Other operating income	–3	1	> –100
Net income before restructuring	**–50**	**31**	**> –100**
Average equity	586	307	91

During the first quarter of 2010, growth in the segment Regional Bank was primarily driven by the corporate customer and real estate customer business to which the largest share of the assets within this sector is attributable.

Businesses notice trend toward recovery

The corporates' business situation has improved noticeably over the past several months as part of the overall economic recovery. However, the investment climate remained subdued in light of excess capacity as at the beginning of 2010. Additionally, in view of the somewhat more stable environment competitive pressures in the lending business are again increasing in the case of counterparties with a good credit rating.

A noticeable upswing in transaction volumes was reported in the German real estate markets during the first quarter of 2010. The largest share of revenues related to large-volume retail real estate. Demand for retail space in top locations remained high, which had a stabilising effect on prime rents. For the first time in six quarters, more office space was rented in in the largest German office markets. Over the course of the first three months, prime rents remained very stable and the turn over of space increased slightly. In the residential real estate market, in particular in major German cities, demand remains high. Residential properties in good locations continue to be sought after by investors. This led to increases in price in this area as well as a decline in initial yields.

In the private banking market, increasing demand was noted in the securities business as markets calmed in the first quarter. However, customer interest was directed primarily toward security-oriented forms of investments. Strong competition was noticeable in the deposit business at the start of 2010. At the same time, business relationships with our customers as well as the Bank's deposit business have continued to stabilise. Even in the savings bank business unit, activities have increased along with the calming of the markets. Over the course of the first quarter, sales of demand-driven forms of investment for savings banks and their clients showed a positive trend.

Loan loss provisions on the whole in decline

Improved conditions for the Bank's business were not yet reflected in new commitments during the first quarter of 2010. The focus remained on extensions for existing loans. Accordingly, sales of cross-selling products, such as hedging strategies, remained limited to the existing portfolio. Total income in the Regional Bank segment, at € 109 million (prior year: € 119 million), remained somewhat lower than that of the prior year.

In the Regional Bank segment, expense for loan loss provisions rose in particular with respect to corporate customer business. In total, the Bank recorded net allocations to loan loss provisions in this segment of € – 102 million (previous year: € – 40 million). Due to expense for the loan loss provisions, in particular, net income before restructuring declined to € – 50 million (previous year: € 31 million).

SEGMENT OTHER

Other (€ m)	Q1-2010	Q1-2009	Change in %
Net interest income	51	181	-72
Net commission income	1	-3	> 100
Net trading income	30	-14	> 100
Net income from financial investments	9	4	> 100
Total income	**91**	**168**	**-46**
Loan loss provisions	53	14	> -100
Administrative expenses	-46	-81	-43
Other operating income	1	3	-67
Net income before restructuring	**99**	**104**	**-5**
Average equity	151	117	29

With respect to the earnings situation in the segment Other, developments in the financial markets unit were the primary drivers during the first quarter of 2010. Over the past several months, the Bank took advantage of stable market conditions to further wind down loan and securities portfolios. The noticeably reduced risk position had a negative impact on earnings compared to the previous year.

The limited new loan business in the Bank's core sectors led to a decline in the sale of investment and risk management products in the customer-oriented financial market business. The Bank uses these products to expand and diversify its revenue base. Increased exploitation of the potential of the existing portfolio and an expansion of business with institutional clients and investors however noticeably equalised this decline. Net income from such cross-selling activities is largely reported in the other segments in the course of the Bank's business management. Additionally, the financial markets unit continued to support the Bank's core business units with respect to the restructuring of credit portfolios as well as the units having to wind down business in the active reduction of their portfolios.

Overall, the Bank reported lower total income of € 91 million (previous year: € 168 million) for the segment Other. Loan loss provisions improved noticeably to € + 53 million (previous year: € 14 million). Administrative expenses were reduced to € – 46 million (previous year: € – 81 million). Whereby successes in the reorganisation of capital market units made themselves felt. Overall, the Bank recorded net income before restructuring totalling € 99 million (previous year: € 104 million) in the segment Other.

RESTRUCTURING UNIT SEGMENT

Positions reduced further

As a result of the consistent application of reduction strategies, further progress was made during the first quarter of 2010 in reducing the portfolios pooled into the HSH Nordbank's Restructuring Unit. Since 1 December 2009, the Restructuring Unit has, as a cornerstone of the HSH Nordbank's realignment programme, bundled special risk positions and the non-strategic activities which are discontinued as part of the focusing of the business model. As at 31 March 2010, total assets of this segment amounted to € 73 billion, after € 77 billion at the close of 2009 and € 95 billion at the end of 2008. At the same time, the rise in the U. S. Dollar during the first quarter offset a part of the decline compared to 31 December 2009.

Restructuring Unit
(€ m)

	Q1–2010	Q1–2009	Change in %
Net interest income	162	212	–24
Net commission income	14	19	–26
Net trading income	–121	–15	> –100
Net income from financial investments	20	–248	> 100
Total income	**75**	**–32**	**> 100**
Loan loss provisions	–187	–414	–55
Administrative expenses	–61	–60	2
Other operating income	–10	6	> –100
Net income before restructuring	**–183**	**–500**	**63**
Average equity	2,043	886	>100

Developments in the lending business in line with plans

Lending business within the Restructuring Unit subject to reductions includes, in particular, the foreign real estate business as well as portfolios from the business sectors shipping, transport, renewable energy, commodity trade finance and corporate clients. The relevant markets presented a differentiated picture over the past several months with stabilising tendencies in significant areas. Following significant market slump in the prior year, further loan loss provisions were recorded as expected which — in accordance with the Bank's plans — will begin to decline noticeably only after 2010.

International real estate markets on the whole continued to find themselves in difficulty, however, several regions showed the first recognisable signs of recovery. In the case of first class properties in very good locations, marked improvements were seen in the UK. Similarly, the situation eased visibly in other European countries such as, e. g., France and Sweden. Further advances in reducing portfolios could be made via regular repayments and extraordinary repayments. The situation in the U. S. real estate market remained extraordinarily difficult with additional declines in value among office properties. However, the first significant repayments were also recorded in the U.S. real estate portfolios.

Shipping markets showed a strong trend toward recovery across all ship classes in the first quarter of 2010. However, ship values as well as charter values were still at low levels in many segments — especially in the container shipping segment. In addition to some repayments, the restructuring of many financings should allow a swift reduction in positions in the case of a continued market recovery.

The recovery of the commodity markets, combined with increased liquidity, benefited developments within the commodity portfolio which also reduced the need for restructuring. Additional restructuring efforts were undertaken in the energy project refinancing area and additional reductions are sought by means of sales on the primary market. The first trends toward stabilisation have also been seen in the foreign corporate customers portfolio. They are reflected in the reduced need for loan loss provisions. The leasing portfolio is primarily being reduced by means of regular maturities whilst placements on the market continue to be difficult.

Capital market positions further reduced

In the case of the capital market positions, positive developments from the prior year initially continued for most asset classes and then trended sidewise for the remainder of the first quarter. Intermittently high volatility in the case of various products reflected heightened nervousness brought about by refinancing difficulties on the part of Greece and made clear that at the moment markets remain highly susceptible to setbacks. Accordingly, despite ongoing portfolio reductions, the Bank is prepared for additional negative developments with respect to capital market positions during the course of the year.

Thanks to market opportunities it was possible to reduce the Credit Investment Portfolio by about a half a million € (31 December 2009: € 17 billion). The portfolio volume was still at € 22 billion at the end of 2008. At the same time, positive effects on results with respect to most ABS classes as well as in the case of individual issuers were achieved due to the mostly positive market trends.

The other capital market portfolios developed similarly. In the case of commitments to financial institutions that have also benefited from government and central bank programmes, such positions were subject to reduction by means of normal maturity and the early repayment of several credit facilities during the first quarter of 2010.

The public finance business was marked by significant spread increases in the case of Greek government bonds and other Southern European countries at the end of the quarter. In light of increased uncertainty, bonds from German public sector debtors were in demand among investors which supported positive price moves among these positions.

Net income in recovery

Overall, during the first quarter of 2010 the segment Restructuring Unit booked net income before restructuring of € –183 million (previous year: € –500 million). The decisive factor was a reduced need for loan loss provisions for the segment's reduced credit portfolios compared to the same quarter of the previous year. In addition, total income likewise improved in light of noticeably reduced negative factors in the capital markets compared with the first quarter of 2009.

OUTLOOK

The following sections should be read in conjunction with the other chapters contained in this Management Report. The forward-looking statements contained in this outlook are based on our beliefs and assumptions made using information currently available to us. The 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. Therefore actual results may differ from the following forecasts.

ANTICIPATED UNDERLYING CONDITIONS

Industrialised countries still confronted by challenges

The global economy will probably continue its recovery during 2010. However, in doing so, the dynamics in different regions will continue to differ greatly. Whereas many emerging countries are likely to again grow significantly, economic growth dynamics in western industrialised countries will be relatively weak. They will continue to suffer over the long-term under structural adjustments in the aftermath of the financial crisis. In the U.S., in the near term the stimulating effects of increases in inventory and government stimulus programmes will lessen. Within the Euro zone, the consolidation of public finance will dampen growth. The most likely bright spot will be the export sector.

According to estimates of the IMF, globally banks are still faced with approximately USD 800 billion write-downs and provisions in the aftermath of the financial crisis. According to such estimates, financial institutions within the Euro zone are still expected to face more than USD 200 billion in losses by the end of the year. In the course of working through the effects of the financial crisis and preparing for tighter regulations for the banking sector, the process of contracting balance sheets and improving the capital base is likely to continue.

In light of the fragile economic recovery and moderate inflation, the ECB is not likely to begin raising key interest rates until next year. Due to a more robust economic recovery, the U.S. Fed is likely to begin its programme of interest rate increases prior to such time. More than any other factor, the U.S. budget deficit — which remains very large — will push the yield on ten year Treasury notes upward through the end of the year. Based on their status as a safe haven within the Euro zone, German government bonds with corresponding maturities are likely to come under less pressure if investors take note of the issue of high levels of public debt in Germany. As the structural problems in the U.S. — the poor state of public finance, continuing high debt levels in the private sector and additional problems in the real estate sector — could once again come to the fore, the Euro could move higher compared to the U.S. Dollar by the end of 2010.

With the exception of regions affected particularly strongly by the financial crisis, most stock markets are expecting a somewhat stronger economic recovery. The associated latent risk of a relapse is opposed by the pressure to invest resulting from the perception of dividend-bearing securities as a valuable asset in times of weakened currencies. Due to issues related to high debt levels, volatility is likely to remain high in the EMU over the near-term.

ANTICIPATED BUSINESS SITUATION

Strategic realignment continues

The business results in the first quarter of 2010 are proof that the HSH Nordbank is well on the way of continuing the successful implementation of its strategic realignment and of achieving goals described in detail in its 2009 annual report. It is anticipated that in line with increasing demand for loans new business will again come to the fore in the Bank's realigned regional and sectoral divisions. At the same time, continued difficulties in the credit environment require strict risk management measures with respect to existing commitments combined with the support of customers in successfully dealing with current challenges. Despite the noticeable trend toward recovery in many industries and sectors, the environment remains particularly susceptible to setbacks due to uncertainty about the ability to cope with the debt crisis and the economic recovery is expected to be slow over the remainder of the year.

In the course of its strategic realignment programme, the Bank has already implemented significant measures — in particular the creation of the Restructuring Unit as an internal restructuring bank, the business focus on regional and sector-based core activities and the closing of international locations.

EU state-aid proceedings

As part of ongoing formal proceedings, the European Commission is currently reviewing the Bank's restructuring plan as well as the stabilisation measures granted to the Bank in 2009. The Bank anticipates a decision, and the related conditions, from the Commission by mid–2010.

The continued existence of HSH Nordbank AG depends on whether the European Commission approves the stabilisation measures granted by the Free and Hanseatic City of Hamburg and the State of Schleswig-Holstein via the HSH Finanzfonds AöR to HSH Nordbank AG and whether the German financial supervisory authority accepts these as having a lasting positive effect on the Bank's regulatory capital. In order to achieve this, all parties involved need to implement the stabilisation measures in accordance with regulations. Furthermore, it is necessary that the EU approval is only tied to requirements which can be implemented within the framework of sound economic business planning, and in particular, which will not put at risk the effect of the stabilisation measures relieving the regulatory capital.

ANTICIPATED REFINANCING SITUATION

Balanced refinancing

For the HSH Nordbank the refinancing of the new business via a balanced funding mix is of primary importance during the remainder of 2010, whereby the significantly reduced need for refinancing in light of the continuing balance sheet reductions should be able to be covered by the Bank's own resources. In the mid and long-term maturity bands, the focus is on placements of unsecured and secured debt instruments as well as direct sales to savings banks as well as to the savings banks' customers. In addition to placements in the savings bank sector, the Bank is making contact with other institutional investor groups in Germany. Business relationships with development banks as well as commercial loans and securitisations should also contribute to securing funding potential. In the short-term maturity band, the Bank aims to expand the portfolio of sight and time deposits from the Bank's public sector and business customers. The ECB's collateral pool is available to the Bank as a liquidity buffer.

At the beginning of May 2010, the rating agency Moody's completed a review of rating assumptions started in December 2009 with respect to long-term support by the shareholders and downgraded the HSH Nordbank's long-term rating by one level to A3. At the same time, Moody's confirmed the Bank's very good short-term rating (Prime – 1). Moody's makes reference to the Bank's significance for the domestic and international financial markets. Moody's also appreciated support provided to the Bank by the state owners as well as its improved liquidity situation. HSH Nordbank does not expect significant reactions to the rating decision on the capital markets.

ANTICIPATED SEGMENT PERFORMANCE

Expectations in the individual segments are driven by developments in the economy and in the financial markets, whereby the effects of future opportunities and risks are expected to differ based on specific market conditions within the business areas. Sluggish economic activity will likely continue to necessitate significantly higher loan loss provisioning in all divisions. The largest share thereof relates to activities which no longer belong to the core business and which have been consolidated in the Restructuring Unit for systematic winding-down. Details regarding default risks are set out in the Risk Report.

Outlook Sector Specialist Bank segment

Demand is increasing

In the case of continued recovery of the global economy, sustained positive developments are anticipated over the course of the year in the shipping markets. This applies in particular for container ships and oil tankers which are now being supported from the demand side. It remains to be seen which level the dynamic will unfold in the second half of the year following the completion of current inventory replenishment. By contrast, the market for bulk vessels is expected to come under pressure on the supply side as an increasing number of ships is ready for delivery because a relatively large number of new orders were recorded in light of relatively good developments during the past several months.

Continued growth in the aviation sector is expected following increased signs of recovery in the first few months of 2010. Given sustained growth, the airlines may put losses behind them and be back to pre-recession traffic as early as 2011. In light of the recovery as well as increasing liquidity in the market, competition among banks providing financing is also likely to increase. Similarly in the infrastructure sector, the noticeable recovery should offer business opportunities to specialised banks such as HSH Nordbank.

The market for renewable energy is likely to gain additional momentum over the course of the year. The expansion of sustainable sources of energy is being intensively pushed forward in many countries. Falling prices for solar systems support investments activities in this sector. Despite reduced incentives in Germany, it is already expected for 2010 that installed overall output within the solar sector will exceed that of 2008.

Increasing new business

Despite expected positive developments, many uncertainties remain for the rest of year. Consequently, we will continue to concentrate intensively on risk management with respect to existing portfolios as well as the support of customers in handling the crisis. In the shipping sector, we continue to assume that there will be only limited new business. In the transportation sector we plan a moderate expansion of new business over the remainder of the year based on various opportunities in the aviation, infrastructure as well as rail markets. We want to offer our sector expertise to our customers on an enhanced basis as part of advisory engagements; this applies particularly within the infrastructure segment: our Global Infrastructure Advisory Group, established in 2009, has already obtained some mandates. The Bank will also expand its new commitment in the energy sector. In addition to financing and advisory services, the Bank's offerings include, in particular, strategies for protecting against fluctuations in interest rates, currency exchange rates and commodity prices.

Outlook Regional Bank segment

Increasing market activity

In the course of the current year, business performance in the segment Regional Bank will largely be influenced by the strength of Germany's economic recovery. Overall, we expect that the business situation within the northern German business sector will continue to improve after many companies have reported increasing turnover and profits over the last several months. Accordingly, we expected increasing demand for credit.

The German commercial property market is expected to be dominated by increasing vacancy rates during the course of the year as well as 2011 although completion rates continue to drop. However, sharp reductions in rental rates are not to be expected in the current financial year. Prime rents are expected to climb again starting in 2012. The rental market in the premium segment of the retail property market is expected to remain stable. In contrast to the top locations, in secondary locations it will become increasingly difficult to maintain rental rates and to decrease vacancy rates. Growth in rental rates in the residential market is likely to decline slightly as construction activity is again on the rise.

Stable development in the financial markets is expected to lead to increasing interest on the part of private investors in attractive investments. In this context, due to continuing low interest rates on security-oriented investment forms we expect an increased focus on returns by investors and an increasing willingness to enter into long-term transactions. In cooperation with the savings banks, the range of products for the private and corporate customer groups is being developed further. Additional potential is to be found in providing support to the savings banks and portfolio management.

Business expansion planned

Based on our strong regional roots within the northern German centres, the Bank plans to further expand its position in the corporate customer business and to gain new customers with its holistic advisory approach. Additionally, the advisory business is expected to gain in importance. At the same time, the Bank plans to expand its deposit business with companies. Similarly in the real estate clients business, we will devote ourselves increasingly to the financing of new commitments during the course of the current year. In the case of business and earnings development, the speed with which transaction volumes and thereby demand for credit recover will be important. We expect pressure on the margins due to competition.

Outlook Segment Other

Client focus and refinancing

The focus of the Bank's customer-oriented financing activities continues to be making available appropriate investment products and offers for customers' risk management within the regional and sector-based core areas of the Bank. The goal of the sales of these capital market solutions is the creation of long-term customer relationships and strengthening the revenue base. In light of the moderate increase in business in the customer-related sectors, we expect increased sales over the course of the year.

In addition, we are paying attention to providing support in the customer areas in the case of credit portfolio restructuring measures necessitated by the financial crisis. The Bank is intensifying its contacts with its core investors with respect to its refinancing activities. For 2010, the Bank plans to place unsecured bonds and Pfandbriefe not only via direct sales to savings banks but also to their customers on an increasing scale. In addition to placements in the savings bank sector, the Bank is making contact with other institutional investor groups in Germany. The Bank's lasting stabilisation is expected to support its fundraising efforts. In addition, secured funding channels such as securitisations, commercial loans and development banks will be utilised (cf. section entitled "Anticipated refinancing situation").

Outlook Restructuring Unit segment

Continued wind-down of portfolios

Following the successful start of the Restructuring Unit, the systematic wind-down of portfolios and risk positions remains one of HSH Nordbank's primary goals. Continuation of the trend toward recovery in important sectors of the real economy, and stable financial markets, would support the continued wind-down of portfolios which has been successful to date. However, problems connected to the debt crisis in Greece and other countries have again demonstrated that conditions are extremely delicate and that additional distortions cannot be ruled out. Accordingly, further losses are anticipated despite the continued reduction of risk positions.

In the real estate sector, we anticipate that, with the exception of Denmark, the low point has been passed in the European markets. It remains to be seen whether the strong recovery in the premium segments of the UK market is sustainable. On the whole, reductions in inventory are expected to continue in these regions. In the U. S. real estate market, the situation remains extremely difficult at the moment so that market values will continue to be under pressure. In the shipping sector, we expect the trend upwards from low levels to solidify, in particular with respect to container ships and tankers. Additionally, the restructuring of many financings is expected to contribute to a brisk wind-down.

In the case of commodity financing, by the end of 2010 the already significantly reduced asset volumes are expected to be reduced to half of those at the end of 2009. We anticipate better developments in relation to the foreign corporate customer business, particularly because lower loan loss provisions were recorded in this sector quarter on quarter. With respect to leasing, we expect significant reductions to continue primarily based on regular maturities.

The continued success of the wind-down measures in the capital market areas is primarily influenced by further developments in the financial markets. Sustained concerns on the part of market participants regarding the consolidation of public finances could give rise to renewed distortions on the markets and negatively impact wind-down efforts as well as profit trends. The active management of the wind-down portfolios will nevertheless move forward on a systematic basis and chances to reduce portfolios in a manner that does not burden results will be consistently exploited.

RISK REPORT

The Bank's significant risks include default, liquidity, market and operational risks. The methods, instruments and processes for the management of risks are explained in detail in the Risk Report contained in our 2009 Annual Report.

An overview of the state of risk

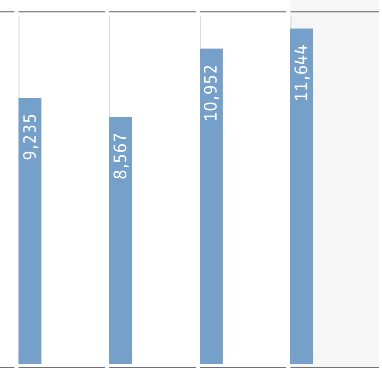
On the whole, the state of risk for the HSH Nordbank remained stable over the past several months. In particular, as a result of the recapitalisation and risk-shielding measures undertaken as part of our strategic re-orientation, it was possible to ensure the risk-bearing capacity. In addition, as was the case for the entire year 2009, the proportionate share of the refinancing targets was met for the first quarter of 2010. The increased charges are the result of the consequences of the economic crisis. While the economy has recovered from its low point, default rates remain high as the crisis has left its mark on many companies. Loan loss provisions amounted to € – 329 million during the period January to March 2010. A large portion thereof related to the Bank's real estate clients and corporate clients loan business.

Risk-bearing capacity

As part of the analysis of the risk coverage potential the economic capital required to cover any unexpected losses (overall risk) is regularly compared to the available economic risk coverage potential. The economic risk coverage potential is derived under the net asset value approach. In addition to equity capital for economic purposes (including changes in the net asset value) the net asset value approach takes into account, amongst other things, unrecognised gains and losses arising on securities, equity holdings and the active business as well as effects from the guarantee transaction (total of economic mark ups and mark downs). The overall risk takes into account default risk, market risk, operational risk as well as the liquidity maturity transformation risk as an element of liquidity risk. Economic capital required for default, liquidity and market risks is determined in a methodically consistent manner on the basis of a value at risk approach with a confidence level of 99.9% and a risk horizon of one year. In order to do so market risks are scaled up to this one year horizon based on the daily Value-at-Risk (VaR). Operational risks are determined in accordance with the Standardised Approach as defined in the German Solvency Ordinance (SolvV). Economic capital required for the individual risk types are aggregated to an overall economic risk. In doing so, no risk-reducing correlations are utilised.

Over the last four quarters, risk coverage potential developed as follows:

Economic risk coverage potential (€ m)



Economic risk coverage potential (€ m)	30.6.09	30.9.09	31.12.09	31.3.10
Equity capital for economic purposes	14,232	14,232	12,942	12,996
First loss piece under guarantee transaction	–3,200	–3,200	–3,200	–3,200
Total of economic mark ups / mark downs	–1,797	–2,465	1,210	1,848
Total	**9,235**	**8,567**	**10,952**	**11,644**

As at 31 March 2010, risk coverage potential amounted to € 11,644 million (31 December 2009: € 10,952 million). The capital increase in mid-2009 led to an increase when seen in isolation, whilst the Bank's first loss piece under the guarantee transaction led to a decrease in risk coverage potential.

Economic capital required for default risks sank noticeably as at 30 June 2009 as a result of the effects on the guarantee from the Federal States of Hamburg and Schleswig-Holstein. As at the reporting date, it amounted to € 2,927 million (31 December 2009: € 2,859 million).

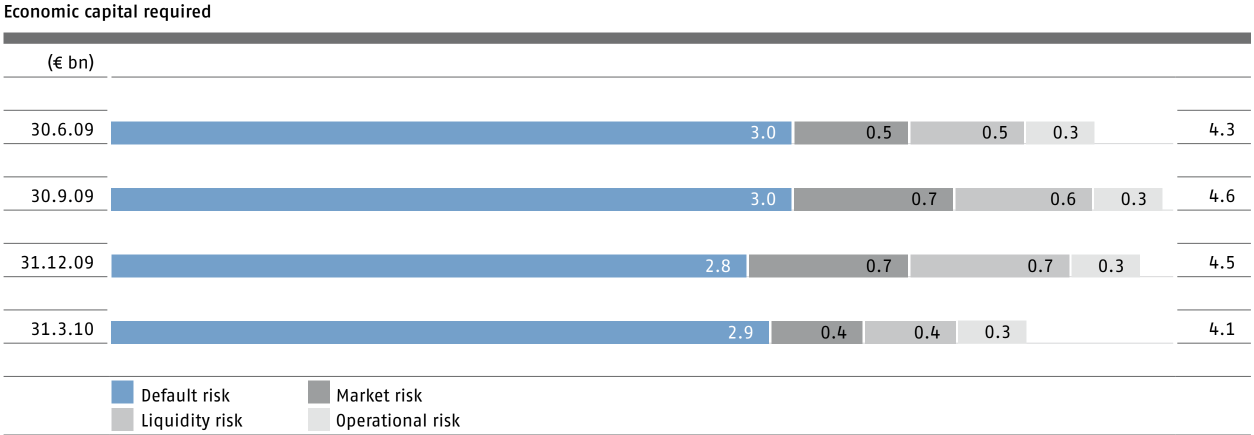
As a reaction to the liquidity shortage in the markets HSH Nordbank introduced a VaR approach at the start of 2008 to quantify the liquidity maturity transformation risk. This long-term / structural liquidity risk represents the risk of an increase in refinancing costs from open liquidity items. Compared to the end of 2009, the LVaR fell by € 184 million to € 387 million as at 31 March 2010. This development reflects not only reduced refinancing needs but also reductions in refinancing costs which arise on the fictional closing of liquidity gaps and which are determinative for establishing LVaR. Insolvency risk, which represents the more important aspect of liquidity risk for the Bank compared to the maturity transformation risk, cannot be backed by the risk coverage potential, as it is not expressed in terms of magnitude of loss. The HSH Nordbank utilises a liquidity buffer for purposes of avoiding insolvency. Information, amongst other things, regarding the management of the risk of the insolvency is contained in the chapter on “Liquidity risk”.

As part of the risk-bearing capacity concept, market risk (Value at Risk) is determined on a daily basis at a confidence level of 99.0% and a one day holding period is scaled up to show economic capital required for market risk positions for purposes of managing risk-bearing capacity with a confidence level of 99.9% and a risk horizon of one year. Since the end of March, capital needs for the Bank’s core portfolio and for the Restructuring Unit’s risk positions are determined using a uniform liquidation horizon of 250 trading days. In contrast to the prior methodology, diversification effects between the core bank and the Restructuring Unit are taken into account so that, all things being equal, economic capital required for market risks has declined. In total, compared to 31 December 2009 it was reduced during the first three months of the year by € 222 million to € 435 million.

Since the beginning of 2008 operational risk has been determined in accordance with the Standardised Approach as defined in the German Solvency Ordinance (SolvV). The corresponding economic capital required amounted to € 308 million as at 31 March 2010 (31 December 2009: € 261 million).

As a result of the effects described above, the overall economic risk has been reduced compared to the end of 2009 and, as of the reporting date, amounted to € 4,057 million (31 December 2009: € 4,450 million). The regulatory effect was evident for the first time in the regulatory capital reporting for 30 June 2009. The following diagram shows the change in total economic risk over the course of the last four quarters.

Economic capital required



New risk limits for the individual risk categories were derived from the risk coverage potential as part of the 2010 risk strategy. The following table presents the economic risk coverage potential of the HSH Nordbank Group, the risk limits and the economic capital required for the individual risk categories as well as the remaining risk coverage potential buffer.

Risk-bearing capacity of the Group
(€ m)

	Absolute		As a % of risk coverage potential	
	31.3.2010	31.12.2009	31.3.2010	31.12.2009
Economic risk coverage potential	**11,644**	**10,952**	**100**	**100**
Risk limits				
thereof: Default risk	3,139	3,060	27	28
Market risk	2,600	1,470	22	13
Liquidity risk	750	750	6	7
Operational risk	308	261	3	2
Total	**6,797**	**5,541**	**58**	**51**
Economic capital required				
thereof: Default risk	2,927	2,859	25	26
Market risk	435	657	4	6
Liquidity risk	387	673	3	6
Operational risk	308	261	3	2
Total	**4,057**	**4,450**	**35**	**41**
Risk coverage potential buffer	**7,587**	**6,502**	**65**	**59**

The utilisation of risk coverage potential amounted to a total of 35 % as at the reporting date. The risk-bearing capacity was accordingly secured. The risk-bearing capacity developed as follows:

Utilisation of risk coverage potential

(€ bn)	Used (economic capital required)	Available (economic risk coverage potential)	Utilisation in % Normal case	Stress case
30.6.09	4.3	9.2	46	79
30.9.09	4.6	8.6	53	81
31.12.09	4.5	11.0	41	57
31.3.10	4.1	11.6	35	65

Used (economic capital required) Available (economic risk coverage potential)

In addition to the risk coverage potential utilisation determined as at the reporting date, its use taking into account stress surcharges for default, market and liquidity risks is presented. As at 31 March 2010, risk-bearing capacity was ensured even in the stress case.

Default risk

Conditions for lending continued to be influenced by the effects of the economic crisis during the first three months of 2010. Consequently, additions were made to the loan loss provisions during the first quarter of 2010. However, the need was below that of the same period in 2009. Through the end of 2010, the Bank anticipates additional increases in loan loss provisions even though signs of a recovery may be seen in individual sectors. Details regarding the size of loan loss provisions are presented in the Notes 6 and 18.

Because of the deterioration in their fiscal data, a number of countries in the Euro zone are subject to increased monitoring. Additional limits were established for Ireland in April 2009 and for Greece in January 2010. Portugal and Spain followed in April 2010.

Effects of the economic crisis

In recent months, the difficult economic conditions continued to have an impact on the risk provision requirements and the quality of HSH Nordbank's loan portfolios. The economic capital requirement for default risks (without taking into account the guarantee provided by the states of Hamburg and Schleswig-Holstein) significantly increased in the first three months of 2010 as a result of rating downgrades and rising loss ratios. In the same period, loan loss provisions rose further for the segments Sector Specialist Bank and Regional Bank, starting from a comparatively high level in 2009. The following table provides an overview of "Changes in loan loss provisions".

	1.1. – 31.3.2010			1.1. – 31.3.2009		
Changes in loan loss provisions (€ m)	**Individual valuation allowances / provisions**	**Portfolio valuation allowances**	**Total**	**Individual valuation allowances / provisions**	**Portfolio valuation allowances**	**Total**
Sector Specialist Bank	45	–124	–79	–34	10	–24
Regional Bank	–106	4	–102	–30	–10	–40
Other	15	38	53	–11	25	14
Consolidation Core Bank	0	–14	–14	16	24	40
Total Core Bank	**–46**	**–96**	**–142**	**–59**	**49**	**–10**
Restructuring Unit	–151	–36	–187	–147	–267	–414
Consolidation Restructuring Unit	0	0	0	0	0	0
Total Restructuring Unit	**–151**	**–36**	**–187**	**–147**	**–267**	**–414**
Group	**–197**	**–132**	**–329**	**–206**	**–218**	**–424**

At the Group level, net additions to loan loss provisions amounted to € –329 million (31 March 2009: € –424 million) for the first three months of 2010. In light of the uncertain economic conditions, HSH Nordbank expects the credit risks in the portfolios to remain high in 2010 and risk provision requirements as a result to remain considerable. Detailed information regarding developments within individual business areas as well as our expectations for the 2010 calendar year are contained in the chapters entitled "Segments" and "Outlook" in this Interim Report.

Liquidity risk

HSH Nordbank divides its liquidity risk into insolvency risk and liquidity maturity transformation risk. Maturity transformation risk is a part of our risk-bearing capacity concept and was previously discussed in more detail thereunder. The insolvency risk describes the danger that the Bank's own due payment obligations or refinancing needs cannot be satisfied or not satisfied to the extent desired. In order to measure the funding requirements, business of the Bank with an impact on liquidity is converted to cash flows and presented according to maturity bands with the associated incoming and outgoing payments (liquidity development report). The difference between incoming and outgoing payments may serve as a measure for the risk. These gaps are compared against liquidity potential which respectively represents the upper limit of the cumulative gaps of the individual maturity bands. Utilisation of the limits is monitored on a daily basis.

In addition to the normal case liquidity development report which is compiled on the assumption of business developments in a normal market environment, the Bank also compiles the results of a market liquidity stress test on a daily basis in the form of a stressed liquidity development report (stress case assessment) in order to take critical development in the market into account.

Continued normalisation was initially observed in the money and capital markets during the first quarter of 2010. However, uncertainty surrounding the financial situation of Greece, Spain and Portugal dampened the generally positive mood in the capital markets. Due to such uncertainties, investors sought especially secure investment opportunities such as, for example, covered issues although the market was at times again receptive to non-covered issues of issuers with strong credit ratings. Overall, the refinancing situation for banks eased further during the reporting period.

During the first quarter, HSH Nordbank was able to achieve a stable level of turnover in the long-term funding area so that the corresponding share of the annual targets was met. Our deposit levels likewise remained at stable levels. We have used approximately half of the collateral pool. The collateral pool was used in part for repo transactions in the market and partially for central bank refinancing. As at the end of March there remained available an appropriate level of available funds in the collateral pool as a liquidity buffer. Of the outstanding liabilities guaranteed by SoFFin as at 31 March 2010, € 9.0 billion was related to bonds placed on the capital market (with maturities in the years 2011 and 2012) as well as € 8 billion related to bonds coming due in 2010 for purposes of strengthening the collateral pool at the European Central Bank. HSH Nordbank may apply to extend the guarantees expiring in 2010 to 31 December 2010 at the latest.

At the beginning of May 2010, the rating agency Moody's completed a review of ratings assumptions with respect to long-term support by the shareholders started in December 2009 and downgraded the HSH Nordbank's long-term rating by one level to A3. At the same time, Moody's confirmed the Bank's very good short-term rating (Prime-1). HSH Nordbank does not expect significant reactions to the ratings decision on the capital markets.

Among others, the internal management group Liquidity serves to manage liquidity, meeting weekly to make decisions regarding upcoming payments and new business. The basis for decision-making is, among others, liquidity and funding planning which are updated regularly and are prepared in a manner consistent with the Bank's business planning. This places the Bank in the position to react flexibly to markets trends.

The following table shows the relative utilization levels of the liquidity potential in the liquidity development report for individual cumulative liquidity gaps in the normal case and stress case as at 31 March 2010 as well as at 30 December 2009. Utilization represents the share of the cumulative gap in total liquidity cover potential, which also includes utilization of borrowing options at the central banks.

Limit of cumulative liquidity gaps Utilisation of liquidity potential (%)	Normal case 31.3.2010	Normal case 30.12.2009	Stress case 31.3.2010	Stress case 30.12.2009
1st day	16	1	24	7
7th day	28	14	36	21
14th day	42	25	52	35
3rd week	44	33	57	44
4th week	46	38	64	54
8th week	55	48	79	68
3rd month	61	57	89	83
6th month	73	67	105	101
9th month	86	74	132	110
12th month	85	73	135	113

In the normal case scenario, as at the reporting date the liquidity potential had a peak utilisation of 86 % in the 9th month. Thereby all limits are maintained. The stress case liquidity development report shows no exceeding of liquidity potential in the range up to three months, which is particularly relevant for insolvency risk. From the sixth month, the liquidity potential is no longer sufficient to meet the cumulative gap. Maximum utilisation is 135 % in the 12th month. Overall, the level of utilisation was higher compared to the end of 2009, however critical levels were not observed.

In the case that actual, critical developments in the market have an influence on the Bank's liquidity situation, the internal emergency liquidity working group can implement special measures to avoid insolvency.

The regulatory management parameter for liquidity risks is the liquidity ratio defined by the German Liquidity Regulation. With values between 1.87 and 2.01 it was at all times during the reporting period above the regulatory minimum value of 1.0. The average value for the first three months of 2010 was 1.96 (2009: 1.66).

HSH Nordbank's liquidity situation is presently stable; however the Bank still does not have unrestricted access to wholesale funding sources. Future refinancing on the part of the Bank and its rating are among the Bank's major challenges.

Market risks related to trading and banking book positions

For purposes of measuring and managing market risk, HSH Nordbank employs a Value at Risk approach (99.0 % confidence level, holding period of 1 day, 250 days of historical data). Developments with respect to the individual risk categories during the first three months of 2010 are presented in the table set out below. As at 31 March 2010, the market risk related to our trading book positions amounted to € 6.1 million and that to our banking book positions amounted to € 20.4 million. Taking correlation effects which reduce risk into account, the aggregated market risk amounted to € 20.7 million. In addition to reductions in trading activities, the reduction in interest rate risk and thereby in the overall market risk was a methodological result of the elimination of data for the corresponding period in the previous year from the historical observations for the last 250 trading days as well as of lower market volatility. For the purposes of managing risk-bearing capacity the VaR was extrapolated to overall risk of € 435 million in the course of aggregating the individual risk types.

Daily Value at Risk at the Group level (€ m)	Interest rate risk[1]		Credit spread risk[1]		Foreign exchange risk	
	1.1. – 31.3.2010	1.1. – 31.12.2009	1.1. – 31.3.2010	1.1. – 31.12.2009	1.1. – 31.3.2010	1.1. – 31.12.2009
Average	14.5	33.7	22.5	27.0	5.4	20.6
Maximum	25.9	47.8	25.5	40.0	14.6	47.3
Minimum	9.6	20.7	21.1	20.7	1.9	2.2
End of period value	9.6	25.4	22.3	21.3	8.9	2.3

[1] Credit spread risks are a subcategory of interest rate risk. Due to their importance for HSH Nordbank they are shown here separately, rather than as part of interest rate risk.

Daily Value at Risk at the Group level (€ m)	Equity risk		Commodity risk		Market risk (aggregated)	
	1.1. – 31.3.2010	1.1. – 31.12.2009	1.1. – 31.3.2010	1.1. – 31.12.2009	1.1. – 31.3.2010	1.1. – 31.12.2009
Average	3.6	5.3	0.3	0.3	23.8	49.8
Maximum	3.9	9.9	0.5	1.7	29.8	74.8
Minimum	2.9	2.6	0.1	0.0	19.6	27.2
End of period value	3.5	2.7	0.2	0.2	20.7	29.9

During the period February through April 2010, the foreign exchange risk for special repo transactions was exceeded at times due to technical reporting errors in the relevant risk measurement system. The Group's foreign exchange risk is therefore reported too high by a factor of approximately 2 as at the reporting date. Foreign exchange risk is again being determined correctly as of 24 April 2010.

Settlement and control, financial controlling and risk controlling for the Restructuring Unit are all performed centrally in the functionally independent core bank. The Value at Risk for the core bank as at 31 March 2010 amounted to € 11.0 million, and that of the Restructuring Unit amounted to € 20.7 million.

Daily Value at Risk of the Core Bank and Restructuring Unit (€ m)	Core Bank		Restructuring Unit	
	31.3.2010	**31.12.2009**	**31.3.2010**	**31.12.2009**
Interest rate risk	7.1	13.5	11.1	18.2
Credit spread risk	0.5	1.2	22.4	21.4
Foreign exchange risk	10.2	2.9	1.5	1.5
Equity risk	1.8	1.9	3.2	1.8
Commodity risk	0.2	0.2	0.0	0.0
Market risk (aggregated)	11.0	15.1	20.7	24.2

The additional risks faced by the Group presented in detail in the 2009 Annual Report have largely remained unchanged during the course of the year to date.

Hamburg/Kiel, 17 May 2010

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INTERIM REPORT OF THE HSH NORDBANK GROUP

STATEMENT OF COMPREHENSIVE INCOME OF HSH NORDBANK GROUP

for the period 1 January to 31 March 2010

Income statement (€ m)	Note	January – March 2010	After adjustment January – March 2009	Change in %
Interest income		3,972	6,763	-41.3
Interest expenses		-3,528	-6,255	-43.6
Net income on hybrid financial instruments		-37	-25	48.0
Net interest income	(5)	**407**	**483**	**-15.7**
Loan loss provisions	(6)	-329	-424	-22.4
Net interest income after loan loss provisions		**78**	**59**	**32.2**
Net commission income	(7)	42	51	-17.6
Result from hedging	(8)	4	44	-90.9
Net trading income	(9)	-132	210	> -100
Net income from financial investments	(10)	27	-269	> 100
Administrative expenses	(11)	-197	-214	-7.9
Other operating income	(12)	8	8	0.0
Net income before restructuring		**-170**	**-111**	**-53.2**
Result from restructuring	(13)	1	-28	> 100
Expenses for government guarantees	(14)	-151	-20	> -100
Net income before taxes		**-320**	**-159**	**> -100**
Income taxes		44	-72	>100
Net income or loss after taxes / Group net profit or loss		**-276**	**-231**	**-19.5**
Group net income attributable to non-controlling interests		3	-21	> 100
Group net income attributable to HSH Nordbank shareholders		-279	-210	-32.9

Earnings per share (€)	Note	January – March 2010	After adjustment January – March 2009
Earnings per share (undiluted)	(15)	-1.13	-2.38
Earnings per share (diluted)		-1.06	-1.99
Number of shares (millions)		**246**	**88**
Potentially dilutive ordinary shares		17	17
Weighted average number of ordinary shares outstanding adjusted for the assumed conversion – diluted		263	105

Reconciliation with total comprehensive income / loss (€ m)	January – March 2010	After adjustment January – March 2009
Group net loss	–276	–231
Change in:		
Revaluation reserve (before taxes)	101	–151
of which: from exchange rate effects	12	–4
Income taxes not recognised in the income statement	–25	5
of which: from exchange rate effects	1	3
	76	–146
Currency conversion reserve	19	39
Income taxes not recognised in the income statement	–	–
	19	39
Actuarial gains / losses (before taxes)	–63	–
Income taxes not recognised in the income statement	20	–
	–43	–
Other net income / loss for the period	52	–107
Comprehensive income	–224	–338
Group net income attributable to non-controlling interests	–1	–21
Group net income attributable to HSH Nordbank shareholders	–223	–317

STATEMENT OF FINANCIAL POSITION OF HSH NORDBANK GROUP

as at 31 March 2010

(€ m)	Note	31.3.2010	After adjustment 31.12.2009	Change in %
Assets				
Cash reserve		681	1,296	-47.5
Loans and advances to banks	(16)	12,285	15,541	-21.0
Loans and advances to customers	(17)	112,226	110,557	1.5
Loan loss provisions	(18)	-5,158	-4,718	9.3
Positive fair values of hedging derivatives	(19)	1,727	1,684	2.6
Positive adjustment item from portfolio fair value hedges		309	295	4.7
Assets Held for Trading	(20)	17,751	16,879	5.2
Financial investments	(21)	29,671	29,690	-0.1
Intangible assets	(22)	197	197	0.0
Property, plant and equipment	(23)	100	101	-1.0
Investment property	(24)	327	316	3.5
Non-current assets held for sale and disposal groups	(25)	637	586	8.7
Current tax assets		501	518	-3.3
Deferred tax assets	(26)	1,248	1,204	3.7
Other assets	(27)	244	338	-27.8
Total assets		**172,746**	**174,484**	**-1.0**

(€ m)	Note	31.3.2010	After adjustment 31.12.2009	Change in %
Liabilities				
Liabilities to banks	(28)	36,778	38,591	-4.7
Liabilities to customers	(29)	51,601	49,803	3.6
Securitised liabilities	(30)	49,671	53,121	-6.5
Negative fair values of hedging derivatives	(31)	497	517	-3.9
Negative adjustment item from portfolio fair value hedges		1,268	1,085	16.9
Liabilities Held for Trading	(32)	16,276	14,649	11.1
Provisions	(33)	1,558	1,619	-3.8
Liabilities relating to disposal groups	(34)	11	19	-42.1
Current tax obligations		81	78	3.8
Deferred tax liabilities		81	93	-12.9
Other liabilities	(35)	1,581	1,583	-0.1
Subordinated capital	(36)	9,125	8,884	2.7
Equity	(37)	4,218	4,442	-5.0
Share capital		2,460	2,460	0.0
Capital reserve		1,509	1,509	0.0
Retained earnings		834	1,607	-48.1
Revaluation reserve		-265	-341	-22.3
Currency conversion reserve		-71	-90	-21.1
Group loss		-279	-734	-62.0
Total before non-controlling interests		4,188	4,411	-5.1
Non-controlling interests		30	31	-3.2
Total equity and liabilities		**172,746**	**174,484**	**-1.0**

STATEMENT OF CHANGES IN EQUITY OF HSH NORDBANK GROUP

Statement of Changes in Equity
(€ m)

	Share capital
As at 1 January 2009	881
Group net loss	–
Changes due to restatements	–
Changes not recognised in the income statement	–
Changes recognised in the income statement	–
Exchange rate changes	–
Comprehensive income 31 March 2009	–
Change in retained earnings	–
As at 31 March 2009	881
As at 1 January 2010	2,460
Changes due to restatements	–
Adjusted portfolio 1 January 2010	2,460
Group net loss	–
Changes not recognised in the income statement	–
Changes recognised in the income statement	–
Exchange rate changes	–
Comprehensive income 31 March 2010	–
Change in retained earnings	–
As at 31 March 2010	2,460

Capital reserve	Retained earnings		Currency conversion reserve	Revaluation reserve	Group profit/loss	Total before non-controlling interests	Non-controlling interests	Total
		of which actuarial gains/losses acc. to IAS 19						
88	1,354	149	−85	−562	284	1,960	45	2,005
–	–	–	–	–	−239	−239	−21	−260
–	–	–	–	–	29	29	–	29
–	–	–	–	−181	–	−181	–	−181
–	–	–	–	42	–	42	–	42
–	–	–	39	−7	–	32	−4	28
–	–	–	39	−146	−210	−317	−25	−342
–	284	–	–	–	−284	–	–	–
88	1,638	149	−46	−708	−210	1,643	20	1,663
1,509	1,607	118	−90	−356	−670	4,460	31	4,491
–	–	–	–	15	−64	−49	–	−49
1,509	1,607	118	−90	−341	−734	4,411	31	4,442
–	–	–	–	–	−279	−279	3	−276
–	−39	−43	–	91	–	52	−4	48
–	–	–	–	−12	–	−12	–	−12
–	–	–	19	−3	–	16	–	16
–	−39	−43	19	76	−279	−223	−1	−224
–	−734	–	–	–	734	–	–	–
1,509	834	75	−71	−265	−279	4,188	30	4,218

ABRIDGED CASH FLOW STATEMENT OF HSH NORDBANK GROUP

Abridged cash flow statement (€ m)	January – March 2010	Following adjustment January – March 2009
Cash and cash equivalents as at 1 January	1,296	1,419
Cash flow from operating activities	–1,059	–452
Cash flow from investing activities	165	806
Cash flow from financing activities	273	43
Change in cash and cash equivalents due to exchange rate fluctuations	6	–5
Effects from changes in the scope of consolidation	–	–3
Cash and cash equivalents as at 31 March	681	1,808

The cash and cash equivalents item corresponds to the balance sheet item cash reserve and includes cash, credit balances at central banks, treasury bills and discounted treasury notes as well as similar debt instruments issued by public-sector bodies and bills of exchange.

The cash flow from operating activities is calculated using the indirect method, whereby the Group net income / loss is adjusted for non-cash expenses (increased) and non-cash income (reduced), taking into account cash changes in assets and liabilities used in operating activities.

EXPLANATORY NOTES

General disclosures

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 pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 (IAS Regulation) in conjunction with Section 315a (1) of the German Commercial Code (HGB) as a publicly traded company to draw up its Group financial statements in accordance with the International Financial Reporting Standards (IFRS).

This report of the first quarter 2010 is composed of abridged interim Group financial statements and an interim Group management report in accordance with Section 37x (3) WpHG in conjunction with Section 37w (2) No. 1 and No. 2 and Section 37w (3) and (4) WpHG taking account of the requirements of IAS 34. The abridged interim Group financial statements consist of the statement of financial position, a statement of comprehensive income, a statement of changes in equity, an abridged cash flow statement and selected notes.

The interim Group financial statements as at 31 March 2010 were prepared in accordance with IFRS as approved and issued by the International Accounting Standards Board (IASB) and adopted by the European Union. In particular, the provisions of IAS 34 (Interim Financial Reporting) were applied.

In the interim Group financial statements, the same accounting policies have basically been applied as in the Group Financial Statements of HSH Nordbank AG as at 31 December 2009.

In accordance with IAS 34.C4, HSH Nordbank AG does not prepare any pension obligations reviews in the course of the current financial year and bases its figures on the data from the last expert opinion made as of 31 December 2009. Each quarter it is assessed whether essential parameters related to pension provisions have changed. If this is the case, these are adjusted accordingly and are taken into account in accountancy (in particular changes in the discount factor).

The following accounting standards were applied for the first time in the current financial year:

IAS 1 Presentation of financial statements – revised

IAS 1.81 (a, ab) relating to the amendment in IAS 12 (Income taxes) was amended. Accordingly, the total of the amount of current and deferred taxes resulting from items which directly reduce or increase the equity capital as well as the amount of income taxes connected to each component of other net income have to be stated separately.

IAS 39 Financial instruments: recognition and measurement – eligible hedged items

The amendment to IAS 39, makes clear that options can only be used as a hedging instrument to hedge part of the risk. In addition, hedging inflation risks can be qualified for variable-rate items. HSH Nordbank does not use these types of hedge.

IFRS 3 revised Business combinations
and IAS 27 amended Consolidated and separate financial statements

In the revision of IFRS 3 and IAS 27, the IASB has implemented the proposals of the Business Combinations Phase II project. In doing so, the definition of the term “business operation” was altered. However, according to our assessment so far, this does not lead to a different characterisation of a business operation for HSH Nordbank AG purposes. There are changes regarding the methods applied for successive share purchases, though. Whilst the old approach was based on the principle of totalling the acquisition costs, under the amended standard all components of the business combination at the time of acquisition are measured at fair value. If HSH Nordbank AG gains control of the acquired company by the additional purchase of further shares, the shares held previously must be dealt with as if they had been sold so that the purchase could be carried out. If further shares in subsidiaries are acquired, this is accounted for as an equity transaction with the owners. Goodwill remains unaffected. IFRS 3 allows an accounting policy choice in the event of non-controlling interest either to measure 100 % of the goodwill of the acquiree or the acquirer’s proportionate share in the goodwill. This leads to a higher goodwill which results in a higher non-controlling interest (formerly called minority interest) in the net assets of the acquiree (so-called “full goodwill method”).

The scope of application of IFRS 3 has been expanded. In the version now valid, combinations of mutual entities and combinations without consideration have been included in the scope of IFRS 3. Among the additional changes there are chiefly additional rules for earn-out agreements and the prohibition on capitalising transaction costs.

Application of this standard had no material impact on the interim Group financial statements.

Within the framework of application of the complementing regulations under German commercial law HSH Nordbank Group in addition to IFRS also observed German Accounting Standard (GAS) 16 Interim Financial Reporting.

Accounting and measurement are based on the assumption of going concern. HSH Nordbank Group justifies this assumption primarily with the recapitalisation by the State of Schleswig-Holstein and the Free and Hanseatic City of Hamburg in the course of the previous year and a viable restructuring concept which will ensure the Bank’s independent competitiveness. In evaluating the going concern status there are still material uncertainties at the time of preparation of the Interim Group Financial Statements with regard to the conclusion of the EU state aid proceedings. The continued existence of HSH Nordbank AG depends on whether the European Commission approves the stabilisation measures granted by the Free and Hanseatic City of Hamburg and the Federal State of Schleswig-Holstein via the HSH Finanzfonds AöR to HSH Nordbank AG and whether the German financial supervisory authority accepts these as having a lasting positive effect on the Bank’s regulatory capital. In order to achieve this, all parties involved need to implement the stabilisation measures in accordance with regulations. Furthermore it is necessary that the EU approval is only tied to requirements which can be implemented within the framework of sound economic business planning, and in particular, which will not put the effectiveness of the relief of the regulatory capital under supervisory law achieved by means of the stabilisation measures at risk.

These interim Group financial statements were reviewed by an auditor.

All facts up to 17 May 2010 were taken into account.

2. CAPITAL MEASURES

The Federal State of Schleswig-Holstein and the Free and Hanseatic City of Hamburg granted HSH Nordbank a framework guarantee in the amount of € 10 billion via the HSH Finanzfonds AöR in order to secure the future of the Bank. The agreement on the provision of the guarantee facility remains to be subject to approval by the European Commission in line with the law on state aid.

The guarantor hedges actual rating-related defaults under debt instruments selected based on certain defined criteria that form part of the assets of HSH Nordbank AG and certain subsidiaries. A first loss piece in the amount of € 3.2 billion remains with the Bank as the warrantee. HSH Nordbank AG and the guarantor can jointly agree to reduce the Bank's first loss piece.

Default on a specific commitment is determined by the outstanding amount, taking into account the existing specific loan loss provision as at 31 March of the previous year. The outstanding amount is at most the amount repayable as at 31 March 2009, plus all interest owed and other ancillary payments. Losses may only be allocated under the guarantee once the guarantee case has been examined and approved by the guarantor.

The guarantee expires when it is returned to the guarantor after the last reference commitment in the hedged portfolio has been met irrevocably and in full or has resulted in a guarantee claim for the full amount. HSH Nordbank AG may reduce the guarantee to € 4 billion between 1 January 2010 and the end of 2013 through partial cancellations of no more than € 3 billion per year. The guarantee may be cancelled in full from 2014 onwards. Once reduced, the maximum amount cannot be increased again.

In exchange for the guarantee HSH Nordbank AG pays a contractual premium of 4% p.a. on the guarantee volume outstanding at the time. The cost of the guarantee premium is reported under the item "Expenses for government guarantees". The premium payments are recognised as an expense pro rata temporis.

The initial guarantee from the Federal States is recognised in the Group financial statements as a financial guarantee in accordance with IAS 39.9.

If during the restructuring and workout proceedings measures consistent with the guarantee are implemented in respect of hedged commitments that conflict with recognition of the hedging instrument in the financial statements as a financial guarantee under IAS 39.9, the commitments may be transferred to a partial guarantee under the framework agreement, subject to approval from a trustee appointed by the guarantor. The partial guarantee must fall within the scope of the IFRS accounting requirements for credit derivatives. The maximum guarantee amount is not altered by the creation of the partial guarantee, as the sum of the individual amounts remains the same.

Once the credit derivative has been created the guarantee premium is divided pro rata between the partial guarantees. The accounting treatment of the derivative is in accordance with the requirements of IAS 39.

Since acceptance of the guarantee first commitments notified to the guarantor were transferred to the partial guarantee for the credit derivative. Neither of the two partial guarantees had any hedging effect in the financial statements as at this reporting date, as the cumulative impairments due to changes in credit standing in the hedged reference portfolio did not exceed the first loss piece to be borne by the Bank.

3. ADJUSTMENT TO PRIOR YEAR FIGURES

In the present interim report figures processed in the interim Group financial statements as of 31 March 2009 were adjusted in various ways. These adjustments mainly relate to corrections already evidenced by adjustments in the comparative figures in the Group financial statements as of 31 December 2009.

I. CORRECTIONS ACCORDING TO IAS 8.41 ET SEQ.

The adjustments made were assessed as per IAS 8 and classified as corrections in accordance with IAS 8.41 et seq.

A) Corrections to disclosures

As at 31 March 2010 several disclosures in the Notes for items of the statement of financial position and income statement, which are described below, were corrected.

Net interest income

The amount disclosed for interest expenses not classified as HfT or DFV according to IAS 39 was increased by € 27 million.

Net trading income

Within the net trading income there was a shift of € 56 million between the measurement result HfT (increase) and DFV (reduction).

The change in value due to changes in the credit spread of liabilities classified as DFV was reduced by € 4 million. The cumulative amount related to changes in the credit spread was increased by € 54 million.

Revaluation reserve

As already presented in the Group financial statements as at 31 December 2009, there was a reclassification of the changes in the revaluation reserve in connection with hedge accounting compared with the comparable previous year period. The carrying values of the revaluation reserve as at 31 March 2009 remain unchanged. As a result of this reclassification only the separate disclosure of changes recognised and not recognised in the statement of changes in equity was adjusted.

B) Other corrections

Net income from foreign currency

In the 2009 financial year, a retrospective correction was made for an erroneous foreign exchange reconciliation item. As a result, net trading income in the reporting period ending on 31 March 2009 increased by € 23 million.

Correction to the recognition of swap transactions

The fair value of swap transactions with special contractual elements was not determined correctly as at 31 March 2009. The respective adjustment resulted in an increase of the net trading income in the amount of € 6 million.

II. EFFECTS OF ADJUSTMENTS ON DEFERRED TAXES

As a result of the adjustments, deferred taxes for the periods affected were recalculated. This does not affect the result as at 31 March 2009.

III. SUMMARY OF THE EFFECTS

The following tables show the effects of the adjustments, including the effects on income tax, for the income statement and the earnings per share:

Adjustments in 1st quarter, 2009 (€ m)	January – March 2009 Before adjustment	Adjustment	After adjustment
Net trading income	181	29	210
Other items (without adjustment)	–369	–	–369
Net income before taxes	**–188**	**29**	**–159**
Income taxes	–72	–	–72
Net income or loss after taxes/Group net profit or loss	**–260**	**29**	**–231**
Group net income attributable to non-controlling interests	–21	–	–21
Group net income attributable to HSH Nordbank shareholders	–239	29	–210

Adjustments in 1st quarter, 2009 (€ m)	January – March 2009 Before adjustment	Adjustment	After adjustment
Group net income attributable to HSH Nordbank shareholders – undiluted	–239	29	–210
Group net income attributable to HSH Nordbank shareholders – diluted	–239	29	–210
Number of shares (millions)			
Average number of ordinary shares outstanding – undiluted	88	–	88
Dilution effects from: convertible bonds	17	–	17
Weighted average number of ordinary shares outstanding adjusted for the assumed conversion – diluted	105	–	105
in €			
Earnings per share (undiluted)	–2.71	0.33	–2.38
Earnings per share (diluted)	–2.26	0.27	–1.99

In addition to the cases already reported in accordance with IAS 8.41 et seq. the following corrections of the Group financial statements as at 31 December 2009 were made based on this standard. All adjustments to comparative values are documented below for the statement of financial position. Material changes in the Notes or other parts of the financial statements are described separately where they are not connected with the accounting changes shown.

As a result of an oversight in the work process, write-ups were applied as of 31 December 2009 in the case of four impaired securities; as a result of the same oversight, a small amount of impairment losses failed to be reversed in the case of three securities positions. The resultant corrections contributed € –64 million to the Group loss as of 31 December 2009. This effect had an impact on profit or loss in the fourth quarter of 2009. The adjustments did not affect the income statement comparative figures as of 31 March 2009. On the balance sheet, the adjustments for securities categorised as "Loans and Receivables" according to IAS caused a reduction of € 42 million in the financial assets with the recording of corresponding impairments. On the other hand, the adjustment of the gross carrying amount of a security categorised as "Available for Sale" versus the revaluation reserve and the simultaneous recognition of impairments in the amount of € 22 million, respectively, had no impact on the financial assets overall. In connection with the positive change in the revaluation reserve, the deferred tax assets were reduced by € 7 million.

In Note 39 the carrying amount as at 31 December 2009 and the fair value of items reclassified from AfS to LaR in the financial year 2008, were decreased by € 40 million to € 281 million and by € 43 million to € 273 million respectively.

4. SCOPE OF CONSOLIDATION

In addition to the parent company HSH Nordbank AG, Hamburg/Kiel, 44 companies (31 December 2009: 46) have been consolidated. This includes 8 (31 December 2009: 7) special-purpose entities which must be consolidated according to the provisions of SIC-12.

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

	Fully consolidated companies	Registered office	Share of equity capital (in %)
1	Adessa Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG	Kiel	0.0
2	Carrera Capital Finance Ireland Limited	Dublin	0.0
3	Carrera Capital Finance Limited	Jersey	0.0
4	CPM Luxembourg S.A. 1)	Luxembourg	3.2
5	CPM Securitisation S.A. 1)	Luxembourg	3.2
6	EALING INVESTMENTS LIMITED	London	100.0
7	Endor 8. Beteiligungs GmbH & Co. KG 3)	Hamburg	94.8
8	EQUILON GmbH	Hamburg	100.0
9	Hamborner Aktiengesellschaft 2)	Duisburg	52.7
10	HGA Capital Grundbesitz und Anlage GmbH 3)	Hamburg	100.0
11	HSH Corporate Finance GmbH	Hamburg	100.0
12	HSH Investment Management S.A. 1)	Luxembourg	100.0
13	HSH N Composits GmbH	Kiel	100.0
14	HSH N Finance (Guernsey) Limited	Guernsey	100.0
15	HSH N Funding I 4)	Grand Cayman	100.0
16	HSH N Funding II	Grand Cayman	100.0
17	HSH Nordbank Private Banking S.A. 1)	Luxembourg	100.0
18	HSH Nordbank Securities S.A.	Luxembourg	100.0
19	HSH Private Equity GmbH	Hamburg	100.0
20	HSH RE 2. Beteiligungs GmbH 3)	Hamburg	100.0
21	HSH RE 3. Beteiligungs GmbH 3)	Hamburg	100.0
22	HSH RE 4. Beteiligungs GmbH 3)	Hamburg	100.0
23	HSH RE 5. Beteiligungs GmbH 3)	Hamburg	100.0
24	HSH RE 6. Beteiligungs GmbH 3)	Hamburg	100.0
25	HSH RE 7. Beteiligungs GmbH 3)	Hamburg	100.0
26	HSH Real Estate AG	Hamburg	100.0
27	International Fund Services & Asset Management S.A. 1)	Luxembourg	51.6
28	JANTAR GmbH	Hamburg	100.0
29	LB Immo Invest GmbH 3)	Hamburg	100.0
30	Leashold Verwaltungs GmbH & Co. KG	Hamburg	100.0
31	Mesitis GmbH	Hamburg	100.0
32	MINIMOA GmbH	Hamburg	100.0

Fully consolidated companies		Registered office	Share of equity capital (in %)
33	Neptune Finance Partner S.à.r.l.	Luxembourg	100.0
34	Neptune Finance Partner II S.à.r.l.	Luxembourg	100.0
35	Neptune Ship Finance (Luxembourg) S.à.r.l. & Cie, S.e.c.s.	Luxembourg	100.0
36	Northern Blue 2009 S.A.	Luxembourg	0.0
37	Plato No. 1 S.A.	Luxembourg	0.0
38	PREGU GmbH	Hamburg	100.0
39	RESPARCS Funding I Limited Partnership	Hong Kong	0.0
40	RESPARCS Funding II Limited Partnership	Jersey	0.0
41	RESPARCS Funding III Limited Partnership	Jersey	0.0
42	Sotis S.à.r.l. [1]	Luxembourg	100.0
43	Swift Capital 1 Europäische Fondsbeteiligungen GmbH & Co. KG	Hamburg	99.5
44	THESTOR GmbH	Hamburg	100.0

[1] Subsidiaries of HSH Nordbank Securities S.A.
[2] Subsidiaries of HSH RE 2–7 Beteiligungs GmbH
[3] Subsidiaries of HSH Real Estate AG
[4] Subsidiaries of HSH N Composits GmbH

The companies RESPARCS Funding I and RESPARCS Funding II Limited Partnership are consolidated under the provisions of IAS 27 based on the majority of voting rights.

As of 31 March 2010, the following company will be included in the scope of consolidation for the first time:

Plato No. 1 S.A., Luxembourg

In contrast to the financial statements as at 31 December 2009, the following companies are no longer included in the scope of consolidation:

HSH Asset Management S.A., Luxembourg
Nubes GmbH, Lockstedt
HSH RE Beteiligungs GmbH, Hamburg

HSH Asset Management S.A. was merged with HSH Nordbank Securities S.A. as of 1 January 2010.

Nubes GmbH and HSH RE Beteiligungs GmbH were deconsolidated as of 1 January 2010. The companies are currently no operating entities.

Notes on the income statement

5. NET INTEREST INCOME

Net interest income
(€ m)

	January – March 2010	January – March 2009
Interest income from:		
Lending and money market transactions	1,071	1,434
Fixed-interest securities	199	350
Other non-fixed-interest securities	–	–
Trading transactions	18	76
Derivative financial instruments	2,626	4,864
Unwinding	42	24
Current income from:		
Equities and other non-fixed-interest securities	5	3
Associated companies	1	–
Equity holdings	8	10
Other holdings	2	2
Interest income	**3,972**	**6,763**
of which attributable to financial instruments not categorised as HfT or DFV according to IAS 39	1,273	1,854
Interest expenses for:		
Liabilities to banks	377	387
Liabilities to customers	381	493
Securitised liabilities	335	549
Subordinated capital	70	99
Trading transactions	–	1
Other liabilities	1	–
Derivative financial instruments	2,364	4,726
Interest expenses	**3,528**	**6,255**
of which attributable to financial instruments not categorised as HfT or DFV according to IAS 39	1,085	1,440
Net income from discounting and compounding	-37	–
Interest expenses on hybrid financial instruments	–	-25
Net income on hybrid financial instruments	**-37**	**-25**
of which attributable to financial instruments not categorised as HfT or DFV according to IAS 39	-37	-25
Total	**407**	**483**

Interest income and expenses relating to trading and hedging derivatives are shown under interest income and expenses from derivative financial instruments.

Net interest income also includes income and expenses arising from the amortisation of the adjustment items for portfolio fair value hedge relationships and corresponding proceeds from the closing of the underlying transactions which contributed to the 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.

IAS 39.AG8 requires separate disclosure of income or loss on hybrid financial instruments. The Bank complies with this requirement for the first time as at 31 December 2009.

Interest accruals recorded for hybrid financial instruments until 31 March 2009 are shown as interest expenses for hybrid financial instruments for the purpose of a standardised representation. Originally the amounts totalling € 9 million were recorded as interest expenses for securitised liabilities and amounts totalling € 16 million as interest expenses for subordinated capital. In the fourth quarter of 2009 the interest accruals had to be cancelled.

The cumulative net income from hybrid financial instruments amounts to € 338 million (previous year: € –25 million). Net income from reestimating interest and redemption cash flows recognised for the end of the year 2009 account for € 599 million of this cumulative net income and the net loss from discounting and compounding account for € –261 million (of which included in profit and loss as of 31 December 2009: € –224 million).

The difference between valuation for tax purposes and valuation under IAS 39 AG8 results in deferred taxes of € 4 million (previous year: € 0 million).

6. LOAN LOSS PROVISIONS

Loan loss provisions (€ m)	January – March 2010	January – March 2009
Expenses from allocations to loan loss provisions	824	557
Income from reversal of loan loss provisions	368	157
Direct write-downs	5	1
Payments received on loans and advances previously written down	15	1
Expenses from allocations to provisions in the lending business	21	38
Income from reversal of provisions in the lending business	138	14
Total	329	424

Loan loss provisions in on balance-sheet lending business relate exclusively to loans and advances categorised as LaR.

7. NET COMMISSION INCOME

Net commission income (€ m)	January – March 2010	January – March 2009
Commission income from:		
Lending business	22	34
Securities business	14	8
Guarantee business	10	13
Foreign business	2	4
Payments and account transactions	2	1
Other fees and commission income	9	14
Commission income	**59**	**74**
Commission expenses from:		
Lending business	2	6
Securities business	10	10
Foreign business	1	1
Payments and account transactions	–	1
Other commission expenses	4	5
Commission expenses	**17**	**23**
Total	**42**	**51**

Financial instruments measured at fair value not recognised in profit or loss accounted for € 12 million (previous year: € 55 million) of commission income. Financial instruments measured at fair value and recognised in profit or loss accounted for € 12 million (previous year: € –4 million) of net commission income.

8. RESULT FROM HEDGING

The change in value attributable to the hedged risk for designated underlying and hedging transactions in effective hedging relationships is reported in gains on hedging. The item contains the corresponding profit contributions from micro and portfolio fair value hedges.

Result from hedging (€ m)	January – March 2010	January – March 2009
Fair value changes from hedging transactions	316	398
Micro fair value hedge	48	62
Portfolio fair value hedge	268	336
Fair value changes from underlyings	–312	–354
Micro fair value hedge	–45	–72
Portfolio fair value hedge	–267	–282
Total	**4**	**44**

9. NET TRADING INCOME

Net trading income comprises realised income / loss and the valuation result for financial instruments classified as Held for Trading (HfT) or Designated at Fair Value (DFV). Interest income and expenses for financial instruments of these categories are shown under net interest income.

Income from foreign exchange transactions, credit derivatives and commodities is stated under "Other products". Gains and losses on currency conversion are also recorded in this income statement item.

	Bonds and interest rate derivatives		Equities and equity derivatives		Other products		Total	
Net trading income (€ m)	**January – March 2010**	**January – March 2009**	**January – March 2010**	**January – March 2009**	**January – March 2010**	**January – March 2009**	**January – March 2010**	**January – March 2009**
Realised net income								
Held for Trading	25	128	–26	7	1	80	–	215
Designated at Fair Value	–3	–	–	–1	–	5	–3	4
Subtotal	**22**	**128**	**–26**	**6**	**1**	**85**	**–3**	**219**
Valuation result								
Held for Trading	145	238	–15	–5	–93	–30	37	203
Designated at Fair Value	–182	–277	15	5	1	60	–166	–212
Subtotal	**–37**	**–39**	**–**	**–**	**–92**	**30**	**–129**	**–9**
Total	**–15**	**89**	**–26**	**6**	**–91**	**115**	**–132**	**210**

In the first quarter of 2010 net trading income was mainly influenced by the results of foreign currency valuation in the amount of € –160 million (previous year: € –26 million) which mainly result from the loan loss provisions denominated in foreign currencies.

During the reporting period € 28 million (previous year: € –144 million) of the changes in fair value of the financial assets categorised as Designated at Fair Value (DFV) related to changes in the credit spread rather than changes in market interest rates. In cumulative terms, a total of € –395 million (previous year: € –1,169 million) is attributable to changes in the credit spread.

€ 84 million (previous year: € 192 million) of the changes in fair value of the liabilities classified as DFV related to changes in the credit spread and not to changes in market interest rates during the reporting period. In cumulative terms, a total of € 427 million (previous year: € 533 million) is attributable to changes in the credit spread.

10. NET INCOME FROM FINANCIAL INVESTMENTS

In addition to any realised gains and losses from financial investments categorised as Loans and Receivables (LaR) and Available for Sale (AfS), write-downs and write-ups and portfolio impairment allowances are reported under this item. In the case of financial investments classified as Available for Sale, write-ups are only recognised in the income statement for debt instruments up to a maximum of the amortised cost.

Net income from financial investments (€ m)	January – March 2010	January – March 2009
Classified as AfS		
Realised gains / losses (–)	8	3
Amortisation	14	23
Write-ups	7	5
Total	1	–15
Classified as LaR		
Realised gains / losses (–)	7	4
Amortisation	31	293
Write-ups	50	20
Total	26	–269
Additions to portfolio valuation allowance	7	3
Release of portfolio value allowance	7	18
Total	27	–269

11. ADMINISTRATIVE EXPENSES

Administrative expenses (€ m)	January – March 2010	January – March 2009
Personnel expenses	93	106
Operating expenses	94	99
Depreciation on property, plant and equipment and amortisation on intangible assets	10	9
Total	197	214

12. OTHER OPERATING INCOME

Other operating income (€ m)	January – March 2010	January – March 2009
Other operating income	23	19
Other operating expenses	15	11
Total	8	8

13. RESULT FROM RESTRUCTURING

The strategic realignment of the HSH Nordbank Group caused a restructuring result of € 1 million (previous year: € –28 million) during the reporting period. It concerns expenses for personnel measures in the amount of € –1 million and income from the reversal of provisions in the amount of € 2 million.

14. EXPENSES FOR GOVERNMENT GUARANTEES

Expenses for government guarantees (€ m)	January – March 2010	January – March 2009
Financial Market Stabilisation Fund (SoFFin)	31	20
HSH Finanzfonds AöR	120	–
Total	**151**	**20**

15. EARNINGS PER SHARE

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

Earnings per share	January – March 2010	January – March 2009
Attributable Group net income (€ m) – undiluted	–279	–210
Dilution effects from: convertible bonds	–	–
Attributable Group net income (€ m) – diluted	–279	–210
Number of shares (millions)		
Average number of ordinary shares outstanding – undiluted	246	88
Dilution effects from: convertible bonds	17	17
Potentially dilutive ordinary shares	17	17
Weighted average number of ordinary shares outstanding adjusted for the assumed conversion – diluted	263	105
in €		
Earnings per share (undiluted)	–1.13	–2.38
Earnings per share (diluted)	–1.06	–1.99

Notes on the statement of financial position

16. LOANS AND ADVANCES TO BANKS

Loans and advances to banks
(€ m)

	31.3.2010	31.12.2009
Payable on demand	5,254	5,749
Other loans and advances	7,031	9,792
Total before loan loss provisions	**12,285**	**15,541**
Loan loss provisions	315	370
Total after loan loss provisions	**11,970**	**15,171**

17. LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers
(€ m)

	31.3.2010	31.12.2009
Retail customers	2,397	2,581
Corporate clients	100,050	98,167
Public authorities	9,779	9,809
Total before loan loss provisions	**112,226**	**110,557**
Loan loss provisions	4,843	4,348
Total after loan loss provisions	**107,383**	**106,209**

18. LOAN LOSS PROVISIONS

Loan loss provisions
(€ m)

	31.3.2010	31.12.2009
Loans and advances to banks	315	370
Loans and advances to customers	4,843	4,348
Loan loss provisions for items in the statement of financial position	**5,158**	**4,718**
Provisions in the lending business	563	663
Total	**5,721**	**5,381**

The loan loss provisions for banks during the period under review developed as follows:

Development of loan loss provisions for banks (€ m)	Individual valuation allowances		Portfolio valuation allowances		Total	
	31.3.2010	31.12.2009	31.3.2010	31.12.2009	31.3.2010	31.12.2009
As at 1 January	363	362	7	48	370	410
Additions	–	106	–	3	–	109
Reversals	2	85	–	44	2	129
Utilisation	27	14	–	–	27	14
Reclassifications	–28	–3	–	–	–28	–3
Unwinding	–	–3	–	–	–	–3
Exchange rate changes	2	–	–	–	2	–
As at 31 March 2010 / 31 December 2009	308	363	7	7	315	370

Loan loss provisions for customers during the period under review developed as follows:

Development of loan loss provisions for liabilities to customers (€ m)	Individual valuation allowances		Portfolio valuation allowances		Total	
	31.3.2010	31.12.2009	31.3.2010	31.12.2009	31.3.2010	31.12.2009
As at 1 January	3,165	1,670	1,183	671	4,348	2,341
Additions	686	2,736	138	637	824	3,373
Reversals	365	676	1	117	366	793
Utilisation	91	447	–	–	91	447
Reclassifications	28	–1	–	–	28	–1
Unwinding	–42	–108	–	–	–42	–108
Exchange rate changes	104	–9	38	–8	142	–17
As at 31 March 2010 / 31 December 2009	3,485	3,165	1,358	1,183	4,843	4,348

The value adjustments relate exclusively to items categorised as Loans and Receivables (LaR).

19. POSITIVE FAIR VALUES OF HEDGING DERIVATIVES

This item shows the positive fair value of derivatives used in hedge accounting. At present only interest swaps and interest rate currency swaps are taken into account as hedging instruments. If a derivative is only partially designated under hedge accounting, this item contains the corresponding share of that derivative's fair value. In these cases, the remainder is stated under liabilities Held for Trading. Hedge accounting is used solely for interest rate risks.

Positive fair value of hedging derivatives
(€ m)

	31.3.2010	31.12.2009
Positive fair value of derivatives used in micro fair value hedges	483	452
Positive fair value of derivatives used in portfolio fair value hedges	1,244	1,232
Total	**1,727**	**1,684**

Changes in this item are directly related to changes in the item "Negative fair values of hedging derivatives". Changes in the items are mainly due to a change in portfolio composition and movements in interest rates in the USD and EUR capital markets.

20. ASSETS HELD FOR TRADING

Only financial assets classified as HfT are stated under assets Held for Trading. Mainly included in this category are original financial instruments Held for Trading purposes, including accrued interest, and derivatives with a positive fair value which are either not designated as a hedge derivative or are used as hedging instruments but do not meet the requirements of IAS 39 for hedge accounting.

Assets Held for Trading
(€ m)

	31.3.2010	31.12.2009
Bonds and other fixed-interest securities	2,171	3,033
Equities and other non-fixed-interest securities	35	36
Positive fair values from derivative financial instruments	15,540	13,758
Other assets Held for Trading	5	52
Total	**17,751**	**16,879**

21. FINANCIAL INVESTMENTS

Financial investments include specifically financial instruments not Held for Trading categorised as AfS and LaR and, to a lesser extent, as DFV. This item includes bonds and other fixed-interest securities, equities and other non-fixed-interest securities, holdings in unconsolidated affiliated companies, holdings in joint ventures and associated companies not carried at equity in the Group financial statements.

Financial investments

(€ m)	31.3.2010	31.12.2009
Bonds and other fixed-interest securities	27,699	27,777
Equities and other non-fixed-interest securities	827	803
Equity holdings	885	885
Interests in associates	260	225
Total	**29,671**	**29,690**

22. INTANGIBLE ASSETS

The item "Intangible assets" mainly comprises software acquired or developed in-house and acquired goodwill.

Intangible assets

(€ m)	31.3.2010	31.12.2009
Goodwill	76	76
Software	75	73
Developed in-house	47	43
Acquired	28	30
Software in development	29	31
Developed in-house	17	22
Acquired	12	9
Other intangible assets	17	17
Total	**197**	**197**

23. PROPERTY, PLANT AND EQUIPMENT

Land and buildings, operating equipment and leased assets under operating leases where HSH Nordbank Group acts as lessor are stated under this item.

Property, plant and equipment

(€ m)	31.3.2010	31.12.2009
Land and buildings	45	44
Operating equipment	36	37
Leased assets	18	18
Assets under construction	1	2
Total	**100**	**101**

24. INVESTMENT PROPERTY

Under the item “Investment property” all property (land or buildings) is recorded that is held to earn rentals or for capital appreciation but is not used in the production or supply of goods or services of the Bank. Real estate leased as lessor in the operating leasing business is also included in this item.

Investment property
(€ m)

	31.3.2010	31.12.2009
Investment property	327	316
Total	327	316

25. NON-CURRENT ASSETS HELD FOR SALE AND DISPOSAL GROUPS

Non-current assets held for sale and disposal groups
(€ m)

	31.3.2010	31.12.2009
Loans and advances to banks	58	98
Loans and advances to customers	–	330
Financial investments	576	63
Investment property	1	–
Other assets Held for Trading	–	86
Derivative assets Held for Trading	–	9
Other assets	2	–
Total	637	586

This item also contains other disposal groups, individual investments as well as securities belonging to the credit investment portfolio which will be sold with a high degree of probability in the coming twelve months in the course of the strategic realignment.

26. DEFERRED TAX ASSETS

Of the deferred tax assets amounting to € 1,248 million (31 December 2009: € 1,204 million) a total of € 132 million (31 December 2009: € 132 million) are attributable to tax loss carry-forwards in Germany. The HSH Nordbank business model, strategic adjustments and the future taxable income derived from these ensure that the tax claims carried as assets will meet expectations.

27. OTHER ASSETS

Other assets
(€ m)

	31.3.2010	31.12.2009
Prepaid expenses	68	69
Receivables from participations and affiliates	42	96
Tenant loans	12	12
Receivables from fund transactions	9	10
Receivables from miscellaneous taxes	3	4
Other assets	110	147
Total	**244**	**338**

28. LIABILITIES TO BANKS

Liabilities to banks
(€ m)

	31.3.2010	31.12.2009
Liabilities payable on demand	2,218	2,653
Other term liabilities	34,560	35,938
Total	**36,778**	**38,591**

29. LIABILITIES TO CUSTOMERS

Liabilities to customers
(€ m)

	31.3.2010	31.12.2009
Savings deposits	78	82
Other liabilities		
Liabilities payable on demand	8,947	10,374
Other term liabilities	42,576	39,347
Total	**51,601**	**49,803**

30. SECURITISED LIABILITIES

Securitised liabilities

(€ m)	31.3.2010	31.12.2009
Bonds issued	48,797	52,302
Money market securities issued	356	205
Other securitised liabilities	518	614
Total	**49,671**	**53,121**

Under the item “Securitised liabilities” repurchased own bonds in the amount of € 14,801 million (31 December 2009: € 15,254 million) as well as own money market securities in the amount of € 136 million (31 December 2009: € 156 million) are deducted.

31. NEGATIVE FAIR VALUES OF HEDGING DERIVATIVES

This item shows the negative fair value of derivatives used in hedge accounting. At present only interest rate swaps and interest rate currency swaps are taken into account as hedging instruments. If a derivative is only partially designated under hedge accounting, this item contains the corresponding share of that derivative’s fair value. In these cases, the remainder is stated under “Liabilities Held for Trading”. Hedge accounting is used solely for interest rate risks.

Negative fair values of hedging derivatives

(€ m)	31.3.2010	31.12.2009
Negative fair values of derivatives used in micro fair value hedges	298	282
Negative fair values of derivatives used in portfolio fair value hedges	199	235
Total	**497**	**517**

Changes in this item are directly related to changes in the item “Positive fair values of hedging derivatives”. The overall changes in the items are mainly due to a change in portfolio composition and movements in interest rates in the USD and EUR capital markets.

32. LIABILITIES HELD FOR TRADING

Only financial assets classified as HfT are stated under “Liabilities Held for Trading”. Mainly included in this category are derivatives with a negative fair value which are either not designated as a hedging derivative or are used as hedging instruments but do not meet the requirements of IAS 39 for hedge accounting. Delivery commitments from short sales of securities are also stated in this category.

Liabilities Held for Trading

(€ m)	31.3.2010	31.12.2009
Negative fair values from derivative financial instruments		
Interest rate-related business	15,394	13,500
Currency-related business	605	811
Other business	276	337
Commitments to deliver securities	1	1
Total	**16,276**	**14,649**

33. PROVISIONS

Provisions
(€ m)

	31.3.2010	31.12.2009
Provisions for pension obligations and similar obligations	671	611
Other provisions	887	1,008
Provisions in the lending business	563	663
Provisions for restructuring	117	131
Provisions for litigation risks and costs	37	40
Provisions for personnel expenses	9	11
Other provisions	161	163
Total	**1,558**	**1,619**

Provisions in the lending business include portfolio valuation allowances of € 89 million (31 December 2009: € 82 million) and individual valuation allowances on bank guarantees, guarantees and letters of credit of € 128 million (31 December 2009: € 169 million). There are provisions for other credit risks of € 69 million (31 December 2009: € 140 million). They also include € 48 million (31 December 2009: € 58 million) of portfolio valuation allowances and € 228 million (31 December 2009: € 214 million) of individual valuation allowances for irrevocable loan commitments.

The net change in pension liabilities of € 60 million comprises the payments for pension liabilities in the amount of € 10 million and additions in the amount of € 70 million. The net change is mainly due to the change in the market interest rates.

34. LIABILITIES RELATING TO DISPOSAL GROUPS

Liabilities relating to disposal groups
(€ m)

	31.3.2010	31.12.2009
Liabilities to banks	–	1
Assets Held for Trading – derivatives	7	15
Other liabilities	4	3
Total	**11**	**19**

Other liabilities contain financial instruments in the amount of € 1 million (previous year: € 1 million).

35. OTHER LIABILITIES

Other liabilities
(€ m)

	31.3.2010	31.12.2009
Collateral provided for guarantees given	1,199	1,186
Personnel liabilities	58	54
Liabilities for outstanding invoices	42	42
Prepaid income	41	41
Liabilities for restructuring	12	27
Other tax liabilities	10	16
Other	219	217
Total	**1,581**	**1,583**

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

36. SUBORDINATED CAPITAL

HSH Nordbank Group discloses its subordinated liabilities, silent participations and profit participation rights under this item. Based on their contractual structure and financial character, the participations of the typical silent partner represent debt, which is why they are stated under subordinated capital.

Subordinated capital
(€ m)

	31.3.2010	31.12.2009
Subordinated liabilities	5,414	5,375
Silent participations	1,384	1,341
Profit participation capital	2,327	2,168
Total	**9,125**	**8,884**

The carrying amounts of silent participations and profit participation capital were determined based on assumptions.

37. EQUITY

Equity
(€ m)

	31.3.2010	31.12.2009
Share capital	2,460	2,460
Capital reserve	1,509	1,509
Retained earnings	834	1,607
Gains on pension obligations and similar obligations not recognised in the income statement	114	177
Deferred taxes on gains from pension obligations and similar obligations not recognised in the income statement	-39	-59
Revaluation reserve	-265	-341
Currency conversion reserve	-71	-90
Group profit/loss	-279	-734
Equity before non-controlling interests	**4,188**	**4,411**
Non-controlling interests	30	31
Total	**4,218**	**4,442**

Changes in ordinary shares
(no. of shares)

	31.3.2010	31.12.2009
Number at the beginning of the year	246,017,368	88,122,631
Capital increase	0	157,894,737
Number at end of the period	**246,017,368**	**246,017,368**

Segment reporting of the HSH Nordbank Group

Segment reporting of the HSH Nordbank Group (€ m / %)	Sector Specialist Bank		Regional Bank		Other		Consolidation Core Bank	
	31.3.2010	31.3.2009	31.3.2010	31.3.2009	31.3.2010	31.3.2009	31.3.2010	31.3.2009
Net interest income	114	109	89	93	51	181	–1	–110
Net commission income	6	15	16	23	1	–3	5	–3
Result from hedging	–	–	–	–	–	–	4	44
Net trading income	–43	–7	4	9	30	–14	–2	237
Net income from financial investments	4	–	–	–6	9	4	–6	–19
Total income	**81**	**117**	**109**	**119**	**91**	**168**	**–**	**149**
Loan loss provisions	–79	–24	–102	–40	53	14	–14	40
Administrative expenses	–41	–34	–54	–49	–46	–81	5	10
Other operating income	–	–	–3	1	1	3	20	–2
Net income before restructuring	**–39**	**59**	**–50**	**31**	**99**	**104**	**11**	**197**
Result from restructuring	–	–	–	–	–	–	1	–12
Expenses for government guarantees	–	–	–	–	–	–	–84	–20
Net income before taxes	**–39**	**59**	**–50**	**31**	**99**	**104**	**–72**	**165**
Cost / income ratio (CIR) in %	51 %	29 %	50 %	41 %	–	–	–	–
Return on equity before tax and restructuring expenses in %	–13 %	69 %	–34 %	40 %	–	–	–	–
Average equity	1,176	341	586	307	151	117	329	167
	31.3.2010	31.12.2009	31.3.2010	31.12.2009	31.3.2010	31.12.2009	31.3.2010	31.12.2009
Segment assets (€ bn)	**33**	**32**	**25**	**25**	**41**	**40**	**1**	**–**

The cost / income ratio and return on equity are not shown in the segment report for the segments “Restructuring Unit” and “Other”. The information in the item "Other" is combined in accordance with IFRS 8.16. The ratios are not shown for this segment as a joint ratio for the summary provides little information. In the case of the Restructuring Unit, the segment involves business areas which are not strategic and are currently run down. This segment is not managed on the basis of these ratios.

Segment reporting is in accordance with the provisions of IFRS 8. The segments result from the Bank’s internal organisational structure which is based on product and customer groups. For reasons of comparability, the segment results of the previous year have been adjusted in accordance with the organisational changes implemented in 2009. In accordance with IFRS 8.32 and 8.33, neither geographical information nor information on products and services is disclosed.

The basis for the segment reporting is internal reporting to management. Income and expenses were assigned to the segments in which they originated.

Net interest income has been calculated in accordance with the Fund Transfer Pricing (FTP). The planned investment and financing profit in the segment “Other” is distributed among the business segments on the basis of economic capital committed.

	Total Core Bank		Restructuring Unit		Consolidation Restructuring Unit		Total Restructuring Unit		Group	
	31.3.2010	31.3.2009	31.3.2010	31.3.2009	31.3.2010	31.3.2009	31.3.2010	31.3.2009	31.3.2010	31.3.2009
	253	273	162	212	-8	-2	154	210	407	483
	28	32	14	19	–	–	14	19	42	51
	4	44	–	–	–	–	–	–	4	44
	-11	225	-121	-15	–	–	-121	-15	-132	210
	7	-21	20	-248	–	–	20	-248	27	-269
	281	553	75	-32	-8	-2	67	-34	348	519
	-142	-10	-187	-414	–	–	-187	-414	-329	-424
	-136	-154	-61	-60	–	–	-61	-60	-197	-214
	18	2	-10	6	–	–	-10	6	8	8
	21	391	-183	-500	-8	-2	-191	-502	-170	-111
	1	-12	–	–	–	-16	–	-16	1	-28
	-84	-20	–	–	-67	–	-67	–	-151	-20
	-62	359	-183	-500	-75	-18	-258	-518	-320	-159
	48 %	28 %	–	–	–	–	–	–	57%	41 %
	4 %	168 %	–	–	–	–	–	–	-16%	-24 %
	2,242	932	2,043	886	45	16	2,088	902	4,330	1,834
	31.3.2010	31.12.2009	31.3.2010	31.12.2009	31.3.2010	31.12.2009	31.3.2010	31.12.2009	31.3.2010	31.12.2009
	100	97	73	77	–	–	73	77	173	174

Total income recognised in the segments is exclusively from external customers.

Internal cost allocations are used to represent the internal service relationships. Group overhead costs in the segment “Other” are allocated to the segments based on risk-weighted assets before guarantees and directly allocated costs. In 2010 the balance sheet total was added to the basis of allocation.

Portfolio valuation allowances are shown in the segments in which they originated.

Net income from hedges is reported in accordance with internal risk management principles on the basis of internal transactions. The income statement hedge result was not allocated to individual segments.

Credit rating effects on DFV liabilities held in net trading income were not allocated to segments.

Average reported equity was allocated to the segments on the basis of risk-weighted assets before guarantees. The cost / income ratio is the ratio of administrative expenses to total income. Return on equity is the ratio of net income before restructuring to average equity.

The interim Group management report will discuss the individual segments in detail.

Notes on financial instruments

38. CARRYING AMOUNTS OF FINANCIAL INSTRUMENTS BY IAS 39 CATEGORY

Carrying amounts of financial instruments by IAS 39 category (€ m)								31.3.2010
						No IAS 39 category		
	LaR	AfS	DFV	HfT	LIA	Hedge accounting (fair value)	Other	Total
Assets								
Cash reserve	349	332	–	–	–	–	–	681
Loans and advances to banks	12,023	46	216	–	–	–	–	12,285
Loans and advances to customers	110,729	–	1,189	–	–	–	–	111,918
Receivables under finance leases	–	–	–	–	–	–	308	308
Positive fair values of hedging derivatives	–	–	–	–	–	1,727	–	1,727
Assets Held for Trading	–	–	–	17,751	–	–	–	17,751
Financial investments	16,657	9,719	3,295	–	–	–	–	29,671
Non-current assets held for sale and disposal groups	514	64	58	–	–	–	–	636
Other assets	244	–	–	–	–	–	–	244
Total assets	**140,516**	**10,161**	**4,758**	**17,751**	**–**	**1,727**	**308**	**175,221**
Liabilities								
Liabilities to banks	–	–	324	–	36,454	–	–	36,778
Liabilities to customers	–	–	3,624	–	47,977	–	–	51,601
Securitised liabilities	–	–	5,956	–	43,715	–	–	49,671
Negative fair values of hedging derivatives	–	–	–	–	–	497	–	497
Liabilities Held for Trading	–	–	–	16,276	–	–	–	16,276
Liabilities relating to disposal groups	–	–	–	7	1	–	–	8
Subordinated capital	–	–	2,098	–	7,027	–	–	9,125
Other liabilities	–	–	–	–	1,581	–	–	1,581
Total liabilities	**–**	**–**	**12,002**	**16,283**	**136,755**	**497**	**–**	**165,537**

Carrying amounts of financial instruments by IAS 39 category (€ m)	LaR	AfS	DFV	HfT	LIA	No IAS 39 category: Hedge accounting (fair value)	No IAS 39 category: Other	31.12.2009 Total
Assets								
Cash reserve	978	318	–	–	–	–	–	1,296
Loans and advances to banks	15,282	46	213	–	–	–	–	15,541
Loans and advances to customers	109,140	–	1,165	–	–	–	–	110,305
Receivables under finance leases	–	–	–	–	–	–	252	252
Positive fair values of hedging derivatives	–	–	–	–	–	1,684	–	1,684
Assets Held for Trading	–	–	–	16,879	–	–	–	16,879
Financial investments	16,702	9,648	3,340	–	–	–	–	29,690
Non-current assets held for sale and disposal groups	–	63	428	95	–	–	–	586
Other assets	338	–	–	–	–	–	–	338
Total assets	**142,440**	**10,075**	**5,146**	**16,974**	**–**	**1,684**	**252**	**176,571**
Liabilities								
Liabilities to banks	–	–	323	–	38,268	–	–	38,591
Liabilities to customers	–	–	3,712	–	46,091	–	–	49,803
Securitised liabilities	–	–	5,587	–	47,534	–	–	53,121
Negative fair values of hedging derivatives	–	–	–	–	–	517	–	517
Liabilities Held for Trading	–	–	–	14,649	–	–	–	14,649
Liabilities relating to disposal groups	–	–	1	15	1	–	–	17
Subordinated capital	–	–	1,934	–	6,950	–	–	8,884
Other liabilities	–	–	–	–	1,583	–	–	1,583
Total liabilities	**–**	**–**	**11,557**	**14,664**	**140,427**	**517**	**–**	**167,165**

39. RECLASSIFICATION UNDER IAS 39 (2008 REVISION)

HSH Nordbank AG exercised the option of reclassifying securities holdings under IAS 39 (2008 revision). Assets have been reclassified as LaR where they met the relevant requirements, were not intended for short-term sale at the time of reclassification and are due to be held for the foreseeable future.

The reclassification as LaR measures fair value at the time of reclassification at cost or amortised cost respectively. At the time of reclassification an effective interest rate is determined which is used for subsequent measurement of the amortised acquisition cost. For reclassification of financial instruments from AfS to LaR the revaluation reserve recognised up to the point of reclassification is released through net interest income on a pro rata temporis basis in accordance with IAS 39.54 a).

The impact of reclassifications on the interim Group financial statements is shown below.

In the third quarter of 2008, financial instruments were reclassified from the categories HfT and AfS to LaR.

		31.3.2010		31.12.2009	
(€ m)	Carrying amount at the time of reclassification	Carrying amount	Fair value	Carrying amount	Fair value
Reclassified from HfT to LaR	1,020	356	346	403	390
Reclassified from AfS to LaR	1,841	288	279	281	273
Total financial assets reclassified as LaR	**2,861**	**644**	**625**	**684**	**663**

The effective interest rate applied in the case of financial instruments in the category HfT was between 0.03 % and 14.72 % and for financial instruments in the category AfS was between 2.97 % and 9.75 %. Anticipated repayments amounted to € 2,988 million.

The decrease in carrying amounts and fair values of the reclassified financial instruments was due to extensive changes in holdings. At the time of reclassification as HfT, the carrying amount of the financial instruments affected was € 602 million and the carrying amount of assets classified as AfS was € 1,567 million. The changes in holdings are the result of sales in the course of the strategic realignment of the HSH Nordbank Group and were not intended or foreseeable at the time of reclassification; also they resulted from maturities arising.

More assets were reclassified in the second quarter of 2009. These are shown in the following table:

(€ m)	Carrying amount at the time of reclassification	31.3.2010 Carrying amount	31.3.2010 Fair value	31.12.2009 Carrying amount	31.12.2009 Fair value
Reclassified from HfT to LaR	399	397	410	398	406
Reclassified from AfS to LaR	6,336	6,285	6,398	6,309	6,379
Total financial assets reclassified as LaR	**6,735**	**6,682**	**6,808**	**6,707**	**6,785**

The effective interest rate applied in the case of financial instruments in the category HfT was between 1.21 % and 5.06 % and for financial instruments in the category AfS was between 0.87 % and 5.00 %. Anticipated repayments amounted to € 6,859 million.

Shown below is the impact all holdings reclassified to date would have had on the income statement and revaluation reserve if they had not been reclassified:

– If the reclassification had not taken place, the first quarter of 2009 would have seen a valuation result of € –20 million and a revaluation reserve of € 47 million.
– For financial instruments reclassified from HfT the measurement result in the income statement for the current reporting period would have been € 10 million for the financial instruments reclassified in the 2008 financial year and € 4 million for the financial instruments reclassified in the 2009 financial year.
– For financial instruments reclassified from AfS the measurement result in the revaluation reserve for the current reporting period would have been € 0 million for the financial instruments reclassified in the 2008 financial year and € 54 million for the financial instruments reclassified in the 2009 financial year.

Shown below is the actual impact of all holdings reclassified to date on the income statement of the current reporting period:

(€ m)	January – March 2010 From HfT	January – March 2010 From AfS	January – March 2010 Total	January – March 2009 From HfT	January – March 2009 From AfS	January – March 2009 Total
Net interest income	5	45	50	29	25	54
Net trading income	1	1	2	62	–	62
Net income from financial investments	2	8	10	–23	–44	–67
Total	**8**	**54**	**62**	**68**	**–19**	**49**

40. CREDIT RISK ANALYSIS OF FINANCIAL ASSETS AND DETAILS OF COLLATERAL

I. CREDIT QUALITY OF FINANCIAL INSTRUMENTS WHICH ARE NEITHER IMPAIRED NOR OVERDUE

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

Credit quality (€ m)	1 (AAA) to 1 (AA+)		1 (AA) to 1 (A–)		2 to 5	
	31.3.2010	31.12.2009	31.3.2010	31.12.2009	31.3.2010	31.12.2009
Held for Trading (HfT)						
Assets Held for Trading	6,015	5,719	1,964	1,868	2,858	2,718
Non-current assets held for sale and disposal groups	–	32	–	11	–	15
Designated at Fair Value (DFV)						
Loans and advances to banks	149	120	67	69	–	24
Loans and advances to customers	1,118	1,098	–	–	71	67
Financial investments	1,383	1,333	1,364	1,577	232	85
Non-current assets held for sale and disposal groups	54	403	–	–	3	25
Available for Sale (AfS)						
Cash reserve	332	318	–	–	–	–
Loans and advances to banks	6	5	40	33	–	8
Financial investments	4,540	4,826	2,433	2,262	1,034	976
Non-current assets held for sale and disposal groups	–	–	10	49	54	–
Loans and Receivables (LaR)						
Cash reserve	349	978	–	–	–	–
Loans and advances to banks	5,978	5,802	3,915	4,244	1,428	4,370
Loans and advances to customers	12,236	13,108	11,568	12,177	23,565	23,476
Financial investments	9,891	9,962	3,789	3,433	1,362	1,800
Non-current assets held for sale and disposal groups	62	–	59	–	120	–
Other assets	–	–	–	–	–	–
No IAS 39 category						
Positive fair values of hedging derivatives	749	694	951	935	17	26
Receivables under finance leases	37	34	35	33	72	61
Total	**42,899**	**44,432**	**26,195**	**26,691**	**30,816**	**33,651**

		6 to 9		10 to 12		13 to 15		16 to 18
	31.3.2010	31.12.2009	31.3.2010	31.12.2009	31.3.2010	31.12.2009	31.3.2010	31.12.2009
	3,018	2,870	1,932	1,837	1,109	1,054	855	813
	–	16	–	10	–	6	–	5
	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–
	66	167	4	–	246	178	–	–
	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–
	686	597	–	8	34	33	–	–
	–	14	–	–	–	–	–	–
	–	–	–	–	–	–	–	–
	62	187	171	173	72	1	–	–
	21,667	22,412	9,573	10,689	13,892	11,598	4,384	3,138
	368	389	54	34	257	301	–	–
	110	–	49	–	71	–	44	–
	–	–	–	102	–	171	244	65
	3	4	2	19	2	–	3	6
	66	58	29	28	43	30	26	8
	26,046	26,714	11,814	12,900	15,726	13,372	5,556	4,035

II. CARRYING AMOUNTS OF OVERDUE, UNIMPAIRED FINANCIAL ASSETS

The table below shows the financial assets which were overdue but unimpaired as of the reporting date. The respective carrying amounts are compared to the renegotiated credit volume and the collateral received. The assets are broken down by category. Categories not shown have no overdue assets.

Carrying amounts of overdue, unimpaired financial assets (€ m)	Overdue < 3 months		Overdue 3 to 6 months		Overdue 6 to 12 months		Overdue > 12 months		Value of collateral		Renegotiated volume	
	31.3.2010	31.12.2009	31.3.2010	31.12.2009	31.3.2010	31.12.2009	31.3.2010	31.12.2009	31.3.2010	31.12.2009	31.3.2010	31.12.2009
Loans and Receivables (LaR)												
Loans and advances to banks	30	8	–	–	–	–	–	–	27	3	–	–
Loans and advances to customers	1,688	2,333	784	730	759	93	80	64	1,792	1,762	948	1,112
Total	**1,718**	**2,341**	**784**	**730**	**759**	**93**	**80**	**64**	**1,819**	**1,765**	**948**	**1,112**

Payments of € 40 million on transactions with a carrying volume of € 1,973 million were received up to ten days after the reporting date of 31 March 2010. Payments are regarded as being in arrears when they are one day overdue.

The overdue, non-impaired credit portfolio is backed by collateral in the form of real estate liens, pledge agreements and assignments. The collateral assigned largely comprises physical assets.

Renegotiated credit volumes are restructured loan transactions where an assessment is made of the renegotiated contractual terms resulting in changes to the interest rate structure, the maturity and contractual ancillary services.

III. IMPAIRED FINANCIAL ASSETS AND ASSOCIATED COLLATERAL

The table below shows all impaired financial assets and the associated collateral received as of the reporting date. The financial assets are broken down by category.

Impaired financial assets and their collateral (€ m)	Gross carrying amount of impaired financial assets		Impairment		Carrying amount of financial assets after impairment		Value of collateral	
	31.3.2010	31.12.2009	31.3.2010	31.12.2009	31.3.2010	31.12.2009	31.3.2010	31.12.2009
Loans and Receivables (LaR)								
Loans and advances to banks	367	497	308	363	59	134	–	–
Loans and advances to customers	10,533	9,322	3,485	3,165	7,048	6,157	2,273	2,170
Financial investments [1]	1,703	1,593	767	810	936	783	54	47
Available for Sale (AfS)								
Financial investments [1]	1,436	1,410	444	464	992	946	–	–
Total	**14,039**	**12,822**	**5,004**	**4,802**	**9,035**	**8,020**	**2,327**	**2,217**

[1] Financial investments categorised as LaR and AfS are shown net in the statement of financial position, i.e. at their carrying amounts less impairment.

41. CREDIT RISK EXPOSURE

Maximum credit risk exposure is based on both the IFRS carrying amounts reported in Note (38), which are net of loan loss provisions of € 5,158 million (31 December 2009: € 4,718 million), and the off-balance sheet business shown in Note (42).

Credit risk exposure (€ m)	Carrying amount/ nominal volume 31.3.2010	31.12.2009
Assets		
Held for Trading (HfT)		
Assets Held for Trading	17,751	16,879
Non-current assets held for sale and disposal groups	–	95
Designated at Fair Value (DFV)		
Loans and advances to banks	216	213
Loans and advances to customers	1,189	1,165
Financial investments	3,295	3,340
Non-current assets held for sale and disposal groups	57	428
Available for Sale (AfS)		
Cash reserve	332	318
Loans and advances to banks	46	46
Financial investments	9,719	9,648
Non-current assets held for sale and disposal groups	64	63
Loans and Receivables (LaR)		
Cash reserve	349	978
Loans and advances to banks	11,707	14,912
Loans and advances to customers	105,886	104,792
Financial investments	16,657	16,702
Non-current assets held for sale and disposal groups	514	–
Other assets	244	338
No IAS 39 category		
Positive fair values of hedging derivatives	1,727	1,684
Receivables under finance leases	308	252
Subtotal for balance sheet business	**170,061**	**171,853**
Off-balance-sheet business		
No IAS 39 category		
Contingent liabilities	4,250	4,244
Irrevocable loan commitments	12,683	14,199
Subtotal for off-balance-sheet business	**16,933**	**18,443**
Total credit risk exposure	**186,994**	**190,296**

For details of collateral received please see Note (44).

42. CONTINGENT LIABILITIES AND IRREVOCABLE LOAN COMMITMENTS

Off-balance-sheet business
(€ m)

	31.3.2010	31.12.2009
Contingent liabilities	4,250	4,244
Irrevocable loan commitments	12,683	14,199
Total	**16,933**	**18,443**

Other disclosures

43. REPORT ON BUSINESS IN DERIVATIVES

Derivative financial instruments are used to a considerable degree in order to hedge risk efficiently, to take advantage of market opportunities and to cover special customer financing needs. The derivatives business of HSH Nordbank Group is predominantly transacted with banks based in OECD countries.

I. VOLUMES

Derivative transactions with interest rate risks (€ m)	Nominal values		Positive market values		Negative market values	
	31.3.2010	**31.12.2009**	**31.3.2010**	**31.12.2009**	**31.3.2010**	**31.12.2009**
Interest rate swaps	478,210	469,048	13,088	11,142	13,506	11,586
FRAs	9,386	6,944	5	1	7	5
Swaptions						
Long positions	2,070	2,297	126	166	–	–
Short positions	2,792	3,713	3	–	182	281
Caps, floors	22,514	24,012	264	259	181	191
Exchange-traded contracts	7,695	10,915	–	–	–	–
Other forward interest rate transactions	17,761	9,768	441	187	340	215
Total	**540,428**	**526,697**	**13,927**	**11,755**	**14,216**	**12,278**

Derivative transactions with interest rate and currency risks (€ m)	Nominal values		Positive market values		Negative market values	
	31.3.2010	**31.12.2009**	**31.3.2010**	**31.12.2009**	**31.3.2010**	**31.12.2009**
Cross currency interest rate swaps	41,019	40,275	567	706	1,154	1,237
Total	**41,019**	**40,275**	**567**	**706**	**1,154**	**1,237**

Derivative transactions with currency risks (€ m)	Nominal values		Positive market values		Negative market values	
	31.3.2010	31.12.2009	31.3.2010	31.12.2009	31.3.2010	31.12.2009
Forward exchange transactions	30,059	33,067	253	490	421	613
Currency options						
Long positions	2,250	2,108	190	201	–	–
Short positions	1,967	2,010	–	–	185	198
Total	**34,276**	**37,185**	**443**	**691**	**606**	**811**

Derivative transactions with equity and other price risks (€ m)	Nominal values		Positive market values		Negative market values	
	31.3.2010	31.12.2009	31.3.2010	31.12.2009	31.3.2010	31.12.2009
Equity options						
Long positions	621	641	56	59	–	–
Short positions	168	172	–	–	40	45
Forward equity transactions	15	–	–	–	–	–
Exchange-traded contracts	11	72	5	6	6	17
Equity / index-based swaps	359	362	3	3	63	64
Commodity-based transactions	400	376	126	136	112	116
Total	**1,574**	**1,623**	**190**	**204**	**221**	**242**

Credit derivatives (€ m)	Nominal values		Positive market values		Negative market values	
	2010	2009	2010	2009	2010	2009
Guarantor position	2,101	2,406	27	31	25	38
Secured position	2,818	3,033	347	347	27	30
Total	**4,919**	**5,439**	**374**	**378**	**52**	**68**

The table for credit derivatives includes premiums from credit default swaps which are recognised and measured under receivables and liabilities.

Derivative transactions in fair value hedge accounting (€ m)	Nominal values		Positive market values		Negative market values	
	2010	2009	2010	2009	2010	2009
Fair value hedges						
Interest rate swaps	36,825	44,110	1,662	1,609	453	477
Cross currency interest rate swaps	651	643	65	75	44	40
Total	**37,476**	**44,753**	**1,727**	**1,684**	**497**	**517**

II. MATURITIES

Maturities (€ m)	Positive market values of derivatives		Positive market values of derivatives from fair value hedging		Negative market values, derivatives		Negative market values of derivatives from fair value hedging	
	31.3.2010	31.12.2009	31.3.2010	31.12.2009	31.3.2010	31.12.2009	31.3.2010	31.12.2009
Residual maturities								
Up to 3 months	868	976	19	10	819	901	2	1
3 months to 1 year	623	831	134	130	712	762	33	23
1 year to 5 years	5,464	5,028	903	880	6,535	5,952	200	229
More than 5 years	8,585	6,899	671	664	8,219	7,021	262	264
Total	15,540	13,734	1,727	1,684	16,285	14,636	497	517

44. DISCLOSURES ON COLLATERAL TRANSFERRED AND RECEIVED

I. COLLATERAL TRANSFERRED

As at 31 March 2010, the HSH Nordbank Group transferred assets with a carrying amount of € 20,170 million (31 December 2009: € 23,379 million) which do not meet the requirements for derecognition under IAS 39 as collateral. The assets transferred as collateral continue to be recognised by the HSH Nordbank Group, as the interest rate risk, credit risk and other material risks as well as the prospects of appreciation and interest income largely reside with the HSH Nordbank Group.

Carrying amount of transferred collateral
(€ m)

	31.3.2010	31.12.2009
Loans and advances	12,759	11,713
Loans and advances to banks	4,105	3,528
Loans and advances to customers	8,654	8,185
Assets Held for Trading / financial investments	7,411	11,666
Total	20,170	23,379

The collateral transferred comprised mainly assets in the form of securities, loan notes and other receivables from lending, which have been lodged with German and foreign commercial and central banks as short-term collateral for money market borrowing. A small amount of collateral has been transferred in the course of securities lending business.

The following table shows the carrying amounts of the corresponding liabilities:

Carrying amounts of the liabilities
(€ m)

	31.3.2010	31.12.2009
Liabilities to banks	8,836	11,497
Liabilities Held for Trading	4,518	4,088
Total	13,354	15,585

Money market borrowing generally involves pledging and transferring securities lodged with the European Central Bank. Loan notes and other receivables from lending are not pledged to the European Central Bank, but are assigned without this being disclosed. It is not possible to resell or pledge in the interim.

The HSH Nordbank Group securitised customer loans as part of structured transactions and thereby generated senior notes which were eligible for discounting at the central bank which were received by the ECB pledged securities account in the amount of € 1,566 million (as at 31 March 2010). The underlying customer loans are included in "Loans and advances to customers".

HSH Nordbank Group concludes (national as well as international) repurchase agreements under repo master agreements. The associated liabilities are recognised under "Liabilities to banks" or "Liabilities to customers". At the end of the reporting period, the carrying amount of the securities transferred as collateral in the framework of repo transactions was € 6,505 million (31 December 2009: € 1,890 million). The corresponding liabilities are recognised at € 7,307 million (31 December 2009: € 2,678 million). The requirements for derecognition under IAS 39 are not met. The securities sold under repurchase agreements continue to be recognised in the statement of financial position of the Group, as the interest rate risk, credit risk and other material risk as well as opportunities related to appreciation in value and interest income continue to be borne by HSH Nordbank Group.

Repo and securities lending transactions are monitored by measuring transactions on a daily basis. If there is a shortfall in collateral the counterparty may require HSH Nordbank Group to provide additional securities to increase collateral. Where HSH Nordbank Group has provided collateral and the market situation changes such that the cover provided is excessive, it is entitled to require the counterparty to release collateral. The collateral provided is subject to a full transfer of rights, i.e. the party receiving collateral may act like an owner and in particular may transfer or pledge such collateral. In the case of securities collateral, securities of the same type and quality ("the same sort") must be delivered or returned unencumbered. Where collateral has been provided in the form of securities, it may not be returned in cash.

The above conditions and collateral modalities apply to triparty repo transactions between HSH Nordbank Group and its counterparties accordingly. The transactions are executed via a triparty agent.

II. COLLATERAL RECEIVED

In the course of OTC derivatives and structured transactions HSH Nordbank Group has received financial and non-financial assets with a fair value of € 6,146 million (31 December 2009: € 5,422 million) as collateral. A small amount of collateral has been transferred in the course of securities lending business. This includes cash collateral of € 579 million (31 December 2009: € 512 million). There are no restrictions on disposal or realisation. Of this collateral, an amount of € 5,505 million (31 December 2009: € 4,852 million) has been sold on or pledged. HSH Nordbank Group is obliged to return all collateral resold or pledged amounting to the guarantor without exception.

Genuine repo transactions exist as of the reporting date in which the HSH Nordbank Group acts as a lender. In return, the Group received collateral with a fair value of € 2,542 million (31 December 2009: € 2,985 million).

The HSH Nordbank Group carries out securities repurchase and lending transactions as well as triparty repo transactions under standard master agreements with selected counterparties. The same conditions and collateralisation methods apply as for collateral transferred.

III. OTHER COLLATERAL RECEIVED

In the reporting period no assets from the realisation of collateral were recognised (31 December 2009: € 37 million).

In November 2008, HSH Nordbank AG received a guarantee facility for up to a maximum of € 30 billion from SoFFin. This expired at the end of 2009 in agreement with SoFFin. Independently of this, the SoFFin guarantee remains valid for the issues secured by it and totalling € 17 billion, which HSH Nordbank AG performed during the previous financial year.

With regard to the € 10 billion guarantee facility provided to HSH Nordbank and two of its subsidiaries by the Federal State of Schleswig-Holstein and the Free and Hanseatic City of Hamburg via HSH Finanzfonds AöR, see Note (2).

The expense for granting these guarantees is disclosed in the income statement under the item "Expenses for government guarantees" (see Note [14]).

45. RELATED PARTIES AND COMPANIES

The HSH Nordbank Group does business with related parties and companies. These include the HSH Finanzfonds AöR as parent company, the Federal State of Schleswig-Holstein and the Free and Hanseatic City of Hamburg as owners in an associated capacity, and subsidiaries which are controlled but not consolidated for reasons of materiality, associated companies, individuals in key positions and their relatives and companies controlled by these individuals. Individuals in key positions comprise exclusively the members of the Management and Supervisory Boards of HSH Nordbank AG.

In the course of the normal business operations transactions are entered into at arm's length with related companies and parties. These transactions include loans, sight and term deposits, derivatives and securities transactions. Hybrid financial instruments are included in the item "Securitised liabilities".

With regard to the € 10 billion guarantee facility provided to HSH Nordbank and two of its subsidiaries by the Federal State of Schleswig-Holstein and the Free and Hanseatic City of Hamburg via HSH Finanzfonds AöR, see Note (2).

I. THE PARENT COMPANY AND COMPANIES WITH JOINT MANAGEMENT OR SIGNIFICANT INFLUENCE ON THE COMPANY

The parent company and companies with joint management or significant influence on the company – assets
(€ m)

	31.3.2010	31.12.2009
Loans and advances to customers	676	656
Positive fair values of hedging derivatives	5	25
Assets Held for Trading	163	273
Financial investments	380	278
Total	**1,224**	**1,232**

The parent company and companies with joint management or significant influence on the company – liabilities
(€ m)

	31.3.2010	31.12.2009
Liabilities to customers	996	1,283
Securitised liabilities	264	264
Liabilities Held for Trading	103	79
Other liabilities	100	102
Total	**1,463**	**1,728**

The securitised liabilities are hybrid financial instruments.

The parent company and companies with joint management or significant influence on the company – income statement
(€ m)

	31.3.2010	31.12.2009
Net interest income	1	4
Result from hedging	–3	–
Net trading income	–19	1
Expenses for government guarantees	–120	–
Total	**–141**	**5**

Furthermore there are irrevocable loan commitments in the amount of € 65 million (31 December 2009: € 65 million).

II. SUBSIDIARIES

Subsidiaries – assets
(€ m)

	31.3.2010	31.12.2009
Loans and advances to customers	556	837
Positive fair values of hedging derivatives	2	0
Assets Held for Trading	43	29
Financial investments	411	340
Other assets	36	88
Total	1,048	1,294

Subsidiaries – liabilities
(€ m)

	31.3.2010	31.12.2009
Liabilities to customers	167	139
Liabilities Held for Trading	17	15
Other liabilities	1	5
Total	185	159

Subsidiaries – income statement
(€ m)

	31.3.2010	31.12.2009
Net interest income	7	7
Net trading income	-16	-8
Net income from financial investments	–	-53
Total	-9	-54

Furthermore there are contingent liabilities to subsidiaries in the amount of € 5 million (31 December 2009: € 15 million) and € 41 million (31 December 2009: € 39 million) of irrevocable loan commitments.

III. ASSOCIATED COMPANIES

The following tables show transactions with companies HSH Nordbank Group holds shares in and that are not listed under II above.

Associated companies – assets
(€ m)

	31.3.2010	31.12.2009
Loans and advances to banks	–	267
Loans and advances to customers	959	1,698
Assets Held for Trading	28	86
Financial investments	913	923
Other assets	7	9
Total	1,907	2,983

Associated companies – liabilities
(€ m)

	31.3.2010	31.12.2009
Liabilities to banks	–	194
Liabilities to customers	47	184
Securitised liabilities	99	99
Liabilities Held for Trading	–	1
Other liabilities	2	2
Total	148	480

Associated companies – income statement
(€ m)

	31.3.2010	31.12.2009
Net interest income	9	11
Net trading income	1	3
Net income from financial investments	2	–
Total	12	14

Furthermore there are contingent liabilities to associated companies in the amount of € 12 million (31 December 2009: € 111 million) and € 96 million (31 December 2009: € 229 million) of irrevocable loan commitments.

IV. RELATED PARTIES AND COMPANIES

The following table contains disclosures relating to individuals in key positions at HSH Nordbank AG, including their close relatives and companies controlled by these individuals.

Related parties and companies – assets
(€ m)

	31.3.2010	31.12.2009
Loans and advances to customers	1	2
Total	1	2

46. NAMES OF BOARD MEMBERS AND DIRECTORSHIPS HELD

I. THE SUPERVISORY BOARD OF THE HSH NORDBANK GROUP

Hilmar Kopper, Rothenbach
Former spokesperson of the Management Board of Deutsche Bank AG
Chairman

Olaf Behm, Tangstedt
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

Hans-Werner Blöcker, Helmstorf
Managing Director of Vereinigte Asphalt-Mischwerke GmbH & Co. KG

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

Detlev Bremkamp, München
Former member of the Management Board of Allianz AG Holding

Jürgen Friedland, Kiel
Employee of HSH Nordbank AG

Jens-Peter Gotthardt, Moorrege
Employee of HSH Nordbank AG

Torsten Heick, Rellingen
Employee of HSH Nordbank AG

Oke Heuer, Kiel
Deputy Head of Internal Audit, Savings Banks Association for Schleswig-Holstein

Dr. Rainer Klemmt-Nissen, Hamburg
Managing Director of HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg

Lutz Koopmann, Altenholz
Chairman of the Management Board of Investitionsbank Schleswig-Holstein

Dr. Joachim Lemppenau, Korschenbroich
Former Chairman of the Management Board of Volksfürsorge Versicherung

Manfred Lener, Kiel
Employee of HSH Nordbank AG

Rieka Meetz-Schawaller, Kiel
Employee of HSH Nordbank AG

Dr. Hans Reckers, Bad Homburg
Former member of the Executive Board, Deutsche Bundesbank

Edda Redeker, Kiel
ver.di, Northern district

Dr. David Morgan, London
Managing Director of J.C. Flowers & Co. UK Ltd

Bernd Wrede, Hamburg
Former Head of the Executive Board of Hapag Lloyd AG

(a) Members of the Risk Committee

Dr. Hans Reckers
Chairman

Dr. David Morgan
Deputy Chairman

Astrid Balduin

Olaf Behm

Jürgen Friedland

Torsten Heick

Dr. Rainer Klemmt-Nissen

Hilmar Kopper

Manfred Lener

Bernd Wrede

(b) Members of the Audit Committee

Dr. Joachim Lemppenau
Chairman

Lutz Koopmann
Deputy Chairman

Olaf Behm

Jürgen Friedland

Jens-Peter Gotthardt

Oke Heuer

Hilmar Kopper

Rieka Meetz-Schawaller

(c) Members of the Executive Committee

Hilmar Kopper
Chairman

Olaf Behm

Oke Heuer

Dr. Rainer Klemmt-Nissen

Lutz Koopmann

Rieka Meetz-Schawaller

Dr. David Morgan

d) Members of the Mediation Committee

Hilmar Kopper
Chairman

Olaf Behm

Dr. Rainer Klemmt-Nissen

Manfred Lener

II. THE MANAGEMENT BOARD OF THE HSH NORDBANK GROUP

Prof. Dr. Dirk Jens Nonnenmacher
Chairman
- Responsible for the following divisions: Corporate Communications, Legal, Corporate Development, Internal Audit, Human Resources
- Also responsible on a temporary basis for: Taxes, Finance
- Organisational / disciplinary allocation for: IT / Organisation, Transaction Services

Born 1963

Dr. Martin van Gemmeren
- Responsible for the Restructuring Unit with the divisions: Wind-down Loans, Special Loans, Divestments

Born 1970

Bernhard Visker
- Responsible for the following divisions: Corporate Clients, Real Estate Clients, Private Banking, Savings Banks
- Organisational / disciplinary allocation for: Group Treasury, Capital Markets Credit, Capital Markets Clients, Capital Markets Structuring & Trading, Asset and Investment Management (Responsibility is shared by the overall Management Board.)
- Also responsible until 30 April 2010 for: Transport, Energy, Shipping

Born 1966

Constantin von Oesterreich
- Responsible for the following divisions: Credit Risk Management, Group Risk Management

Born 1953

In the capacity of Chief Operating Officer Mr **Ulrich Voß** is responsible for the divisions IT / Organisation and Transaction Services.

With effect from 1 May 2010, Mr **Torsten Temp** was appointed Board member for the Market divisions. He is responsible for the divisions Transport, Energy and Shipping.

Hamburg / Kiel, 17 May 2010

Nonnenmacher van Gemmeren

von Oesterreich Temp

Visker

Confirmation following audit inspection

TO HSH NORDBANK AG, HAMBURG AND KIEL

We have performed an audit inspection of the abridged interim Group financial statements prepared by the HSH Nordbank AG, Hamburg and Kiel, comprising the statement of financial position, the statement of comprehensive income, the statement of changes in equity, the cash flow statement and selected notes together with the interim Group management report for the period from 1 January to 31 March 2010, which form part of the quarterly financial report under Section 37x (3) of the German Securities Trading Act (WpHG). The preparation of the abridged interim Group financial statements according to the International Financial Reporting Standards (IFRS) for interim reporting, as applicable throughout the EU, and the preparation of the interim Group management report according to the provisions of the WpHG applicable to interim Group management reports are the responsibility of the company's legal representatives. Our task is to express an opinion on the abridged interim Group financial statements and the interim Group management report based on our audit inspection.

We conducted our audit of the abridged interim Group financial statements and the interim Group management report in accordance with German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany, Incorporated Association — IDW. Those standards require that we plan and perform the audit such that by critical appraisal we are able to exclude with reasonable certainty that the abridged interim Group financial statements have not been prepared in salient points in agreement with the IFRS for interim reporting, as applicable within the EU, and the interim Group management report has not been prepared in salient points in agreement with the applicable provisions of the WpHG. An audit inspection is primarily restricted to questioning staff of the company and making analytical assessments and therefore does not offer the certainty which can be achieved by an audit of the financial statements. Since according to the mandate we did not undertake an audit of the financial statements, we are unable to provide an auditors' opinion.

On the basis of our audit inspection, we have not become aware of any factors which would lead us to assume that the abridged interim Group financial statements under any significant aspects has not been prepared in accordance with the IFRS for interim reporting, as applicable throughout the EU, or that the interim Group management report under any significant aspects is not in agreement with the provisions of the WpHG applicable to interim Group management reports.

Without qualifying this opinion, we refer to the discussion in the interim Group management report in the paragraph "EU-Beihilfeverfahren" (EU subsidy proceedings) as well as to the selected explanatory notes under Note 1. Therein it is disclosed that the continued existence of HSH Nordbank AG as a going concern depends on whether the European Commission approves the stabilization measures implemented by the Free and Hanseatic City of Hamburg and the State of Schleswig-Holstein via the HSH Finanzfonds AöR to HSH Nordbank AG and the German financial regulation authorities accept these as having a lasting positive effect on the Bank's regulatory capital. In order to achieve this, all parties involved need to implement the stabilisation measures in accordance with the objective of the regulations. It is also necessary that the EU approval should only be tied to requirements which can be implemented within the framework of reasonable business planning, and in particular, which will not conflict the effect of the stabilisation measures that relieve the regulatory capital.

Hamburg, dated 18 May 2010

KPMG AG
Wirtschaftsprüfungsgesellschaft

Krall
Wirtschaftsprüfer
(German Public Auditor)

Madsen
Wirtschaftsprüfer
(German Public Auditor)

Responsibility Statement by the Management Board

We hereby affirm that to the best of our knowledge the interim Group financial statements have been prepared in accordance with the applicable accounting principles and give a true and fair view of the net assets, financial position and results of operations of the HSH Nordbank Group and that the interim Group management report presents the course of business, including the results of the business and the HSH Nordbank Group's situation, in such a manner that it gives a true and fair view and describes the main opportunities and risks for the HSH Nordbank Group's foreseeable performance.

Hamburg / Kiel, 17 May 2010

Nonnenmacher van Gemmeren

von Oesterreich Temp

Visker

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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