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Q1 – Interim Report

as at March 31, 2008

HSH NORDBANK

HSH NORDBANK GROUP AT A GLANCE

Income statement		1.1.–31.3. 2008	1.1.–31.3. 2007
Operating result	(€ million)	39	426
Group net income	(€ million)	81	389

Key ratios		1.1.–31.3. 2008	1.1.–31.3. 2007
Return on equity before taxes	(%)	3.4	36.0
Return on equity after taxes	(%)	7.4	33.2
Cost/income ratio	(%)	73.7	40.4

Balance sheet		31.3.2008	31.12.2007
Total assets	(€ billion)	203.9	204.9
Business volume	(€ billion)	252.1	241.9

Capital ratios[1]		31.3.2008	31.12.2007
Tier 1 capital ratio	(%)	6.4	6.2
Equity funds ratio	(%)	10.4	10.4

Employees	31.3.2008	31.12.2007
Total	4,833	4,756

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

1) incl. market price items; since January 1, 2008 HSH Nordbank has calculated prices in accordance with the requirements of Basel II. Prices as of December 31, 2007 were reported on the basis of Basel I.

2) obligations not covered by Gewährträgerhaftung (guarantee obligation)

3) ship Pfandbriefe and public-sector Pfandbriefe

CONTENTS

Ladies and gentlemen,

HSH Nordbank reported a positive result for the first quarter despite the difficult market situation. Taken on its own, the Group net income of EUR 81 million is not a particularly pleasing result, but it nonetheless shows that, in comparison with its international competitors, HSH Nordbank has relatively successfully weathered the recent storms on the financial markets. We have meanwhile seen some signs of a slight easing on the markets, but in my view it is unlikely that we will witness a fundamental improvement in the course of this year.

This raises the question whether the crisis on the financial markets will also cross over to the real economy. In Germany, the economy has proved to be remarkably resistant. Despite a weak US dollar, sharply increased interest rates and a more restrictive lending policy on the part of financial institutions throughout the world, the economy grew by 1.5% in the first quarter of 2008 versus the fourth quarter of last year. This means that many forecasts for the full year have already been reached in the first quarter. Growth momentum has slowed considerably elsewhere, however, especially in the USA but also in the euro zone. The possibility of a recession in the USA cannot be ruled out, and growth in Europe looks set to remain below the potential of around 2% this year.

These uncertainties are inevitably leaving their mark on the financial markets, which are reacting in a volatile manner, without a clear trend.

But situations like this also open up opportunities. By pursuing a strategy of strict client orientation and consistent risk management, we can continue along the successful path we have been following over the past few years, even when market conditions are less favourable. Our strong focus on the north German domestic market, and the industry know-how we have been acquiring in the course of numerous economic cycles as a sector specialist in our international growth areas, are proving to be of immense value. In this way we know our clients and their needs, and are thus able to offer them tailored solutions, ranging from financing instruments through to complex capital market products.

We will abide by this strategy.

Sincerely,

INTERIM MANAGEMENT REPORT OF HSH NORDBANK GROUP

UNDERLYING CONDITIONS

Weaker US economy

The world economy was still robust at the beginning of the year. Growth momentum was still very good, particularly in the Asian emerging markets led by China and India. The USA, however, continued to suffer from the correction of its national disequilibrium and – as was the case in the fourth quarter of 2007 – posted very little growth. Investment in residential construction continued to decline at a fast pace. Falling property prices, the sharp rise in living costs and the slowdown of the labor market depressed consumer sentiment, so that consumption grew only slightly. On the other hand, imports, which benefited from the weak US dollar, increased dramatically.

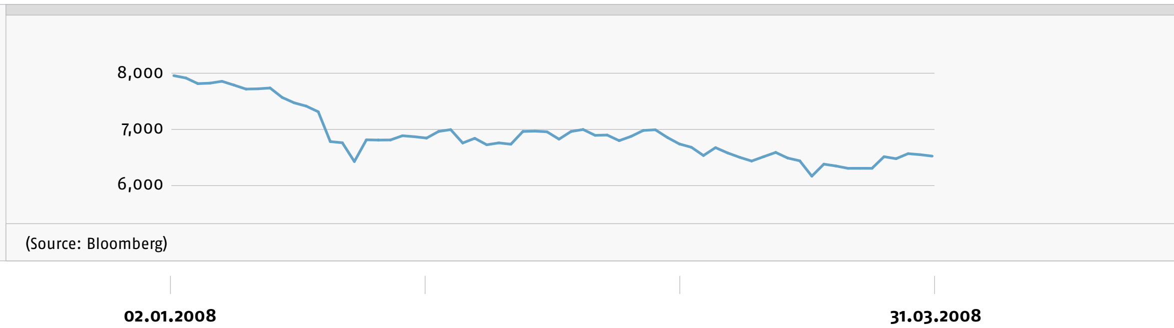
German economy still dynamic

Although the mood of companies and consumers is also clouded in the euro zone, GDP growth in the first quarter was nevertheless comparatively strong. This was in large part due to the German economy which reported the highest growth rate for the past twelve years, but the underlying momentum was possibly also intensified by special effects. The construction sector for instance profited from good weather, and investment activity was boosted by changes in the tax requirements regarding corporate depreciation.

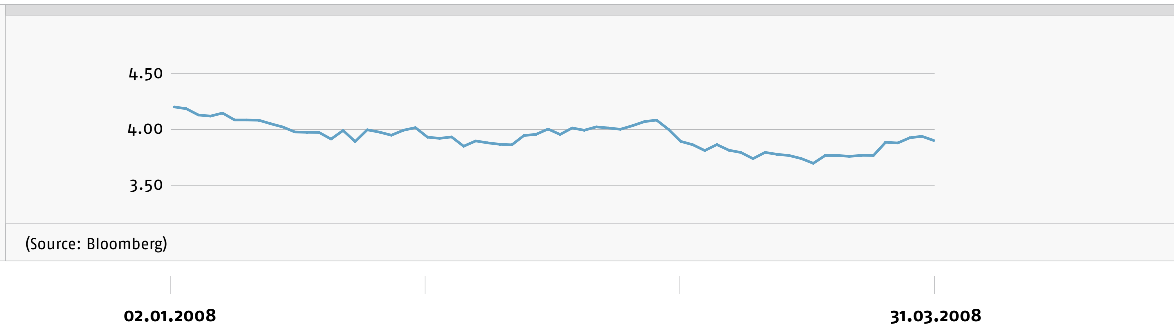
Further write-downs by banks

Many banks on both sides of the Atlantic again needed to write down large amounts in the first quarter due to the subprime crisis. The value adjustments applied not only directly to mortgage-backed claims, but also to products that lost value because of the lower risk tolerance of investors, such as M&A transactions. The US Fed's rescue of investment bank Bear Stearns helped to calm the financial markets somewhat in mid-March.

DAX



10-year German government bonds (in %)



Given the turbulence on the financial markets and the risk of a recession, the Fed drastically cut key interest rates again, and these fell in four stages from 4.25% at the beginning of the year to 2% at the end of April. The ECB for its part continued to focus on the growing risk of inflation – which reached a new high of 3.6% in the euro zone in March – and left the key interest rate at 4%.

Against the backdrop of falling interest rates in the USA, the euro continued to strengthen against the dollar and reached an all-time high of 1.60 USD/EUR in April. International equity markets weakened considerably in the first quarter, mainly due to growing fears of a recession in the USA and further write-downs in the banking sector.

RESULTS OF OPERATIONS, NET ASSETS AND FINANCIAL POSITION

Performance of HSH Nordbank Group

Results of operations: Group net income of EUR 81 million

HSH Nordbank posted a positive result in line with expectations in the first quarter of 2008. As the financial crisis has not yet passed, further write-downs to the Bank's credit investment portfolio were required. We also increased our loan loss provisions after we benefited from releases last year. Our selective expansion policy in financing business had an impact on the earnings situation of some business divisions. Group net income was at EUR 81 million; in the first quarter of 2007, we reported EUR 389 million in an excellent economic environment.

Net interest income developed well in the first quarter of 2008. The 28.8% increase year-on-year to EUR 425 million was due, among other things, to the positive profit contribution from derivatives business (prior year: negative contribution). As the provisions had to be increased, net interest income after loan loss provisions fell to EUR 376 million, versus EUR 415 million in the prior year. While the reversal of portfolio impairments in the previous year contributed EUR 85 million, the first quarter of 2008 saw net new portfolio and individual impairments. As of March 31, 2008 total loan loss provisions were at EUR 49 million.

Net commission income amounted to EUR 48 million (prior year: EUR 83 million) and includes higher expenses for portfolio transactions. Coupled with the fact that commission income is declining, net commission income fell by EUR 35 million year-on-year.

In the first quarter of 2008, the financial market crisis had a negative impact on net trading income and net income from financial investments. Net trading income was EUR –179 million (prior year: EUR 31 million), and net income from financial investments amounted to EUR 1 million (prior year: EUR 142 million). Losses were mostly caused by write-downs on the credit investment portfolio of EUR –189 million.

At EUR 246 million (prior year: EUR 231 million), administrative expenses increased slightly by 6.5%. The number of employees grew to 4,833 (first quarter of 2007: 4,433) and personnel expenses were marginally higher by EUR 6 million. Other operating expenses include higher IT costs.

As a result of these factors, the key ratios of HSH Nordbank were weaker for the first quarter of 2008. Cost/income ratio was 73.7% (prior year: 40.4%), return on equity before taxes fell to 3.4% (prior year: 36.0%). Due to positive effects resulting from deferred taxes, the return on equity after taxes was 7.4% (prior year: 33.2%).

Net assets and financial position: Total assets more or less unchanged

Total assets amounted to EUR 203.9 billion as of March 31, 2008, down slightly from December 31, 2007 (EUR 204.9 billion). The cash reserve improved by EUR 1,494 million to EUR 2,691 million, mainly due to higher balances with central banks. This increase is offset by a decrease of EUR 1,547 million in loans and advances to banks to EUR 26,994 million. Loans and advances to customers, by far the biggest item on the assets side of the balance sheet, increased only 0.3% to EUR 105,785 million due to our cautious expansion policy. Loan loss provisions fell by 3.5% to EUR 1,499 million, since net allocations in the first quarter were over-compensated by comsumption.

Assets held for trading fell by EUR 2,581 million to EUR 21,674 million, mainly as a result of the decrease in bonds and debentures held for trading by EUR 3,810 million to EUR 10,363 million. Positive market value of derivatives held for trading rose by EUR 1,299 to EUR 10,146 million. The increase in financial investments by EUR 964 million to EUR 44,273 million can be attributed to the increase in debentures and other fixed-interest securities.

Liabilities to banks and customers hardly changed versus December 31, 2007. The Group's principal source of refinancing is still securitized liabilities, which fell by EUR 4,668 million in the first quarter to EUR 65,562 million under the influence of unfavourable market conditions. Liabilities held for trading, which mainly comprise negative fair values attributable to derivatives held for trading, rose by EUR 1,845 million to EUR 10,221 million.

Equity capital dropped by EUR 120 million to EUR 4,491 million, primarily due to a further valuation-related decrease in the revaluation reserve of EUR –168 million to EUR –280 million. Of these declines, only EUR 61 million relate to mark-to-market value changes in the credit investment portfolio. The Group's capital base will be substantially strengthened by the impending conversion of silent participations and preference shares into ordinary shares for EUR 685 million and EUR 57 million respectively, and the addition of new capital to the amount of approximately EUR 1.26 billion.

HSH Nordbank has been reporting its equity and its utilization in accordance with the Solvency Ordinance (SolvV), i.e. in accordance with the requirements of Basel II, since January 1, 2008. On March 31, 2008, total Tier 1 capital amounted to EUR 7.6 billion, while the regulatory capital amounted to EUR 12.3 billion. Risk-weighted assets amounted to EUR 119.1 billion. The Tier 1 capital ratio was 6.4% and the equity funds ratio was 10.4%.

Market risks in the trading book and in the banking book

The development of the individual types of market risk over the first quarter of 2008 is presented in the table below.[1] As at March 31, 2008, the market risk exposure of our trading book positions stood at EUR 8.1 million, and that of our banking book positions at EUR 18.7 million. Taking into account risk-mitigating correlation effects, the aggregate market risk came to EUR 19.1 million.

Daily value at risk (VaR) (€ million)

	Interest rate risk		Foreign exchange risk		Equity risk		Commodity risk		Market risk (aggregated)	
	1.1.–31.3.2008	**1.1.–31.12.2007**	**1.1.–31.3.2008**	**1.1.–31.12.2007**	**1.1.–31.3.2008**	**1.1.–31.12.2007**	**1.1.–31.3.2008**	**1.1.–31.12.2007**	**1.1.–31.3.2008**	**1.1.–31.12.2007**
Average	20.0	12.0	10.2	5.6	11.1	11.4	0.5	0.3	24.9	19.9
Maximum	32.5	33.9	24.4	17.9	14.7	14.5	0.8	1.0	40.6	38.5
Minimum	13.1	7.2	3.9	0.4	8.6	8.4	0.1	0.1	16.8	11.4
Year-end	21.7	31.1	5.7	17.9	8.9	12.1	0.2	0.8	19.1	38.5
– of which trading book	6.5	17.2	3.3	2.1	0.5	0.5	0.2	0.8	8.1	16.9

[1] Market risks are defined as potential losses that may result from detrimental changes in the market value of our positions resulting from fluctuations in interest rates, exchange rates, stock prices, indices and commodity prices. Market risk is measured using a value-at-risk approach by means of historical simulation with a confidence level of 99%, a holding period of one day, and an observation period of 250 days. The method is explained in detail in the 2007 Annual Report (pages 88–91).

Performance of the segments

At the beginning of the 2008 financial year, we adjusted our segment structure in order to optimize our organizational processes. The Transportation & Energy segment now comprises the Shipping, Transportation and Energy divisions, while the Real Estate segment consists of the Real Estate Clients division. The Corporate & Private Banking segment combines the Corporate Clients and Private Banking divisions. The newly-organized divisions Capital Markets Clients, Asset & Investment Management, Capital Markets Structuring & Trading and Group Treasury are grouped together with the Savings Banks division in the Financial Markets & Institutions segment.

New segment structure of HSH Nordbank

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

Transportation & Energy (€ million)	**1.1.–31.3. 2008**	**1.1.–31.3. 2007**	Change in %
Net interest income	108	119	–9.2
Net trading income	15	9	66.7
Net income from financial investments	2	14	–85.7
Net commission income	25	30	–16.7
Other operating income	2	0	–
Total income	**152**	**172**	**–11.6**
Loan loss provisions	1	–4	–
Income after loan loss provisions	**151**	**176**	**–14.2**
Operating expenses	48	45	6.7
Operating profit	**103**	**131**	**–21.4**
Average equity	1,106	1,051	5.2

Transportation & Energy: weaker drive in ship financing; lively transportation and energy business

The operating profit for the Transportation & Energy segment which comprises the Shipping, Transportation and Energy divisions dropped to EUR 103 million (prior year: EUR 131 million) in the first quarter of 2008.

Shipping

In the first quarter of 2008, the financial market crisis had a negative impact on business in the Shipping division. As the financial crisis meant that securitization and syndication markets were hardly functioning, our new investment options were very limited, in particular at the end of 2007. This effect continued into the new year and weighed on our earnings situation in the first quarter of 2008.

The persistent shortage of dockyard capacity in all segments drove up the prices of ships. As charter rates and therefore shipping income fell slightly in many market segments, a number of shipping companies found it difficult to implement new projects. Global investment in new ships and second-hand tonnage income fell by a total of 42% year-on-year in the first three months. Despite the difficult environment, we managed to reinforce our position in the Greek market for ship financing with two large syndicated loans: for Capital Products Partners LP, and for Primera Maritime (Hellas) Ltd. In addition, a consortium of banks led by HSH Nordbank and MPC Capital AG provided a large loan to finance a total of nine super-post-Panamax class container vessels.

On a positive note, there was little need in the first quarter to revalue our portfolio, and administrative expenses remained stable. At EUR 57 million, the operating profit nevertheless lagged behind the good prior-year result. The reduction in new business at the end of 2007 was followed by the expansion of our business activities at the beginning of 2008, which should improve our earnings for this year. Seen overall, we expect business to be rather slow in 2008.

Transportation

The Transportation division continued to benefit from strong demand for transportation financing in the first quarter of 2008. New business volume was more or less stable in spite of fierce competition. Total income improved by 11%. Thanks to the good quality of the portfolio, loan loss provisions remained at a pleasingly low level. The operating result improved substantially by 20.8% to EUR 29 million (prior year: EUR 24 million).

HSH Nordbank managed a number of important transactions in the first quarter. In the aviation sector, for example, we lead managed the financing of two Boeing 777 aircraft delivered to Emirates Air at the beginning of the year together with Mizuho Corporate Bank Ltd. and Mashreq Bank. We also handled the pre-delivery payment for two A319, four A320 and three A330 aircraft which will be handed over to the Colombian flag carrier Avianca in 2008 and 2009, thereby strengthening our position in Latin America.

The Commodity Finance team, which has been part of the Transportation division since the beginning of 2008, was also involved in a number of global transactions, including an export pre-financing facility for Carol, a Brazilian agricultural cooperative.

In view of the good start to the first quarter in spite of intense competition and rising liquidity costs, we believe that we will be able to expand our business even further and increase our earnings. Ongoing globalization and the solid economic growth seen in booming regions such as Asia and the Middle East will continue to drive the transportation markets. The high oil prices remain a challenge, particularly to the aviation industry, but airlines are alleviating this effect by systematically rebuilding their fleets with machines that use less kerosene. We are keeping a very close eye on the US aviation market, as the sluggish economy could make it increasingly difficult to pass on the higher fuel costs to passengers.

Intermodal and transportation infrastructure financing, for example for airports and seaports, are continuing to benefit from the unchecked growth in passenger, freight and ship traffic. The demand for commodity financing is also very lively in light of the rise in some commodity prices.

Energy

The Energy division had a very good start to 2008. Since the beginning of the year, this division is bundling all the Bank's investments in the energy sector. Boosted by large investments in renewable energies, the new business trend is very pleasing. Higher market margins compensated for the increase in refinancing costs in the wake of the financial crisis. As a result, net interest income was up more than 15% year-on-year and amounted to EUR 15 million for the first quarter of 2008. Net trading income was boosted by a higher demand for interest and currency derivatives to hedge market price risks. A net release in loan loss provisions also had a positive impact. On the other hand, administrative expenses rose on the back of business expansion in Europe and North America. On balance, we posted an operating result of EUR 18 million, or 50% more than in the prior year.

A number of transactions contributed to the success of our business. The Bank as mandated lead arranger is financing four wind parks in Poland with a total output of 146 megawatts for Danish investment company Scan Energy. The plant contractor Vortex will build and operate the wind parks, which should be connected to the Polish grid in 2009. Loan repayment is guaranteed by long-term electricity purchase agreements. In the coming years, HSH Nordbank will have additional opportunities to benefit from the growth of the energy markets in Poland.

We want to expand our business this year, to which end we are intensifying our sales and management activities in our core markets and expanding our product range while focusing on advisory services. As the general parameters are favourable, we expect new construction of wind and solar power plants to continue at a steady pace. Thanks to our specialized sector know-how and good market position, we should be able to benefit strongly from these developments.

Real Estate: selective business expansion

The Real Estate Clients division posted an operating result of EUR 41 million for the first quarter of 2008. The decline compared to the good result for the previous quarter (EUR 73 million) was mainly due to a loss of momentum in the real estate investment markets. Our restrictive expansion policy also had a noticeable effect. Against the background of the financial crisis, we reduced our exposure to new real estate investments in the fourth quarter of 2007, and new business volume was still comparatively low at the beginning of the year.

At the same time, net interest income rose slightly to EUR 81 million (prior year: EUR 76 million). Income from commission, financial investments and trading fell to EUR 9 million (prior year: EUR 15 million). Loan loss provisions saw a net increase of EUR 7 million thanks to a solid portfolio performance. In the first quarter last year, alignments due to portfolio value adjustments and modified valuation methods resulted in a net release of EUR 25 million.

Real Estate (€ million)	1.1.–31.3. 2008	1.1.–31.3. 2007	Change in %
Net interest income	81	76	6.6
Net trading income	6	4	50.0
Net income from financial investments	1	–2	–
Net commission income	2	13	–84.6
Other operating income	–3	1	–
Total income	**87**	**92**	**–5.4**
Loan loss provisions	7	–25	–
Income after loan loss provisions	**80**	**117**	**–31.6**
Operating expenses	39	44	–11.4
Operating profit	**41**	**73**	**–43.8**
Average equity	613	851	–28.0

In spite of the fact that conditions were more difficult, our real estate subsidiary, HSH Real Estate, successfully continued several projects in the first quarter, even though business was hindered by an unfavourable market environment.

HSH Real Estate is expanding its real estate fund business for institutional investors and is buying another 33.3% of LB Immo Invest GmbH from Real I.S. From July 1, 2008, we will own two-thirds of LB Immo Invest. In spite of the difficult conditions we successfully placed higher equity volumes in the fund business. We are also currently readying several new closed-end funds for launching. The increase in impairments for US residential property funds had a negative impact on the fund business.

In the Project Development division, HSH Real Estate and Tamm Immobilien GmbH sold the two office and business buildings at Großer Burstah 46–52 in Hamburg to Colbert Group, Paris in March 2008. The Services division of HSH Real Estate managed to defend its strong market position at the beginning of the year and acted as advisor for a large portfolio transaction by IVG Immobilien AG.

As client-side demand is on the rise, we are expecting business to improve during the rest of the year. However, the fact that the securitization and syndication markets are not fully functional means that the scope for new investments is likely to remain limited. We should also assume that it will not always be possible to pass on the higher refinancing costs to clients in full.

However, demand for real estate is still relatively strong, as many high net worth real estate investors have strengthened their market presence. We are expecting the more volatile real estate markets in the USA and the UK to go through a consolidation phase in 2008.

Corporate & Private Banking: difficult market environment

At EUR 54 million, the operating profit for the first quarter of 2008 of the Corporate & Private Banking segment, which consists of the Corporate Clients and Private Banking divisions, lagged far behind the previous year's result of EUR 219 million.

Corporate Clients

The Corporate Clients division performed very well in 2007 but weakened at the beginning of the year 2008 as economic conditions continued to be difficult. However, it must be kept in mind that the previous quarter's earnings included the special effects of investment disposals of EUR 72 million. Loan loss provisions also increased at the beginning of 2008, while the repayment of loans by clients outweighed the release in the previous quarter. The net effect of this amounts to EUR 77 million.

Despite intense competition, especially for medium-sized businesses with high credit worthyness, the first quarter saw the acquisition of a large number of new clients. Higher liquidity costs, a market-related drop in leveraged finance transaction volumes and a contraction in the new real estate leasing business, influenced the result for the first quarter. The slightly lower administrative expenses had a positive effect.

Our business with the healthcare sector did particularly well and we mainly benefited from large-volume transactions. HSH Nordbank is currently acting as the mandated lead arranger for the largest private-public partnership project in the German healthcare sector. This project concerns a syndicated loan of EUR 254 million to the Particle Therapy Center in Kiel.

Despite the slow start to the year and continued tension on the financial markets we believe that we can reach our ambitious targets for 2008. The expansion of our activities outside the core region and our product range as well as continued strong demand for financing solutions should help us to achieve our goals.

Corporate & Private Banking (€ million)	1.1.–31.3. 2008	1.1.–31.3. 2007	Change in %
Net interest income	105	110	-4.5
Net trading income	4	7	-42.9
Net income from financial investments	0	72	-100.0
Net commission income	26	43	-39.5
Other operating income	1	1	0.0
Total income	**136**	**233**	**-41.6**
Loan loss provisions	30	-46	–
Income after loan loss provisions	**106**	**279**	**-62.0**
Operating expenses	52	60	-13.3
Operating profit	**54**	**219**	**-75.3**
Average equity	1,330	1,328	0.2

Private Banking

In the first quarter of 2008, the Private Banking division slightly improved on its result for the same period last year (EUR 6 million) and posted an operating profit of EUR 7 million. The division's returns improved substantially thanks to lower equity requirements. At EUR 20 million, total income was on a par with the previous year. Net interest income rose by EUR 1 million thanks to an increase in the interest margins while net commission income dropped by the same amount due to weaker securities business.

The division will continue to focus consistently on the affluent private banking segment. In order to constantly strengthen our market success, we are expanding our range of services with a variety of additional attractive products. In doing so, we should benefit from closer relationships with other divisions of the Bank. We are also growing past our core region of Northern Germany and are constantly expanding our activities in Hanover, Düsseldorf and Luxembourg. The business expansion will mainly result in an increase of the client assets managed by HSH Nordbank.

Financial Markets & Institutions: first-quarter results weighed down by financial markets

The Capital Markets Clients, Asset & Investment Management, Capital Markets Structuring & Trading, Group Treasury and Savings Banks divisions are grouped together in the Financial Markets & Institutions segment, which posted an operating loss of EUR 143 million (prior year: EUR +190 million).

Financial Markets

In the first quarter of 2008, the Financial Markets segment suffered from the tense situation on the financial markets. This led to an operating loss of EUR 149 million, compared with an operating profit of EUR 178 million in the same quarter last year. This loss was driven by write-downs on the credit investment portfolio and mark-to-market value changes on derivatives, which were reflected in the net trading income and the net income from financial instruments. Net interest income fell to EUR 90 million as a result of rising liquidity costs and smaller distributions by credit investment vehicles.

First signs that the situation on the financial markets might be improving appeared at the beginning of the second quarter of 2008, but we are not expecting a broad-based easing of the financial markets before the end of 2008. The market situation in the reporting period resulted in increased demand for risk management solutions. Our client-oriented approach allowed us to post greater profits from cross-selling by developing tailored products through working closely with all business segments.

Given the situation on the markets, HSH Nordbank's refinancing costs remained high in the first quarter. The world's first jumbo ship Pfandbrief with Aaa rating from Moody's which was issued at the beginning of the year has helped us to meet our long-term refinancing needs. The EUR 1 billion Pfandbrief was heavily oversubscribed. The coupon is 4.25% with a duration of two years. The related shipping cover pool with a volume of EUR 2.5 billion received the top rating from Moody's in September 2007.

Savings Banks

The Savings Banks division's operating profit for the first quarter of 2008 was down versus the previous year, mainly due to a lower net release in loan loss provisions. Net interest income also fell marginally as a result of the planned reduction in refinancing transactions with savings banks and municipal authorities.

The financial crisis increased demand by savings banks clients for products that meet a greater need for security. We therefore expanded our sale of customized advisory services for savings banks in the first quarter, adding a variety of innovative financing products to our range. Together with the Bank's capital market experts we are currently working on an innovative private equity product for institutional investors. Sales of mezzanine funds in collaboration with our strategic partner Golding Capital were very successful at the beginning of the year.

We have joined forces with the savings banks to develop top-class energy price hedging products for municipalities that will allow us to improve our position in and outside the core regional market and to contribute to strengthening the ties between the savings banks and their municipal partners.

Financial Markets & Institutions (€ million)	**1.1.–31.3. 2008**	**1.1.–31.3. 2007**	Change in %
Net interest income	95	129	-26.4
Net trading income	-170	47	–
Net income from financial investments	-9	67	–
Net commission income	8	11	-27.3
Other operating income	1	0	–
Total income	**-75**	**254**	**–**
Loan loss provisions	-1	-6	83.3
Income after loan loss provisions	**-74**	**260**	**–**
Operating expenses	69	70	-1.4
Operating profit	**-143**	**190**	**–**
Average equity	1,341	1,240	8.1

Other/reconciliation

The reconciliation column shows the difference between the sum of the individual segments' operating profit and the operating profit of the HSH Nordbank Group as a whole. It contains consolidation adjustments and subsidiaries, as well as additional items that cannot be allocated to the segments.

		Transportation & Energy			Real Estate	Corporate & Private Banking		Financial Markets & Institutions	
Overview of divisions (€ million)	**1.1.–31.3.**	Shipping	Trans-portation	Energy	Real Estate Clients	Corporate Clients	Private Banking	Financial Markets	Savings Banks
Total income	**2008**	79	49	25	87	117	20	-85	10
	2007	110	45	17	92	213	20	243	11
Operating profit	**2008**	57	29	18	41	48	7	-149	5
	2007	95	24	12	73	212	6	178	11
Average equity	**2008**	514	462	130	613	1,292	38	1,329	12
	2007	410	477	164	851	1,277	53	1,216	25

OUTLOOK

The following section should be read together with the Outlook and the Risk Report from the 2007 Annual Report.

Muted economic growth

Although the global economy is expected to enjoy robust growth during the rest of the year, the USA and the euro zone will lose momentum in the coming months. Although we expect growth for both regions to fall below the long-term potential, we do not expect a recession. Financial market volatility will remain high in the coming months in the face of continued uncertainty regarding the future impact of the subprime crisis, and the tension will only ease slowly.

The US Fed might therefore cut interest rates again in the third quarter. If it should start hiking interest rates again at the beginning of next year, the US dollar could strengthen somewhat against the euro in the second half of the year.

Now that markets are less jittery we expect prices to start rising again on the USA and euro zone equity markets, driven by relatively low valuations and solid profits in most sectors. The banking environment remains difficult, particularly as the slowdown in the real economy is likely to affect Banks' business activities.

Persisting subprime crisis

The ongoing subprime crisis means that the financial markets are still nervous. International investors remained cautious about the German public-sector banks in particular in the first quarter of 2008. By contrast, our covered issuing business progressed satisfactorily. In the period under review we placed Pfandbriefe on the market with a total volume of approximately EUR 2 billion.

We are still carefully monitoring the impact of market trends on our risk situation. We introduced various management measures to improve the Group's liquidity position, including increasing our collateral pool by delivering to the central banks additional assets that are eligible for rediscount. The measures that were implemented are reviewed continuously and adjusted to changing circumstances. Market liquidity is not expected to improve any time soon.

We believe that the increase in risk associated with our credit investment portfolio has lessened since the beginning of 2008, and the investment ratings remained largely stable. The negative performance of the markets at the beginning of the year anticipated the expected rating downgradings which were then not implemented in full. The volume of the credit investment portfolio dropped by around 7% to EUR 28 billion in the first quarter as a result of maturities, redemptions and disposals. This limited the impact of market distortions on the first-quarter result. However, there is still uncertainty about market developments in the coming months.

The risks to which the Group is exposed are described in detail in the 2007 Annual Report and these risks have hardly changed this year. The Bank's major risks include default, market, operational and liquidity risks. The Bank has a range of instruments allowing it to enter into risks consciously and in a controlled manner. The systematic expansion of risk management will continue in the coming year as methods, instruments and processes are honed and developed. Particular attention will be paid to the development of our business activities and the risk bearing capacity of the Bank, thus ensuring that any adverse changes in our risk structure are detected at an early stage so that allowances can be made for them in the risk management system.

Positive business trend anticipated

In spite of the extraordinary burdens imposed by the financial crisis, HSH Nordbank posted a positive result in the first quarter, thereby proving once again that it has a good market position. However, the Bank's earnings situation has deteriorated, and we can expect the continued market difficulties to weigh on our business in 2008.

We are therefore introducing measures designed to improve the Bank's profitability. The capital measures that will be implemented by the middle of 2008 will allow us to expand our new business in growth markets. We are pushing our sales and constantly expanding our product range. We are in particular intensifying our cross-selling activities and offering new attractive investment products to special client groups. We are also optimizing our portfolio management processes to enable us to place loans on the capital market even faster. A new centralized business unit will in future manage and coordinate the syndication and securitization activities of the Bank's individual divisions.

We have demonstrated that our business model can withstand a crisis. We are expanding our client business in a targeted manner by strengthening our position in important business areas. In spite of the current difficult environment we remain confident that the Group will be able to report a net income for 2008 that is above the figure for 2007.

INTERIM FINANCIAL STATEMENTS OF HSH NORDBANK GROUP

INCOME STATEMENT OF HSH NORDBANK GROUP

from January 1 to March 31, 2008

(€ million)	1st quarter 2008	1st quarter 2007	Change in %
Net interest income	425	330	28.8
Loan loss provisions	49	-85	–
Net interest income after loan loss provisions	**376**	**415**	**-9.4**
Net commission income	48	83	-42.2
Result from hedging	14	-17	–
Net trading income	-179	31	–
Net income from financial investments	1	142	-99.3
Administrative expenses	246	231	6.5
Other operating income	25	3	> 100
Operating profit	**39**	**426**	**-90.8**
Income tax expense	-41	35	–
Net income after taxes from continuing operations	**80**	**391**	**-79.5**
Profit (–) and loss attributable to minorities	-1	2	–
Group net income	**81**	**389**	**-79.2**

Appropriation of profit (€ million)	1st quarter 2008	1st quarter 2007
Group net income	**81**	**389**
Appropriation of profit for silent participations dedicated to conversion	–	12
Group profit	**81**	**377**

BALANCE SHEET OF HSH NORDBANK GROUP

at March 31, 2008

(€ million)	Note	31.03.2008	31.12.2007	Change in %
Assets				
Cash reserve		2,691	1,197	> 100
Loans and advances to banks	(12)	26,994	28,541	-5.4
Loans and advances to customers	(13)	105,785	105,475	0.3
Loan loss provisions	(14)	-1,499	-1,554	-3.5
Positive market values of hedge derivatives	(15)	1,330	1,302	2.2
Adjustment item from portfolio fair value hedges		47	-23	-
Assets held for trading	(16)	21,674	24,255	-10.6
Financial investments	(17)	44,273	43,309	2.2
Intangible assets	(18)	342	340	0.6
Tangible assets	(19)	115	117	-1.7
Investment property	(20)	259	258	0.4
Non-current assets held for sale and discontinued operations		62	65	-4.6
Current tax assets		432	337	28.2
Deferred tax assets		937	815	15.0
Other assets	(21)	450	429	4.9
Total assets		**203,892**	**204,863**	**-0.5**

(€ million)	Note	31.03.2008	31.12.2007	Change in %
Liabilities				
Liabilities to banks	(22)	58,685	57,764	1.6
Liabilities to customers	(23)	51,125	50,247	1.7
Securitized liabilities	(24)	65,562	70,230	-6.6
Negative market values of hedge derivatives	(25)	1,020	1,080	-5.6
Adjustment item from portfolio fair value hedges		314	-3	-
Liabilities held for trading	(26)	10,221	8,376	22.0
Provisions	(27)	788	781	0.9
Current tax obligations		234	258	-9.3
Deferred tax obligations		103	99	4.0
Other liabilities	(28)	2,217	2,124	4.4
Subordinated capital	(29)	9,132	9,296	-1.8
Equity		4,491	4,611	-2.6
Share capital		702	702	0.0
Capital reserve		2,317	2,317	0.0
Retained earnings		1,657	1,597	3.8
Revaluation surplus		-280	-168	66.7
Currency translation reserve		-205	-121	69.4
Minority interests		219	224	-2.2
Group net income		81	60	35.0
Total liabilities		**203,892**	**204,863**	**-0.5**

STATEMENT OF CHANGES IN EQUITY OF HSH NORDBANK GROUP

(€ million)	Share capital	Conversion capital	Capital reserves
As at 1 January 2007	**623**	**750**	**1,646**
Net income for the year	–	–	–
Capital increases/decreases	79	–750	671
Allocations to/withdrawals from retained earnings	–	–	–
Changes in unrealized gains/losses	–	–	–
Changes affecting income	–	–	–
Dividend payments and payments for conversion capital	–	–	–
Currency exchange rate changes	–	–	–
Changes in scope of consolidation	–	–	–
As at 31 December 2007	**702**	**–**	**2,317**
Group net income	–	–	–
Allocations to/withdrawals from retained earnings	–	–	–
Changes in unrealized gains/losses	–	–	–
Changes affecting income	–	–	–
Currency exchange rate changes	–	–	–
As at 31 March 2008	**702**	**–**	**2,317**

On May 19, 2008 the annual general meeting of HSH Nordbank AG voted to distribute EUR 175 million to shareholders from the profit for the year to December 31, 2007 under German GAAP. This amount was included in retained earnings as of March 31, 2008; these will fall by a corresponding amount in the second quarter as a result of the distribution.

Retained earnings	there of which actuarial gains and losses under IAS 19	Currency translation reserve	Revaluation reserves	Group profit	Total before minority interest	Minority interest	Total
848	16	-52	53	604	4,472	4	4,476
–	–	–	–	285	285	-5	280
–	–	–	–	–	–	–	–
781	–	–	–	-781	–	–	–
79	79	–	-207	–	-128	-3	-131
–	–	–	-7	–	-7	–	-7
-160	–	–	–	-48	-208	-6	-214
–	–	-69	-7	–	-76	–	-76
49	–	–	–	–	49	234	283
1,597	95	-121	-168	60	4,387	224	4,611
–	–	–	–	81	81	-1	80
60	–	–	–	-60	–	–	–
–	–	–	-89	–	-89	–	-89
–	–	–	-18	–	-18	–	-18
–	–	-84	-5	–	-89	-4	-93
1,657	95	-205	-280	81	4,272	219	4,491

ABRIDGED CASH FLOW STATEMENT OF HSH NORDBANK GROUP

(€ million)	1st quarter 2008	1st quarter 2007
Cash and cash equivalents as at 1 January	1,197	938
Cash flow from operating activities	2,596	1,461
Cash flow from investing activities	-939	-3,126
Cash flow from financing activities	-163	1,482
Effect of exchange rate changes	–	-3
Cash and cash equivalents as at 31 March	2,691	752

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

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

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

EXPLANATORY NOTES

General Information

(1) ACCOUNTING PRINCIPLES

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

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

In preparing these financial statements, we took the stipulations of Section 37x (3) in conjunction with Section 37y of the German Securities Trading Act (WpHG) into account. We have not availed ourselves of the option of an audit in accordance with Section 317 of the German Commercial Code or a review of the interim consolidated financial statements and interim management report by the auditor.

(2) CONSOLIDATED COMPANIES

In addition to the parent company HSH Nordbank AG, Hamburg and Kiel, 57 companies (December 31, 2007: 62) have been consolidated. This includes 23 (December 31, 2007: 24) special purpose entities, which should be consolidated according to the provisions of SIC 12.

The following subsidiaries or special purpose entities were not consolidated, in comparison to the financial statements as at December 31, 2007:

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

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

Corporate Finance A/S was deconsolidated as of January 1, 2008, having ceased business.

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

Notes on the Income Statement

(3) NET INTEREST INCOME

Net interest income (€ million)	1st quarter 2008	1st quarter 2007
Interest income from		
lending and money market transactions	2,031	1,677
fixed-income securities	615	391
trading activities	185	183
derivatives	5,741	4,544
unwinding	9	11
Current income from		
equities and other non-fixed-income securities	7	6
non-consolidated subsidiaries	8	–
equity holdings	32	38
other holdings	2	–
Total interest income	**8,630**	**6,850**
of which, attributable to financial instruments that are not categorized as hft or dfv under IAS 39	2,605	2,011
Interest expenses from		
liabilities to banks	866	498
liabilities to customers	656	440
securitized liabilities	903	788
subordinated capital	125	99
derivatives	5,655	4,695
Total interest expenses	**8,205**	**6,520**
of which, attributable to financial instruments that are not categorized as hft or dfv under IAS 39	2,223	1,699
Net interest income	**425**	**330**

Interest income and expenses in relation to trading and hedging derivatives are recognized in interest income and expenses from derivative financial instruments.

Net interest income also contains income and expenses from amortization of reconciling items from portfolio fair value hedges and the matching proceeds from the disposal of the underlying transactions which contributed to reconciling items.

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

(4) LOAN LOSS PROVISIONS

	1st quarter	
Loan loss provisions (€ million)	**2008**	**2007**
Expenses from allocations to loan loss provisions	190	46
Income from releases of loan loss provisions	135	136
Direct write-downs	–	3
Recoveries on loans and advances previously depreciated	6	1
Expenses from allocations to provisions from the lending business	–	4
Income from releases of provisions in the lending business	–	1
Total	**49**	**–85**

Net additions to specific impairment allowances for lending were EUR 35 million during the year (previous year: EUR –11 million of releases). In addition, EUR 20 million was added to portfolio value adjustments, while the previous year had seen EUR 79 million of releases from portfolio adjustments as a result of improvements achieved under Basel II.

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

(5) NET COMMISSION INCOME

Net commission income (€ million)	1st quarter 2008	1st quarter 2007
Commission income from lending business	27	57
Commission income from guarantee business	17	10
Commission income from securities business	13	33
Commission income from foreign business	4	5
Commission income from payments and account transactions	1	1
Other fees and commission income	30	24
Total commission income	**92**	**130**
Commission expenses from lending business	5	6
Commission expenses from guarantee business	15	2
Commission expenses from securities business	7	25
Commission expenses from foreign business	1	1
Commission expenses from payments and account transactions	1	1
Other commission expenses	15	12
Total commission expenses	**44**	**47**
Total	**48**	**83**

Of net commission income, EUR 49 million (previous year: EUR 74 million) was incurred by financial instruments measured at fair value not recognized in profit or loss. EUR -1 million (previous year: EUR 9 million) of net commission income was incurred by financial instruments measured at fair value and recognized in the income statement.

(6) RESULT FROM HEDGING

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

Result from Hedging (€ million)	1st quarter 2008	1st quarter 2007
Fair value changes from hedging transactions	294	-140
of which: micro fair value hedge	21	-18
portfolio fair value hedge	273	-122
Fair value changes from hedged items	-280	123
of which: micro fair value hedge	-26	13
portfolio fair value hedge	-254	110
Total	**14**	**-17**

(7) NET TRADING INCOME

Net trading income includes all realized and unrealized measurement results arising from financial assets and financial obligations in the trading portfolio, in other words financial instruments held for trading (hft). Realized and unrealized measurement gains and losses from instruments designated at fair value (dfv) are also reported here.

Gains and losses on currency translation are also recorded in this item of the income statement. Interest income from financial instruments of the IAS 39 categories designated at fair value (dfv) and held for trading (hft) are shown under Net interest income. Foreign currency transactions and commodities are included under other products.

	1st quarter							
	Bonds and interest rate derivatives		Equities and equity derivatives		Other products		Total	
Net trading income (€ million)	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Net income from trading portfolios (hft)								
Fair value changes	-24	408	-141	-14	95	-14	-70	380
Realized net income	-27	-62	–	2	33	-13	6	-73
Sum	-51	346	-141	-12	128	-27	-64	307
Net income from designated portfolios (dfv)								
Fair value changes	-87	-264	-15	-12	4	–	-98	-276
Realized net income	-16	–	-1	–	–	–	-17	–
Sum	-103	-264	-16	-12	4	–	-115	-276
Total	-154	82	-157	-24	132	-27	-179	31

(8) NET INCOME FROM FINANCIAL INVESTMENTS

In addition to any realized gains and losses from financial investments of the categories loans and receivables (lar) and available for sale (afs), depreciation and write-ups are recognized in this category as part of impairment losses or reversals of impairment losses. In the case of financial investments of the IAS 39 category available for sale (afs), write-ups are only undertaken for debt instruments and only to a maximum of the adjusted acquisition cost.

Net income from financial investments (€ million)	1st quarter 2008	1st quarter 2007
Available for sale (afs) – financial assets		
– Realized gain/loss	9	168
– Depreciations	28	–
– Write-ups	49	–
Sum	**30**	**168**
Loans and receivables (lar) – financial assets		
– Realized gain/loss	10	-11
– Depreciations	129	15
– Write-ups	90	–
Sum	**-29**	**-26**
Total	**1**	**142**

(9) ADMINISTRATIVE EXPENSES

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

Administrative expenses (€ million)	1st quarter 2008	1st quarter 2007
Personnel costs	120	114
Administrative expenditure	116	109
Depreciation on tangible assets and intangible assets	10	8
Total	**246**	**231**

(10) OTHER OPERATING INCOME

Other operating income (€ million)	1st quarter 2008	1st quarter 2007
Other operating income	39	31
Other operating expenses	14	28
Total	**25**	**3**

(11) EARNINGS PER SHARE

To calculate earnings per share, the group net income is divided by the weighted average number of ordinary shares outstanding during the period under review.

Earnings per share	1st quarter 2008	1st quarter 2007
Group net income (€ million)	81	389
Average number of ordinary shares outstanding (million)	70	62
Earnings per share (€)	**1.15**	**6.24**

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

Notes on the Balance Sheet

(12) LOANS AND ADVANCES TO BANKS

Loans and advances to banks (€ million)	31.03.2008	31.12.2007
Due daily	6,715	6,981
Other loans and advances	20,279	21,560
Total before loan loss provisions	**26,994**	**28,541**
Loan loss provisions	7	7
Total after loan loss provisions	**26,987**	**28,534**

(13) LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers (€ million)	31.03.2008	31.12.2007
Retail customers	3,618	3,964
Corporate clients	91,064	91,597
Public authorities	11,103	9,914
Total before loan loss provisions	**105,785**	**105,475**
Loan loss provisions	1,492	1,547
Total after loan loss provisions	**104,293**	**103,928**

(14) LOAN LOSS PROVISIONS

Loan loss provisions (€ million)	**31.03.2008**	**31.12.2007**
Loans and advances to banks	7	7
Loans and advances to customers	1,492	1,547
Loan loss provisions for balance sheet items	**1,499**	**1,554**
Provisions for warranties, letters of credit, lending commitments	42	43
Total	**1,541**	**1,597**

The movement in total loan loss provisions for banks during the reporting period was as follows:

	Individual value allowances		Portfolio value allowances		Total	
Loan loss provisions to banks (€ million)	**31.03.2008**	**31.12.2007**	**31.03.2008**	**31.12.2007**	**31.03.2008**	**31.12.2007**
As at January 1	–	4	7	13	7	17
Releases	–	1	–	6	–	7
Utilization	–	3	–	–	–	3
As at March 31, 2008/December 31, 2007	**–**	**–**	**7**	**7**	**7**	**7**

The movement in total loan loss provisions for customers during the reporting period was as follows:

	Individual value allowances		Portfolio value allowances		Total	
Loan loss provisions to customers (€ million)	**31.03.2008**	**31.12.2007**	**31.03.2008**	**31.12.2007**	**31.03.2008**	**31.12.2007**
As at January 1	1,121	1,281	426	522	1,547	1,803
Additions	170	510	20	2	190	512
Releases	135	401	–	98	135	499
Utilization	98	227	–	–	98	227
Unwinding	–10	–40	–	–	–10	–40
Currency exchange rate changes	–2	–2	–	–	–2	–2
As at March 31, 2008/December 31, 2007	**1,046**	**1,121**	**446**	**426**	**1,492**	**1,547**

Published impairments stated only affect positions classified as loans and receivables (lar).

(15) POSITIVE MARKET VALUE OF HEDGE DERIVATIVES

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

Positive market value of hedge derivatives (€ million)

	31.03.2008	31.12.2007
Positive market value of derivatives from micro fair value hedging items	256	231
Positive market value of derivatives from fair value hedging items	1,074	1,071
Total	1,330	1,302

(16) ASSETS HELD FOR TRADING

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

Assets held for trading (€ million)

	31.03.2008	31.12.2007
Debentures and other fixed-income securities	10,363	14,173
Equities and other non-fixed-income securities	83	174
Positive market value arising from derivative financial instruments	10,146	8,847
Other assets held for trading	1,082	1,061
Total	21,674	24,255

(17) FINANCIAL INVESTMENTS

Financial instruments belonging to the category available for sale (afs) and securities belonging to the categories of loans and receivables (lar) and designated at fair value (dfv) are stated under financial investments. This item includes debentures not held for trading, equities, fixed-income and non-fixed-income securities, holdings, holdings in unconsolidated subsidiaries, holdings in joint ventures and holdings in associated companies not recognized at equity in the Group financial statements.

Financial investments (€ million)

	31.03.2008	31.12.2007
Debentures and other fixed-income securities	40,106	39,438
Equities and other non-fixed-income securities	1,991	1,770
Equity holdings	2,010	1,951
Interests in subsidiaries	166	150
Total	**44,273**	**43,309**

(18) INTANGIBLE ASSETS

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

Intangible assets (€ million)

	31.03.2008	31.12.2007
Goodwill	272	272
Software	70	68
of which: software created in-house	41	40
acquired software	29	28
Total	**342**	**340**

(19) TANGIBLE ASSETS

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

The following table contains details on tangible assets:

Tangible assets (€ million)

	31.03.2008	31.12.2007
Land and buildings	49	49
Plant and equipment	49	49
Leasing objects	17	19
Total	**115**	**117**

(20) INVESTMENT PROPERTY

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

Investment property (€ million)

	31.03.2008	31.12.2007
Investment property	259	258
Total	**259**	**258**

(21) OTHER ASSETS

Other assets include all assets which cannot be allocated to another of the asset items.

Other assets (€ million)

	31.03.2008	31.12.2007
Claims on investment companies and subsidiaries	49	87
Accrued income	46	31
Claims for fund transaction	26	23
Tenant loans	8	7
Other claims from securities commissions transactions	–	45
Other assets	321	236
Total	**450**	**429**

(22) LIABILITIES TO BANKS

Liabilities to banks (€ million)	31.03.2008	31.12.2007
Due daily liabilities	7,731	5,013
Other liabilities	50,954	52,751
Total	**58,685**	**57,764**

(23) LIABILITIES TO CUSTOMERS

Liabilities to customers (€ million)	31.03.2008	31.12.2007
Savings deposits	92	94
Other liabilities		
Due daily	9,052	9,370
Liabilities with a defined maturity	41,981	40,783
Total	**51,125**	**50,247**

(24) SECURITIZED LIABILITIES

Securitized liabilities (€ million)	31.03.2008	31.12.2007
Debentures issued	57,955	60,206
Moneymarket instruments issued	6,016	6,991
Other securitized liabilities	1,591	3,033
Total	**65,562**	**70,230**

Of the securitized liabilities, repurchased own debentures in the amount of EUR 3,730 million (December 31, 2007: EUR 4,889 million) and own money market securities in the amount of EUR 705 million (December 31, 2007: EUR 558 million) were offset.

(25) NEGATIVE MARKET VALUE OF HEDGE DERIVATIVES

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

Negative market value of hedge derivatives (€ million)	**31.03.2008**	**31.12.2007**
Negative market value of derivatives from micro fair value hedging items	244	227
Negative market value of derivatives from fair value hedging items	776	853
Total	1,020	1,080

(26) LIABILITIES HELD FOR TRADING

Only financial assets belonging to the category of held for trading (hft) are recognized under liabilities held for trading. This includes derivatives with a negative market value which are not used as hedging instruments.

Delivery commitments from short sales of securities and accrued rata interest are also recognized in this category.

Liabilities held for trading (€ million)	**31.03.2008**	**31.12.2007**
Negative fair value arising from derivative financial instruments		
Interest rate-based transactions	6,940	5,970
Currency-based transactions	1,850	1,213
Other derivative transactions	468	252
Securities delivery commitments	963	939
Other	–	2
Total	10,221	8,376

(27) PROVISIONS

Provisions (€ million)	**31.03.2008**	**31.12.2007**
Provisions for pension obligations	632	630
Provisions in the lending business	42	43
Provisions for litigation risks and litigation costs	10	10
Provisions for personnel expenses	9	7
Other provisions	95	91
Total	788	781

(28) OTHER LIABILITIES

Other liabilities include all liabilities which cannot be allocated to another of the liabilities items.

Other liabilities (€ million)	31.03.2008	31.12.2007
Collateral for guarantees given	1,387	1,406
Liabilities to personnel	126	142
Liabilities for outstanding invoices	73	77
Other	631	499
Total	**2,217**	**2,124**

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

(29) SUBORDINATED CAPITAL

Under subordinated capital we recognize profit-sharing certificates, subordinated liabilities and silent partner participations. Based on their contractual structure and financial character, the participations of the typical silent partner represent debt, as a result they are stated under subordinated capital.

Subordinated capital (€ million)	31.03.2008	31.12.2007
Subordinated liabilities	5,446	5,547
Profit-sharing certificates	1,154	1,214
Silent partner participations	2,532	2,535
Total	**9,132**	**9,296**

Segment reporting of HSH Nordbank Group

(€ million)	Transportation & Energy 2008	Transportation & Energy 2007	Real Estate 2008	Real Estate 2007	Corporate & Private Banking 2008	Corporate & Private Banking 2007
	1st quarter					
Total income	152	172	87	92	136	233
Loan loss provisions	1	-4	7	-25	30	-46
Income after loan loss provisions	151	176	80	117	106	279
Administrative expenses	48	45	39	44	52	60
Income before taxes	103	131	41	73	54	219
Average equity	1,106	1,051	613	851	1,330	1,328
Cost/income ratio (CIR) in %	31.6	26.2	44.8	47.8	38.2	25.8
Return on equity (RoE) in %	37.3	49.9	26.8	34.3	16.2	66.0

(€ million)	Financial Markets & Institutions 2008	Financial Markets & Institutions 2007	Segments total 2008	Segments total 2007	Other/ Reconciliation 2008	Other/ Reconciliation 2007	Group 2008	Group 2007
	1st quarter							
Total income	-75	254	300	751	34	-179	334	572
Loan loss provisions	-1	-6	37	-81	12	-4	49	-85
Income after loan loss provisions	-74	260	263	832	22	-175	285	657
Administrative expenses	69	70	208	219	38	12	246	231
Income before taxes	-143	190	55	613	-16	-187	39	426
Average equity	1,341	1,240	4,390	4,470	161	267	4,551	4,737
Cost/income ratio (CIR) in %	-92.0	27.6	69.3	29.2	-	-	73.7	40.4
Return on equity (RoE) in %	-42.7	61.3	5.0	54.9	-	-	3.4	36.0

The planned investment and financing profit was allocated from the segment Other and distributed among the business segments on the basis of economic capital commitment.

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

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

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

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

– Net income from hedges is reported in accordance with internal risk management principles on the basis of internal transactions. There was no allocation of the income statement hedge result to individual segments.

– The time value of money from the pension reserves item was not reported in the segments.

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

In accordance with IFRS 7.8, we show below the carrying amounts of financial assets and liabilities broken down by IAS 39 categories:

Carrying amounts by IAS 39 categories (€ million)						**31.03.2008**
	lar	afs	dfv	hft	lia	Total
Assets						
Loans and advances to banks	26,847	–	147	–	–	26,994
Loans and advances to customers	105,005	85	695	–	–	105,785
Assets held for trading	–	–	–	21,674	–	21,674
Financial investments	15,886	22,651	5,736	–	–	44,273
Total assets	**147,738**	**22,736**	**6,578**	**21,674**	**–**	**198,726**
Liabilities						
Liabilities to banks	–	–	292	–	58,393	58,685
Liabilities to customers	–	–	3,947	–	47,178	51,125
Securitized liabilities	–	–	8,046	–	57,516	65,562
Liabilities held for trading	–	–	–	10,221	–	10,221
Subordinated capital	–	–	169	–	8,963	9,132
Total liabilities	**–**	**–**	**12,454**	**10,221**	**172,050**	**194,725**

Carrying amounts by IAS 39 categories (€ million)	lar	afs	dfv	hft	lia	Total 31.12.2007
Assets						
Loans and advances to banks	28,391	–	150	–	–	28,541
Loans and advances to customers	104,931	–	544	–	–	105,475
Assets held for trading	–	–	–	24,255	–	24,255
Financial investments	16,933	20,256	6,120	–	–	43,309
Total assets	**150,255**	**20,256**	**6,814**	**24,255**	**–**	**201,580**
Liabilities						
Liabilities to banks	–	–	290	–	57,474	57,764
Liabilities to customers	–	–	3,858	–	46,389	50,247
Securitized liabilities	–	–	9,156	–	61,074	70,230
Liabilities held for trading	–	–	–	8,376	–	8,376
Subordinated capital	–	–	166	–	9,130	9,296
Total liabilities	**–**	**–**	**13,470**	**8,376**	**174,067**	**195,913**

(31) CONTINGENT LIABILITIES AND OTHER COMMITMENTS

Off-balance-sheet business (€ million)	31.03.2008	31.12.2007
Contingent liabilities	10,822	9,085
Irrevocable credit commitments	37,414	25,985
Other commitments	–	2,000
Total	**48,236**	**37,070**

The marked increase in irrevocable credit commitments as at March 31, 2008, of EUR 11.4 billion, results mainly from forward repos, for most of which a settlement date during the second quarter of 2008 was agreed.

The obligation to purchase commercial paper that was included under other commitments as at December 31, 2007 was converted into three credit facilities during the first quarter of 2008, and these are stated as irrevocable credit commitments.

(32) NOTES ON DERIVATIVES TRANSACTIONS

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

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

The nominal volume of derivative transactions amounted to EUR 761,496 million as of the balance sheet date (December 31, 2007: EUR 766,983 million). We only conduct business in derivative financial instruments with counterparties whose credit rating is immaculate.

In addition to the derivatives set out in the tables below, credit derivatives are also entered into in order to hedge credit risks. The volume for which HSH Nordbank acted as guarantee (buyer) or guarantor (seller) for credit default swaps amounted to EUR 17,388 million and EUR 4,675 million respectively at the balance sheet date (December 31, 2007: EUR 17,929 million and EUR 4,442 million).

	Nominal values	
Derivative transactions with interest rate risk (€ million)	**31.03.2008**	**31.12.2007**
Interest rate swaps	490,904	519,785
FRAs	16,680	8,864
Interest rate options		
– long positions	20,791	26,114
– short positions	13,817	22,264
Caps, floors	27,255	32,198
Exchange-traded contracts	2,788	3,363
Other forward interest rate transactions	19,859	22,096
Interest rate risks – total –	**592,094**	**634,684**

	Nominal values	
Derivative transactions with interest rate and currency risk (€ million)	**31.03.2008**	**31.12.2007**
Interest rate/currency swaps	25,906	20,815

	Nominal values	
Derivative transactions with currency risk (€ million)	**31.03.2008**	**31.12.2007**
Forward exchange transactions	78,316	75,813
Currency options		
– long positions	8,448	9,261
– short positions	9,974	10,224
Currency risks – total –	**96,738**	**95,298**

Derivative transactions with equity and other price risks (€ million)	Nominal values 31.03.2008	Nominal values 31.12.2007
Equity options		
– long positions	20,844	4,109
– short positions	21,380	7,061
Forward equity transactions	188	185
Exchange-traded contracts	1,169	1,226
Equity-/index-based swaps	2,754	3,090
Commodity contracts	423	515
Equity and other price risks – total –	**46,758**	**16,186**

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

	Interest rate risks		Interest rate and currency risks		Currency risks		Equity and other market risks	
(€ million)	**31.03. 2008**	**31.12. 2007**	**31.03. 2008**	**31.12. 2007**	**31.03. 2008**	**31.12. 2007**	**31.03. 2008**	**31.12. 2007**
Maturities								
up to 3 months	139,376	192,342	16,347	8,785	65,183	65,688	802	858
up to 1 year	85,475	73,540	698	716	25,138	23,505	2,348	2,537
up to 5 years	183,223	186,961	5,458	7,678	5,651	5,298	39,342	7,562
more than 5 years	184,020	181,841	3,403	3,637	766	806	4,266	5,228
Total breakdown by maturity	**592,094**	**634,684**	**25,906**	**20,816**	**96,738**	**95,297**	**46,758**	**16,185**

(33) LOANS AND ADVANCES AND LIABILITIES TO EQUITY HOLDINGS AND SUBSIDIARIES AND TO OTHER RELATED COMPANIES AND PERSONS

As part of ordinary business operations, transactions with equity holdings and subsidiaries which are not consolidated and with other related companies and parties are made on market conditions at arm's length. A list of the individual companies can be obtained by consulting the complete list of stockholdings pursuant to Sections 313 (2) and 340a (4) No. 2 of the German Commercial Code, published in the electronic German Federal Gazette as at December 31, 2007, at www.ebundesanzeiger.de.

I. Subsidiaries not consolidated

Loans and advances to subsidiaries not consolidated (€ million)	31.03.2008	31.12.2007
Loans and advances to customers	311	510
Assets held for trading	1	–
Financial investments	166	151
Other assets	49	116
Total	**527**	**777**

Liabilities towards subsidiaries not consolidated (€ million)	31.03.2008	31.12.2007
Liabilities to customers	129	171
Securitized liabilities	373	457
Liabilities held for trading	–	1
Other liabilities	2	6
Total	**504**	**635**

Expenses and income with subsidiaries not consolidated (€ million)	1st quarter 2008	2007
Net interest income	10	5
Total	**10**	**5**

II. Equity holdings

Loans and advances to equity holdings (€ million)	31.03.2008	31.12.2007
Loans and advances to banks	703	742
Loans and advances to customers	363	276
Assets held for trading	33	32
Financial investments	2,010	1,951
Other assets	–	3
Total	**3,109**	**3,004**

Liabilities to equity holdings (€ million)	31.03.2008	31.12.2007
Liabilities to banks	208	207
Liabilities to customers	6	4
Liabilities held for trading	1	3
Other liabilities	1	4
Total	**216**	**218**

Expenses and income with equity holdings (€ million)	1st quarter 2008	2007
Net interest income	4	7
Total	**4**	**7**

III. Related parties

We list below the loans and advances and liabilities to related parties and companies and the stockholders the Free and Hanseatic City of Hamburg and the State of Schleswig-Holstein:

Loans and advances to related parties and stockholders (€ million)	31.03.2008	31.12.2007
Loans and advances to customers	694	692
Positive market value of hedge derivatives	1	–
Assets held for trading	369	421
Financial investments	77	24
Total	**1,141**	**1,137**

Liabilities to related parties and stockholders (€ million)	31.03.2008	31.12.2007
Liabilities to customers	24	41
Negative market value of hedge derivatives	5	–
Liabilities held for trading	12	12
Subordinated capital	93	92
Total	**134**	**145**

Income and expenses with related parties and stockholders (€ million)	1st quarter 2008	2007
Net interest income	–1	4
Net trading income	5	9
Net income from financial investments	–2	–1
Total	**2**	**12**

(34) EXECUTIVE BODIES OF THE HSH NORDBANK GROUP

I. The Supervisory Board of the HSH Nordbank Group

Dr. Wolfgang Peiner, Hamburg
Chairman

Olaf Behm, Hamburg
Deputy Chairman

Sabine-Almut Auerbach, Lübeck

Astrid Balduin, Kiel

Berthold Bose, Hamburg

Prof. Dr. Hans-Heinrich Driftmann, Elmshorn

Ronald Fitzau, Seevetal

J. Christopher Flowers, New York

Dr. Michael Freytag, Hamburg

Jens-Peter Gotthardt, Moorrege

Lothar Hay, Flensburg
(since March 4, 2008)

Torsten Heick, Rellingen

Reinhard Henseler, Schobüll

Jörg-Dietrich Kamischke, Selk

Rieka Meetz-Schawaller, Kiel

Alexander Otto, Hamburg

Knut Pauker, Schenefeld

Edda Redeker, Kiel

Ravi S. Sinha, London

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

Rainer Wiegard, Bargteheide

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

Hans Berger
Chairman

Peter Rieck
Deputy Chairman

Joachim Friedrich

Prof. Dr. Dirk Jens Nonnenmacher

Hartmut Strauß

Bernhard Visker

RESPONSIBILITY STATEMENT BY THE MANAGEMENT BOARD

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group, and the interim Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Hamburg/Kiel, June 2008

Berger   Rieck   Friedrich

Nonnenmacher   Strauß   Visker

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Forward-Looking Statements

This interim report includes certain forward-looking statements. These statements are based on our beliefs and assumptions, on information currently available to us and on sources we believe to be reliable. Forward-looking statements include all statements that are not historical facts, including statements concerning possible or assumed future growth opportunities and future economic developments.

Such forward-looking statements rely on a number of assumptions concerning future events and are subject to uncertainties, risks, and other factors, many of which are outside of our control, that could cause actual results to differ materially from such statements. You should not put undue reliance on any forward-looking statements. We make no representation or warranty as to the accuracy or completeness of such forward-looking statements contained in this report or that any forecast contained herein will be achieved. We have no intention or obligation to update forward-looking statements after we distribute this report. Above all, information contained in this Interim Report does not state an offer to buy or sell any security of HSH Nordbank AG.

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