

OFFERING CIRCULAR



HSH Nordbank AG

(Incorporated in the Federal Republic of Germany)

and

HSH N Finance (Guernsey) Limited

(Incorporated in Guernsey)

€25,000,000,000

Euro Medium Term Note Programme

Under the €25,000,000,000 Euro Medium Term Note Programme (the “Programme”), HSH Nordbank AG (the “Bank”) and HSH N Finance (Guernsey) Limited (“HSH Guernsey” and, together with the Bank, the “Issuers”, and each, in relation to Notes issued by it, an “Issuer”), subject to compliance with all relevant laws, regulations and directives, may from time to time issue notes (the “Notes”, which will include Senior Notes and Subordinated Notes (each as defined herein)). Notes issued by HSH Guernsey will be unconditionally and irrevocably guaranteed by the Bank (in such capacity, the “Guarantor”, although references to “the Bank” should be construed as references to the Bank in its capacities as Issuer or Guarantor, as the context so requires).

The maximum aggregate nominal amount of all Notes from time to time outstanding will not exceed €25,000,000,000 (or its equivalent in other currencies calculated as described herein), subject to increase as described herein.

The Notes may be issued on a continuing basis to one or more of the Dealers specified herein and any additional dealer appointed under the Programme from time to time, which appointment may be for a specific issue or on an ongoing basis (each a “Dealer” and together the “Dealers”). References in this Offering Circular to the “relevant Dealer” shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to purchase such Notes.

Application has been made to list the Notes issued pursuant to the Programme on the Luxembourg Stock Exchange. In relation to Notes listed on the Luxembourg Stock Exchange, this Offering Circular is valid for a period of one year from the date hereof. Notice of the aggregate nominal amount of interest (if any) payable in respect of the issue price of, and any other terms and conditions not contained herein which are applicable to, the Notes of each Tranche (as defined in “Summary of the Programme”) will be set forth in a pricing supplement (the “Pricing Supplement”) which, with respect to Notes to be admitted to the Luxembourg Stock Exchange, will be delivered to the Luxembourg Stock Exchange on or before the date of issue of the Notes of such Tranche. References in this Offering Circular to the “relevant Issuer” shall be to the Issuer of the Notes named in the relevant Pricing Supplement.

The Programme provides that Notes may be listed on such other or further stock exchange(s) as may be agreed between the relevant Issuer and the relevant Dealer. Each Issuer may also issue unlisted Notes.

The Notes of each Tranche will be represented on issue by a temporary global note (each a “temporary Global Note”) or a permanent global note (each a “permanent Global Note”) which will be deposited on the issue date thereof with a common depositary on behalf of Euroclear Bank S.A./N.V. as operator of the Euroclear System (“Euroclear”) and Clearstream Banking, *société anonyme* (“Clearstream, Luxembourg”) and/or any other agreed clearance system. The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive notes (each a “Definitive Note”) are described in “Form of the Notes”. Notes may also be issued in uncertificated book entry form, that are to be credited on their issue date with account holders with the Værdipapier centralen (the “VP”) or the Norwegian Register of Securities (*Verdipapirsentralen*) (the “VPS”). The provisions governing the issue of VP Notes (as defined herein) and VPS Notes (as defined herein) are described in “Summary of the Programme – VP Notes” and “Summary of the Programme – VPS Notes”, respectively.

Arranger

UBS Investment Bank

Dealers

**Citigroup
HSH Nordbank AG
Lehman Brothers
Morgan Stanley
UBS Investment Bank**

**Deutsche Bank
HVB Corporates & Markets
Goldman Sachs International
Nomura International
WestLB AG**

The date of this Offering Circular is 2 June 2004.

The Bank accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge and belief of the Bank, having taken all reasonable care to ensure that such is the case, the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information. HSH Guernsey accepts responsibility for the information contained in this Offering Circular relating to it. To the best of the knowledge and belief of HSH Guernsey, having taken all reasonable care to ensure that such is the case, the information contained in this Offering Circular relating to it is in accordance with the facts and does not omit anything likely to affect the import of such information.

Neither the Dealers nor the Arranger (as defined below) have separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers or the Arranger as to the accuracy or completeness of the information contained in this Offering Circular or any other information provided by any of the Issuers or the Guarantor in connection with the Programme or the Notes or their distribution. The statements made in this paragraph are made without prejudice to the responsibility of the Issuers or the Guarantor under the Programme.

No person is or has been authorised to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by either of the Issuers, the Guarantor, any of the Dealers or the Arranger.

Neither this Offering Circular nor any other information supplied in connection with the Programme or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation or constituting an invitation or offer by or on behalf of either of the Issuers, the Guarantor, any of the Dealers or the Arranger that any recipient of this Offering Circular or any other information supplied in connection with the Programme or any Notes should subscribe for or purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuers and/or the Guarantor.

The delivery of this Offering Circular does not at any time imply that the information contained herein concerning the Issuers or the Guarantor is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers and the Arranger expressly do not undertake to review the financial condition or affairs of the Issuers or the Guarantor during the life of the Programme. Investors should review, inter alia, the most recently published audited annual non-consolidated financial statements of the Bank and the most recent audited annual non-consolidated financial statements of HSH Guernsey when deciding whether or not to purchase any Notes.

The distribution of this Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuers, the Guarantor, the Dealers and the Arranger do not represent that this document may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuers, the Guarantor, the Dealers or the Arranger which would permit a public offering of any Notes or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations, and the Dealers have represented that all offers and sales by them will be made on the same terms. Persons into whose possession this Offering Circular or any Notes come must inform themselves about, and observe, any such restrictions. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States, the United Kingdom, Germany, Guernsey and Japan (see “Subscription and Sale” below).

The Notes have not been and will not be registered under the United States Securities Act 1933, as amended (the “Securities Act”) and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons (see “Subscription and Sale” below).

All references in this document to “U.S. dollars” and “U.S.\$” refer to the currency of the United States of America, those to “Japanese Yen” and “Yen” refer to the currency of Japan, those to

“Sterling” and “£” refer to the currency of the United Kingdom and those to “euro”, “EUR” and “€” are to the lawful currency of the member states of the European Union (the “Member States”) that adopt the single currency in accordance with the Treaty establishing the European Community, as amended.

In connection with any Tranche, one of the Dealers may act as a stabilising agent (the “Stabilising Agent”). The identity of the Stabilising Agent will be disclosed in the relevant Pricing Supplement. References in the next paragraph to the issue of any Tranche are to each Tranche in relation to which a Stabilisation Agent is appointed.

In connection with the issue of any Tranche, the Stabilising Agent or any person acting for him may over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail for a limited period after the issue date. However, there may be no obligation on the Stabilising Agent or any agent of his to do this. Such stabilising, if commenced, may be discontinued at any time, and must be brought to an end after a limited period.

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DOCUMENTS INCORPORATED BY REFERENCE

The following documents shall be deemed to be incorporated in, and to form part of, this Offering Circular:

- (i) the published non-consolidated and consolidated audited annual financial statements of Hamburgische Landesbank – Girozentrale – as at and for the year ended 31 December 2002;
- (ii) the published non-consolidated and consolidated audited annual financial statements of Landesbank Schleswig-Holstein Girozentrale as at and for the year ended 31 December 2002;
- (iii) the published non-consolidated and consolidated audited annual financial statements of the Bank as at and for the year ended 31 December 2003;
- (iv) the most recent non-consolidated audited annual financial statements of HSH Guernsey; and
- (v) all supplements to this Offering Circular, including, in relation to any Tranche of Notes only, the relevant Pricing Supplement, circulated by the Issuers from time to time in accordance with the provisions of the Programme Agreement described herein,

save that any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise).

Each of the Issuers and the Guarantor will provide, without charge, to each person to whom a copy of this Offering Circular has been delivered, upon the request of such person, a copy of any or all of the documents deemed to be incorporated herein by reference unless such documents have been modified or superseded as specified above, save that in relation to unlisted Notes of any Series, the applicable Pricing Supplement will only be obtainable by a Noteholder holding one or more unlisted Notes of that Series and such Noteholder must produce evidence satisfactory to the relevant Issuer, Guarantor or paying agent in Luxembourg as to its identity. Requests for such documents should be directed to the relevant Issuer or, as the case may be, the Guarantor, at its office set out at the end of this Offering Circular. In addition, such documents will be available, without charge, at the specified office of the paying agent in Luxembourg.

SUPPLEMENTARY OFFERING CIRCULAR

Each of the Issuers and the Guarantor has agreed, in connection with the listing of the Notes on the Luxembourg Stock Exchange, to supply the Luxembourg Stock Exchange with such documents and information as may be necessary in connection with the listing of the Notes on the Luxembourg Stock Exchange. Each of the Issuers and the Guarantor will prepare a revised or Supplemental Offering Circular setting out the changes in the operations and financial condition of the Issuers and the Guarantor at least every year after the date of this Offering Circular and each subsequent Offering Circular.

Each Issuer with respect to itself and the Bank with respect to HSH Guernsey has given an undertaking to the Dealers and to the Luxembourg Stock Exchange that if at any time during the duration of the Programme there is a significant change affecting any matter contained in this Offering Circular whose inclusion would reasonably be required by investors and their professional advisers, and would reasonably be expected by them to be found in this Offering Circular, for the purpose of making an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Bank or, as the case may be, HSH Guernsey, and the rights attaching to the Notes, the Issuers shall prepare an amendment or supplement to this Offering Circular for use in connection with any subsequent offering of the Notes and shall supply to each Dealer and to the Luxembourg Stock Exchange such number of copies of such supplement hereto as such Dealer and the Luxembourg Stock Exchange may reasonably request.

SUMMARY OF THE PROGRAMME

The following summary does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Circular and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Pricing Supplement. Words and expressions defined in “Form of the Notes” and “Terms and Conditions of the Notes” below shall have the same meanings in this summary.

Issuers:	HSH Nordbank AG HSH N Finance (Guernsey) Limited
Guarantor in respect of Notes issued by HSH N Finance (Guernsey) Limited	HSH Nordbank AG
Description	Euro Medium Term Note Programme
Arranger	UBS Limited
Dealers	Bayerische Hypo- und Vereinsbank AG Citigroup Global Markets Limited Deutsche Bank AG London Goldman Sachs International HSH Nordbank AG Lehman Brothers International (Europe) Morgan Stanley & Co. International Limited Nomura International plc UBS Limited WestLB AG

The Issuers may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches (which means Notes which are identical in all respects (including the listing of them)) or in respect of the entire Programme. References in this Offering Circular to “Permanent Dealers” are to the persons listed above as Dealers and to such additional persons which are appointed as dealers in respect of the entire Programme (and whose appointment has not been terminated). References to “Dealers” are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.

Agent	Deutsche Bank AG
Size	Up to €25,000,000,000 (or its equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any time. The Issuers may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Method of Issue	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a “Series”) having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a “Tranche”) on the same or different issue dates. The specific terms of each Tranche (which will be supplemented, where necessary, with supplemental terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be set out in a pricing supplement to this Offering Circular (a “Pricing Supplement”).
Distribution	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.

Clearing Systems

Clearstream, Luxembourg, Euroclear, and, in relation to any Series, such other clearing system as may be agreed between the Issuer, the Agent and the relevant Dealer.

Currencies

Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency as may be agreed between the relevant Issuer, the Guarantor (if applicable) and the relevant Dealer.

Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “Subscription and Sale”).

Maturities

Subject to compliance with all relevant laws, regulations and directives, such maturities as may be agreed between the relevant Issuer and the relevant Dealer and as indicated in the applicable Pricing Supplement, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent authority) or any laws or regulations applicable to the Issuer or the relevant Specified Currency. Unless otherwise permitted by then current laws, regulations and directives, Subordinated Notes will have a minimum maturity of five years.

Issue Price

Notes may be issued on a fully-paid or a partly-paid basis (the issue price of which will be payable in two or more instalments) and at an issue price which is at par or at a discount to, or premium over, par.

Form of Notes

Each Tranche of Notes will be represented on issue by a temporary Global Note if (i) Definitive Notes are to be made available to Noteholders following the expiry of 40 days after their issue date or (ii) such Notes have an initial maturity of more than one year and are being issued in compliance with the D Rules (as defined in “Summary of the Programme – Selling Restrictions”), otherwise such Tranche will be represented by a permanent Global Note. Permanent Global Notes will be exchangeable, unless otherwise specified in the applicable Pricing Supplement, in limited circumstances, in whole but not in part, for Definitive Notes upon not less than 60 days’ written notice to the Agent as described in “Form of the Notes” below.

Initial Delivery of Notes

On or before the issue date for each Tranche, the temporary Global Note representing Notes may (or, in the case of Notes listed on the Luxembourg Stock Exchange, shall) be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Temporary Global Notes relating to Notes that are not listed on the Luxembourg Stock Exchange may also be deposited with any other clearing system or may be delivered outside any clearing system, provided that the method of such delivery has been agreed in advance by the relevant Issuer, the Agent and the relevant Dealer.

Fixed Rate Notes

Fixed interest will be payable in arrear on such date or dates as may be agreed between the relevant Issuer, the Guarantor (where relevant) and the relevant Dealer (as indicated in the applicable Pricing Supplement) and on redemption.

Interest will be calculated on the basis of a 360 day year consisting of 12 months of 30 days each or on the Actual/Actual – ISMA basis as specified in the applicable Pricing Supplement (or such other basis as may be agreed, as indicated in the applicable Pricing Supplement).

Floating Rate Notes

Floating Rate Notes will bear interest at a rate determined either:

- (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2000 ISDA Definitions as published by the International Swaps and Derivatives Association, Inc.; or
- (ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or
- (iii) on such other basis as may be agreed between the relevant Issuer, the Guarantor (where relevant) and the relevant Dealer, as indicated in the applicable Pricing Supplement.

The Margin (if any) relating to such floating rate will be agreed between the relevant Issuer and the relevant Dealer for each Series of Floating Rate Notes.

Index Linked Notes

Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula as the relevant Issuer, the Guarantor (where relevant) and the relevant Dealer may agree, as indicated in the applicable Pricing Supplement.

Interest Periods and Interest Rates

The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Tranche. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Pricing Supplement.

Other provisions in relation to Floating Rate Notes and Index Linked Interest Notes

Interest on Floating Rate Notes and Index Linked Interest Notes in respect of each Interest Period, as selected prior to issue by the relevant Issuer, the Guarantor (where relevant) and the relevant Dealer, will be payable on such Interest Payment Dates specified in, or determined pursuant to, the applicable Pricing Supplement and will be calculated on the basis of the Day Count Fraction or such other method as may be indicated in the applicable Pricing Supplement.

Dual Currency Notes

Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the relevant Issuer, the Guarantor (where relevant) and the relevant Dealer may agree, as indicated in the applicable Pricing Supplement.

Zero Coupon Notes

Zero Coupon Notes will be offered and sold at their nominal amount or at a discount to it and will not bear interest other than in the case of late payment.

Other Structured Notes

Notes may also have any other structure as the relevant Issuer, the Guarantor (where relevant) and the relevant Dealer may agree, as set out in the relevant Pricing Supplement.

Redemption

The Pricing Supplement relating to each Tranche of Notes will indicate either that the Notes of such Tranche cannot be redeemed prior to their stated maturity (other than in specified instalments (see below), if applicable, or for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the relevant Issuer and/or the Noteholders upon giving not less than 15 nor more than 30 days' irrevocable notice (or such other notice period (if any) as is indicated in the applicable Pricing Supplement) to the Noteholders or the relevant Issuer, as the case

may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such terms as are indicated in the applicable Pricing Supplement.

Unless otherwise permitted by then current laws and regulations, and, in relation to the Bank only, until such time as the Bank becomes an authorised person under the Financial Services and Markets Act 2000, Notes denominated in Sterling which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the relevant Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the Financial Services and Markets Act 2000 must have a minimum redemption amount of £100,000 (or its equivalent in other currencies).

Redemption by Instalments

The Pricing Supplement may provide that Notes may be repayable in two or more instalments of such amounts and on such dates as are indicated in the applicable Pricing Supplement.

Denomination of Notes

Notes will be issued in such denominations as may be agreed between the relevant Issuer and the relevant Dealer and as indicated in the applicable Pricing Supplement, save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the relevant central bank, stock exchange (or equivalent authority) or any laws or regulations applicable to the relevant Specified Currency.

Unless otherwise permitted by then current laws and regulations, and, in relation to the Bank only, until such time as the Bank becomes an authorised person under the Financial Services and Markets Act 2000, Notes denominated in Sterling which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the relevant Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the Financial Services and Markets Act 2000 must have a minimum denomination of £100,000 (or its equivalent in other currencies).

Withholding Tax

All payments of principal and interest in respect of the Notes will be made free and clear of withholding taxes of the Federal Republic of Germany or Guernsey, as the case may be, subject to customary exceptions, all as described in Condition 6.

Negative Pledge

No.

Cross Default

The terms of the Senior Notes will contain a cross-default provision as further described in Condition 8.

Status of the Senior Notes

The Senior Notes and the relative Receipts and Coupons will constitute, subject to the provisions of Condition 3, direct, unconditional, unsubordinated and unsecured obligations of the relevant Issuer and will rank *pari passu* and without preference among themselves and (save for certain debts required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the relevant Issuer from time to time outstanding.

Senior Guarantee

The Senior Notes issued by HSH Guernsey and the relative Receipts and Coupons will be unconditionally and irrevocably guaranteed by the Guarantor. The obligations of the Guarantor under such senior guarantee will be, subject to the provisions of Condition 2, direct, unconditional and unsecured obligations of the Guarantor and will rank *pari passu* and (save for certain debts required to be preferred

	<p>by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Guarantor from time to time outstanding.</p>
Status of the Subordinated Notes	<p>The Subordinated Notes and the relative Receipts and Coupons will constitute direct, unconditional, subordinated and unsecured obligations of the relevant Issuer and will rank <i>pari passu</i> and without preference among themselves. The payment obligations of the relevant Issuer under the Subordinated Notes and the relative Receipts and Coupons shall be subordinated to the claims of all present or future unsubordinated creditors including depositors (if any) of the relevant Issuer (but only in the circumstances referred to in Condition 2(e)) but shall rank at least <i>pari passu</i> with all other present or future subordinated obligations of the relevant Issuer.</p>
Subordinated Guarantee	<p>The Subordinated Notes issued by HSH Guernsey and the relative Receipts and Coupons will (subject as provided in the subordinated guarantee) be unconditionally and irrevocably guaranteed on a subordinated basis by the Guarantor.</p>
Listing	<p>Application has been made to list Notes issued under the Programme on the Luxembourg Stock Exchange. The Notes may also be listed on such other or further stock exchange(s) as may be agreed between the relevant Issuer, the Guarantor (where relevant) and the relevant Dealer in relation to each Series.</p> <p>Unlisted Notes may also be issued.</p> <p>The Pricing Supplement relating to each Tranche of Notes will state whether or not and, if so, on which stock exchange(s) the Notes are to be listed.</p>
Governing Law	<p>The Notes will be governed by, and construed in accordance with, English law.</p>
Selling Restrictions	<p>There are selling restrictions in relation to the United States, the United Kingdom, Germany, Guernsey and Japan, and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes. See “Subscription and Sale” below.</p> <p>The Guarantor is Category 2 for the purposes of Regulation S under the Securities Act.</p> <p>The Notes will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (the “D Rules”) unless (i) the relevant Pricing Supplement states that Notes are issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (the “C Rules”) or (ii) the Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Notes will not constitute “registration required obligations” under the United States Tax Equity and Fiscal Responsibility Act of 1982 (“TEFRA”), which circumstances will be referred to in the relevant Pricing Supplement as a transaction to which TEFRA is not applicable.</p>
VP Notes	<p>The Notes may be issued in uncertificated book entry form through the VP (the “VP Notes”), subject to the terms and conditions set out in Schedule 1 Part B of the Agency Agreement. The VP Notes will not be listed on the Luxembourg Stock Exchange.</p> <p>The terms and conditions of the VP Notes are included in the Agency Agreement, a copy of which will be made available in accordance with paragraph 7 of the “General Information” section of this Offering Circular.</p>

VPS Notes

The Notes may be issued in uncertificated book entry form through the VPS (the “VPS Notes”), subject to the terms and conditions set out in Schedule 1 Part C of the Agency Agreement. The VPS Notes will not be listed on the Luxembourg Stock Exchange.

The terms and conditions of the VPS Notes are included in the Agency Agreement, a copy of which will be made available in accordance with paragraph 7 of the “General Information” section of this Offering Circular.

FORM OF THE NOTES

Each Tranche of Notes will be in bearer form and will be represented on issue by a temporary Global Note or, if so specified in the applicable Pricing Supplement by a permanent Global Note, in either case without receipts, interest coupons or talons, which will be delivered to a common depositary (the “Common Depositary”) for Euroclear and Clearstream, Luxembourg. Whilst Notes are represented by a temporary Global Note, payments of principal and interest (if any) due prior to the Exchange Date (as defined below) will be made against presentation of the temporary Global Note only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such temporary Global Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg as applicable, and Euroclear and/or Clearstream, Luxembourg has given a like certification (based on the certifications it has received) to the Agent. Any reference in this section “Form of the Notes” to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system approved by the Issuer and the Agent.

On and after the date (the “Exchange Date”) which is 40 days after the date on which any temporary Global Note is issued, interests in such temporary Global Note will be exchangeable (free of charge) upon a request as described therein for interests in a permanent Global Note or, if so provided in the relevant Pricing Supplement, for Definitive Notes with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Pricing Supplement and subject to such notice period as is specified in the applicable Pricing Supplement) in each case against certification of beneficial ownership as described in the second sentence of the immediately preceding paragraph unless such certification has already been given. The holder of a temporary Global Note will not be entitled to collect any payment of interest or principal due on or after the Exchange Date, unless exchange of that temporary Global Note for a permanent Global Note or Definitive Notes, as the case may be, has been improperly withheld or refused. Pursuant to the Agency Agreement (as defined in “Terms and Conditions of the Notes” below) the Agent shall arrange that, where a further Tranche of Notes is issued, the Notes of such Tranche shall be assigned a common code and ISIN by Euroclear and Clearstream, Luxembourg which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until at least 40 days (as notified by the Agent to the relevant Dealer) after the completion of the distribution of the Notes of such Tranche.

Payments of principal and interest (if any) on a permanent Global Note will be made through Euroclear and/or Clearstream, Luxembourg against presentation or surrender (as the case may be) of the permanent Global Note without any requirement for certification. Unless otherwise specified in the applicable Pricing Supplement, a permanent Global Note will be exchangeable in the limited circumstances set out therein (free of charge), in whole but not in part for Definitive Notes with, where applicable, receipts, interest coupons and talons attached upon not less than 60 days’ written notice to the Agent as described therein. Global Notes and Definitive Notes will be issued pursuant to the Agency Agreement.

The following legend will appear on all Global Notes and Definitive Notes which have an original maturity of more than 365 days and on all receipts, interest coupons and talons relating to such Notes:

“ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(J) AND 1287(A) OF THE INTERNAL REVENUE CODE.”

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Notes, receipts or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of Notes, receipts or interest coupons.

Notes may be accelerated by the holder thereof in certain circumstances described in “Terms and Conditions of the Notes – Events of Default”. In such circumstances, where Notes are still represented by a Global Note and a holder of such Global Note so represented and credited to his securities account with Euroclear or Clearstream, Luxembourg gives notice that it wishes to accelerate such Global Note, unless within a period of 15 days from the giving of such notice payment has been made in full of the amount due in accordance with the terms of such Global Note, such Global Note will become void. At the same time, holders of interests in such Global Note credited to their

accounts with Euroclear or Clearstream, Luxembourg will become entitled to proceed directly against the relevant Issuer or the Guarantor (where relevant) on the basis of statements of account provided by Euroclear and Clearstream, Luxembourg, on and subject to the terms of a deed of covenant (the “Deed of Covenant”) dated 2 June 2004, executed by the Issuers and the Guarantor.

Any reference herein to Euroclear and Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement or as may otherwise be approved by the relevant Issuer, if applicable, the Guarantor and the Agent.

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which will be incorporated by reference into each global note (each a “Global Note”) and each definitive note (each a “Definitive Note”), in the latter case only if permitted by the rules of the relevant Stock Exchange on which the Notes are listed (if any) and agreed by the Relevant Issuer and the relevant dealer at the time of issue but, if not so permitted and agreed, such Definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Pricing Supplement in relation to any Tranche of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Pricing Supplement (or the relevant provisions thereof) will be endorsed upon, or attached to, each temporary Global Note, permanent Global Note and Definitive Note. Reference should be made to “Form of the Notes” above for a description of the content of Pricing Supplements which will include the definitions of certain terms used in the following Terms and Conditions or specify which of such terms are to apply in relation to the relevant Notes. References to the “Relevant Issuer” shall be to the Issuer of the Notes named in the relevant Pricing Supplement.

The Notes represented by this Note are part of a Series (as defined below) of Notes issued by HSH Nordbank AG (the “Bank”) or HSH N Finance (Guernsey) Limited (“HSH Guernsey”) (each an “Issuer” and together the “Issuers”) pursuant to the Agency Agreement (as defined below).

References herein to the “Notes” shall be references to the Notes of this Series and shall mean:

- (i) in relation to any Notes represented by a global note (the “Global Note”), units of the lowest Specified Denomination in the Specified Currency;
- (ii) definitive notes (each a “Definitive Note”) issued in exchange for a Global Note; and
- (iii) any Global Note.

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an Amended and Restated Agency Agreement dated 2 June 2004 (the “Agency Agreement”). The Agency Agreement is made among the Issuers, the Guarantor (as defined below), Deutsche Bank AG as issuing and paying agent (the “Agent”, which expression shall include any successor agent specified in the applicable Pricing Supplement) and Deutsche Bank Luxembourg S.A. (together with the Agent, the “Paying Agents”, which expression shall include any additional or successor paying agents).

Notes issued by HSH Guernsey on an unsubordinated basis will have the benefit of an unconditional and irrevocable unsubordinated guarantee (the “Senior Guarantee”) by HSH Nordbank AG (the “Guarantor”) and Notes issued by HSH Guernsey on a subordinated basis will have the benefit of an irrevocable and (subject as provided in the relevant guarantee) unconditional subordinated guarantee by the Guarantor (the “Subordinated Guarantee”, together with the Senior Guarantee the “Guarantees” and each a “Guarantee”). In the case of Notes issued by the Bank all references to the “Guarantor”, the “Subordinated Guarantee” and the “Guarantees” in these Terms and Conditions are not applicable.

Interest bearing Definitive Notes (unless otherwise indicated in the applicable Pricing Supplement) have interest coupons (“Coupons”) and, if indicated in the applicable Pricing Supplement, talons for further Coupons (“Talons”) attached on issue. Any reference herein to Coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons. Definitive Notes repayable in instalments have receipts (“Receipts”) for the payment of the instalments of principal (other than the final instalment) attached on issue.

The Pricing Supplement for this Note (or the relevant provisions thereof) is attached to or endorsed on this Note and supplements these Terms and Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, replace or modify these Terms and Conditions for the purposes of this Note. References herein to the “applicable Pricing Supplement” are to the Pricing Supplement (or the relevant provisions thereof) attached to or endorsed on this Note.

Any reference herein to “Noteholders” shall mean the holders of the Notes, and shall, in relation to any Notes represented by a Global Note, be construed as provided below. Any reference herein to “Receiptholders” shall mean the holders of the Receipts and any reference herein to “Couponholders” shall mean the holders of the Coupons, and shall, unless the context otherwise requires, include the holders of the Talons.

As used herein, “Tranche” means Notes which are identical in all respects (including as to listing) and “Series” means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (i) expressed to be consolidated and form a single series and (ii) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

The Noteholders, the Receiptholders and the Couponholders are entitled to the benefit of the Deed of Covenant (as amended or supplemented as at the Issue Date dated 2 June 2004, and made by the Issuers and the Guarantor (the “Deed of Covenant”). The Deed of Covenant is held by a common depositary on behalf of Euroclear (as defined below) and Clearstream, Luxembourg (as defined below).

Copies of the Agency Agreement and the Deed of Covenant are available for inspection during normal business hours at the specified office of each of the Agent and the other Paying Agents. A copy of the Pricing Supplement applicable to this Note may be obtained during normal business hours at the specified office of each of the Agent and the other Paying Agents, save that, if this Note is an unlisted Note of any Series, the applicable Pricing Supplement will only be obtainable by a Noteholder holding one or more unlisted Notes of that Series and such Noteholder must produce evidence satisfactory to the relevant Paying Agent as to its identity. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of all the provisions of the Agency Agreement and the applicable Pricing Supplement which are applicable to them.

Words and expressions defined in the Agency Agreement or used in the applicable Pricing Supplement shall have the same meanings where used in these Terms and Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and the applicable Pricing Supplement, the applicable Pricing Supplement will prevail.

1. Form, Denomination and Title

The Notes are in bearer form and, in the case of Definitive Notes, serially numbered, in the Specified Currency and the Specified Denomination(s). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, an Indexed Redemption Amount Note, an Instalment Note, a Dual Currency Note, a Partly Paid Note or an Other Structured Note or a combination of any of the foregoing, depending upon the Interest and Redemption/Payment Basis shown in the applicable Pricing Supplement.

Definitive Notes are issued with Coupons attached, unless they are Zero Coupon Notes, in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Couponholders in these Terms and Conditions are not applicable. Instalment Notes are issued with one or more Receipts attached.

Subject as set out below, title to the Notes, Receipts and Coupons will pass by delivery. The Relevant Issuer, the Guarantor, the Agent and any Paying Agent may deem and treat the bearer of any Note, Receipt or Coupon as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank S.A./N.V., as operator of the Euroclear System (“Euroclear”) and/or Clearstream Banking, société anonyme (“Clearstream, Luxembourg”) each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Relevant Issuer, the Guarantor, the Agent and any other Paying Agent as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on the Notes, for which purpose the bearer of the relevant Global Note shall be treated by the Relevant Issuer, the Guarantor, the Agent and any other Paying Agent as the holder of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions “Noteholder” and “holder of Notes” and related expressions shall be construed accordingly. Notes which are represented by a Global Note will

be transferable only in accordance with the rules and procedures for the time being of Euroclear or of Clearstream, Luxembourg, as the case may be.

References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system approved by the Relevant Issuer, the Guarantor and the Agent.

2. Guarantee and Status of the Notes

(a) Senior Guarantee

The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by HSH Guernsey under the Senior Notes (as defined below) issued by HSH Guernsey and the relative Receipts and Coupons. The Guarantor's obligations in that respect are contained in the Deed of Covenant.

(b) Senior Notes

The Senior Notes (being those Notes that specify their status as Senior) and the relative Receipts and Coupons constitute direct, unconditional, unsubordinated and unsecured obligations of the Relevant Issuer and shall at all times rank *pari passu* and without preference among themselves. The payment obligations of the Relevant Issuer under the Senior Notes and the relative Receipts and Coupons and of the Guarantor under the Senior Guarantee (save for certain debts required to be preferred by law) shall rank equally with all other unsecured obligations (other than subordinated obligations, if any) of the Relevant Issuer and the Guarantor, respectively, from time to time outstanding.

(c) Subordinated Guarantee

The Guarantor has irrevocably and (subject as provided in the Subordinated Guarantee) unconditionally guaranteed on a subordinated basis the due payment of all sums expressed to be payable by HSH Guernsey under the Subordinated Notes (as defined below) issued by HSH Guernsey and the relative Receipts and Coupons. The Guarantor's obligations in that respect are contained in the Deed of Covenant.

(d) Subordinated Notes

The Subordinated Notes (being those Notes that specify their status as Subordinated) and the relative Receipts and Coupons constitute unconditional and unsecured obligations of the Relevant Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Relevant Issuer under the Subordinated Notes and the relative Receipts and Coupons shall be subordinated to the claims of all present or future unsubordinated creditors including depositors (if any) of the Relevant Issuer (but only in the circumstances referred to in Condition 2(e)) but shall rank at least *pari passu* with all other present or future subordinated obligations of the Relevant Issuer.

(e) Payments on Subordinated Notes

If and for so long as the Relevant Issuer shall be subject to dissolution proceedings or other proceedings by or as a result of which, or in consequence of which, the Relevant Issuer may be dissolved, liquidated, wound up or may cease to exist as a legal entity (but without prejudice to the right of the Noteholders and Couponholders to make claims under the Subordinated Guarantee for the full amount that would otherwise be due in respect of the Subordinated Notes where the Relevant Issuer is HSH Guernsey) then no payments in respect of the Subordinated Notes or the relative Receipts or Coupons shall be made to the holders thereof until all prior ranking claims against the Relevant Issuer have been fully satisfied, but subject thereto the holders of Subordinated Notes and the relative Receipts and Coupons shall be entitled to claim payment in full in respect of the Subordinated Notes and those Receipts and Coupons in respect of which the Instalment Date or the Interest Payment Date, as appropriate, shall have occurred and which shall be unpaid *pari passu* and rateably with all other subordinated obligations of the Relevant Issuer that are subordinated to unsubordinated obligations of the Relevant Issuer but that are not subordinated further.

(f) No Set-off or Counterclaim

No holder of Subordinated Notes or the relative Receipts or Coupons shall at any time be entitled to exercise or claim before any court or otherwise, any right of set-off or counterclaim in

respect of any amounts due and unpaid in respect of the Subordinated Notes or the relative Receipts or Coupons.

(g) Effect of Subsequent Agreements

No agreement subsequent to the date of issue of the Subordinated Notes shall have the effect of limiting the provisions set out above with regard to the subordination of the payment obligations of the Relevant Issuer under the Subordinated Notes and the relative Receipts and Coupons, and the due date for redemption of the Subordinated Notes (as provided in Condition 5(a)) may not be amended to any earlier date and the applicable period of notice of redemption required pursuant to Condition 5(b) may not be shortened nor may the obligations of the Relevant Issuer in respect of the Subordinated Notes and the relative Receipts and Coupons be secured by any security of whatever kind provided by such Issuer or any third party (other than the Guarantee in the case of Notes issued by HSH Guernsey).

(h) Repayment of Subordinated Notes prior to Maturity Date

If the Subordinated Notes are repurchased or otherwise repaid prior to the Maturity Date (otherwise than pursuant to Condition 5(b) or by way of payment in any such proceedings as referred to in Condition 2(e) upon the claims of all unsubordinated creditors of the Relevant Issuer having been satisfied in full), then the amount so repaid on such repayment or repurchase shall be returned to the Relevant Issuer irrespective of any agreement to the contrary unless, at, or immediately prior to, the time of such repurchase or repayment, as the case may be, such Issuer, or if the Relevant Issuer is HSH Guernsey, the Guarantor, shall have substituted an equal amount of capital with liable own funds (*Haftendes Eigenkapital*) ranking at least equivalent to the Subordinated Notes or the Federal Agency for Financial Market Supervision (*Bundesanstalt für Finanzdienstleistungsaufsicht*) consents to the premature repayment or repurchase. The Bank shall, however, be entitled to purchase Subordinated Notes issued by itself, for the purpose of market stabilisation, of up to 3 per cent. of their aggregate principal amount (the intention to make such purchase must be notified to the German Banking Supervisory Authority and to the German Federal Bank (*Deutsche Bundesbank*) without undue delay), or as commission agent. Such amount shall be treated as if it had never become due for payment by the Relevant Issuer and, once returned, as if it had never been paid by such Issuer. For the avoidance of doubt, this Condition 2(h) shall not apply to any payment made on or in respect of the Receipts and Coupons relating to the Subordinated Notes or any of them on or after the relevant Instalment Date or the relevant Interest Payment Date, as appropriate, and no such payment shall be considered as payment or repayment of the Subordinated Notes for the purposes of the first sentence of this Condition 2(h).

(i) Issuer's Undertaking

The Relevant Issuer undertakes that, while any Subordinated Note is outstanding, it will not create or permit to be outstanding any subordinated debt obligation (including a guarantee or indemnity or the like) of the Relevant Issuer which is not expressed by its terms to, or which does not, rank *pari passu* with or junior to the Subordinated Notes.

Holders of Subordinated Notes shall have no right upon default of any payment in respect of the Subordinated Notes or the relative Receipts or Coupons or in the performance by the Relevant Issuer of any of its obligations in respect of the Subordinated Notes or the relative Receipts or Coupons to accelerate the maturity of their Subordinated Notes.

3. Interest

(a) Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date at the rate(s) per annum (expressed as a percentage) equal to the Rate(s) of Interest payable in arrear on the Interest Payment Date(s) in each year and on the Maturity Date if that does not fall on an Interest Payment Date.

Except as provided in the applicable Pricing Supplement, the amount of interest payable on each Interest Payment Date will be the Fixed Coupon Amount.

The first payment of interest will be made on the Interest Payment Date next following the Interest Commencement Date and, if the first anniversary of the Interest Commencement Date is not an Interest Payment Date, will amount to the Broken Amount.

If the Maturity Date is not an Interest Payment Date, interest from (and including) the Interest Payment Date preceding the Maturity Date (or the Interest Commencement Date, as the case may be) to (but excluding) the Maturity Date will amount to the Broken Amount.

If interest is required to be calculated for a period ending other than on an Interest Payment Date, such interest shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any sub-unit being rounded upwards or otherwise in accordance with applicable market conventions.

(b) Interest on Floating Rate Notes, Index Linked Interest Notes and Other Structured Notes

(i) Interest Payment Dates

Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest and such interest will be payable in arrear on either:

- (A) the Specified Interest Payment Date(s) in each year (the period from (and including) the Interest Commencement Date to (but excluding) the first Specified Interest Payment Date and each successive period from (and including) a Specified Interest Payment Date to (but excluding) the next Specified Interest Payment Date being a “Specified Period”); or
- (B) if no Specified Interest Payment Date(s) is/are specified in the applicable Pricing Supplement, each date (each such date, together with each Specified Interest Payment Date, an “Interest Payment Date”) which falls the number of months or other period specified as the Specified Period in the applicable Pricing Supplement after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

If a business day convention is specified in the applicable Pricing Supplement and if any date referred to in these Conditions would otherwise fall on a day which is not a Business Day, then, if the business day convention specified is:

- (1) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment; or
- (2) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day; or
- (3) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day; or
- (4) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(ii) Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Notes, Index Linked Interest Notes and Other Structured Notes will be determined by the Agent specified in the applicable Pricing Supplement and in accordance with the provisions below and the manner specified in the applicable Pricing Supplement.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be determined by the Calculation Agent or by the Determination Agent, as the case may be, as a rate equal to the relevant ISDA Rate plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any). For the purposes of this sub-paragraph (A), “ISDA Rate” for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent under an interest rate swap transaction if the Agent

were acting as Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the 2000 ISDA Definitions as published by the International Swaps and Derivatives Association, Inc. unless otherwise specified in the applicable Pricing Supplement (the “ISDA Definitions”) and under which:

- (1) the Floating Rate Option is as specified in the applicable Pricing Supplement;
- (2) the Designated Maturity is a period specified in the applicable Pricing Supplement; and
- (3) the relevant Reset Date is the first day of that Interest Period unless otherwise specified in the applicable Pricing Supplement.

For the purposes of this sub-paragraph (A), “Floating Rate”, “Calculation Agent”, “Floating Rate Option”, “Designated Maturity”, “Reset Date”, “euro-zone” and “Swap Transaction” have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Notes

Where Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (1) the offered quotation; or
- (2) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate(s) which appears or appear, as the case may be, on the Relevant Screen Page at the Relevant Time on the Interest Determination Date in question plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any), all as determined by the Calculation Agent or by the Determination Agent, as the case may be. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent or by the Determination Agent, as the case may be, for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (1) above, no such quotation appears or, in the case of (2) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Pricing Supplement as being other than LIBOR or the EURIBOR offered rate, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Pricing Supplement.

(iii) Minimum and/or Maximum Rate of Interest

If the applicable Pricing Supplement specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Pricing Supplement specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(iv) Determination of Rate of Interest and Calculation of Interest Amounts

The Calculation Agent or the Determination Agent, as the case may be, in the case of Floating Rate Notes, Index Linked Interest Notes and Other Structured Notes, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Index Linked

Interest Notes and Other Structured Notes, the Calculation Agent will notify the Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Calculation Agent or the Determination Agent, as the case may be, will calculate the amount of interest (the "Interest Amount") payable on the Floating Rate Notes, Index Linked Interest Notes or Other Structured Notes in respect of each Specified Denomination for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

(v) Notification of Rate of Interest and Interest Amounts

The Calculation Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Relevant Issuer, the Agent (if the Calculation Agent is not itself the Agent) and any stock exchange on which the relevant Floating Rate Notes, Index Linked Interest Notes or Other Structured Notes are for the time being listed and notice thereof to be published in accordance with Condition 12 as soon as possible after their determination but in no event later than the fourth day on which commercial banks and foreign exchange markets settle payments in London thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes, Index Linked Interest Notes or Other Structured Notes are for the time being listed and to the Noteholders in accordance with Condition 12.

(vi) Certificates to be Final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 3(b) shall (in the absence of wilful default, bad faith or manifest error) be binding on the Relevant Issuer, the Guarantor, the Agent, the Calculation Agent, the Determination Agent, the other Paying Agents and all Noteholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the Relevant Issuer, the Guarantor, the Noteholders, the Receiptholders or the Couponholders shall attach to the Agent or the Calculation Agent, the Determination Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) *Dual Currency Notes*

In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the applicable Pricing Supplement.

(d) *Partly Paid Notes*

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Pricing Supplement.

(e) *Accrual of Interest*

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue at the same rate until whichever is the earlier of:

- (i) the date on which all amounts due in respect of such Note have been paid; and
- (ii) five days after the date on which the full amount of the moneys payable has been received by the Agent and notice to that effect has been given to Noteholders in accordance with Condition 12 or individually, provided that payment is in fact made upon subsequent presentation of the relevant Note.

(f) *Definitions*

In these Conditions, unless the context otherwise requires, the following defined terms shall have the meaning set out below:

“Business Day” means:

- (i) in the case of a currency other than euro, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or
- (ii) in the case of euro, a day on which the TARGET system is open (a “TARGET Business Day”); and/or
- (iii) in the case of a currency and/or one or more Additional Business Centres, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Additional Business Centre(s) or, if no currency is indicated, generally in each of the Additional Business Centres.

“Day Count Fraction” means:

- (i) if “Actual/365” or “Actual/Actual – ISDA” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (x) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (y) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if “Actual/365 (Fixed)” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365;
- (iii) if “Actual/360” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 360;
- (iv) if “30/360”, “360/360” or “Bond Basis” is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days consisting of 12 months of 30 days each (unless (a) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month));
- (v) if “30E/360” or “Eurobond Basis” is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days consisting of 12 months of 30 days each, without regard to the date of the first day or last day of the Interest Period unless, in the case of an Interest Period ending on the Maturity Date, the Maturity Date is the last day of the month of February in which case the month of February shall not be considered to be lengthened to a 30-day month);
- (vi) if “30/360 Basis” is specified in the applicable Pricing Supplement that the day-count fraction used will be the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date or, if earlier, the relevant payment date divided by 360 (the number of days being calculated on the basis of a year of 360 days with 12 30-day months); or
- (vii) if “Actual/Actual-ISMA” is specified in the applicable Pricing Supplement:
 - (A) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

- (B) if the Calculation Period is longer than one Determination Period, the sum of:
- (1) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and
 - (2) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year

where:

“Determination Period” means the period from and including a Determination Date in any year to but excluding the next Determination Date;

“Determination Date” means the date specified as such hereon or, if none is so specified, the Interest Payment Date or as otherwise specified in the applicable Pricing Supplement.

“Calculation Period” means the period of time from and including the first day of such period to but excluding the last;

“Interest Period” means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date; and

“TARGET System” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System or any successor thereto.

4. Payments

(a) Method of Payment

Subject as provided below, payments in a Specified Currency will be made by transfer to an account denominated in the relevant Specified Currency maintained by the payee with, or by a cheque payable in such Specified Currency drawn on, a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET System.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 6.

(b) Presentation of Notes, Receipts and Coupons

Payments of principal in respect of Definitive Notes will (subject as provided below) be made in the manner provided in paragraph (a) above only against surrender of Definitive Notes, and payments of interest in respect of Definitive Notes will (subject as provided below) be made as aforesaid only against surrender of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

Payments of instalments of principal (if any) in respect of Definitive Notes, other than the final instalment, will (subject as provided below) be made in the manner provided in paragraph (a) above against surrender of the relevant Receipt. Payment of the final instalment will be made in the manner provided in paragraph (a) above only against surrender of the relevant Note. Each Receipt must be presented for payment of the relevant instalment together with the Definitive Note to which it appertains. Receipts presented without the Definitive Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any Definitive Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive form (other than Dual Currency Notes or Indexed Redemption Amount Notes) shall be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender

of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 6) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 7) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Dual Currency Note or Indexed Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof.

If the due date for redemption of any Definitive Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant Definitive Note.

Payments of principal and interest (if any) in respect of Notes represented by any Global Note will (subject as provided below) be made in the manner specified above in relation to Definitive Notes and otherwise in the manner specified in the relevant Global Note against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent. A record of each payment made against presentation or surrender of such Global Note, distinguishing between any payment of principal and any payment of interest, will be made on such Global Note by such Paying Agent and such record shall be prima facie evidence that the payment in question has been made.

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Relevant Issuer or, as the case may be, the Guarantor will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Relevant Issuer or, as the case may be, the Guarantor to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing, if any amount of principal and/or interest in respect of this Note is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of this Note will be made at the specified office of a Paying Agent in the United States if:

- (i) the Relevant Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;
- (ii) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (iii) such payment is then permitted under United States law without involving, in the opinion of the Relevant Issuer and the Guarantor, adverse tax consequences to such Issuer or the Guarantor.

(c) Payment Day

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "Payment Day" means any day (other than a Saturday or a Sunday) which is:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
 - (A) the relevant place of presentation;
 - (B) any Additional Financial Centre specified in the applicable Pricing Supplement; and

- (ii) either (A) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than the place of presentation and any Additional Financial Centre) or (B) in relation to any sum payable in euro, a TARGET Business Day.

(d) Interpretation of Principal and Interest

Any reference in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (i) any additional amounts which may be payable with respect to principal under Condition 6;
- (ii) the Final Redemption Amount of the Notes;
- (iii) the Early Redemption Amount of the Notes;
- (iv) the Optional Redemption Amount(s) (if any) of the Notes;
- (v) in relation to Notes redeemable in instalments, the Instalment Amounts;
- (vi) in relation to Zero Coupon Notes, the Amortised Face Amount; and
- (vii) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 6.

5. Redemption and Purchase

(a) At Maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Relevant Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Pricing Supplement in the relevant Specified Currency on the Maturity Date. The Subordinated Notes may not be redeemed or repaid prior to the Maturity Date, save as permitted pursuant to Condition 5(b) and save for any payment in any proceedings referred to in Condition 2(e) of the Relevant Issuer, subject to and as provided in Condition 2.

(b) Redemption for Tax Reasons

The Notes may be redeemed at the option of the Relevant Issuer in whole, but not in part, at any time (if this Note is neither a Floating Rate Note nor an Index Linked Interest Note nor an Other Structured Note) or on any Interest Payment Date (if this Note is either a Floating Rate Note or an Index Linked Interest Note or an Other Structured Note), on giving, in the case of Notes which are not Subordinated Notes, not less than 30 nor more than 60 days' notice, or in the case of Subordinated Notes, not less than 24 months' notice (or such shorter period as may be permitted by applicable bank supervisory laws or regulations, provided that the status of the Subordinated Notes shall remain unchanged for capital purposes, but in any event not less than 30 days' notice) to the Agent and, in accordance with Condition 12, the Noteholders (which notice shall be irrevocable), if:

- (i) on the occasion of the next payment due under the Notes, the Relevant Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 6 or the Guarantor would be unable for reasons outside its control to procure payment by the Relevant Issuer and in making payment itself under the Guarantee would be required to pay such additional amounts as a result of any change in, or amendment to, the laws or regulations of the Federal Republic of Germany in respect of any Issuer or Guernsey in respect of HSH Guernsey, or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date of the first Tranche of the Notes; and
- (ii) such obligation cannot be avoided by the Relevant Issuer or, as the case may be, the Guarantor taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Relevant Issuer or, as the case may be, the Guarantor would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Relevant Issuer shall deliver to the Agent a certificate signed by two Directors or other equivalent senior officers of such Issuer or, as the case may be, two Directors or other equivalent senior officers of the Guarantor stating that such Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Relevant Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Relevant Issuer or, as the case may be, the Guarantor has or will become obliged to pay such additional amounts as a result of such change or amendment.

Notes redeemed pursuant to this Condition 5(b) will be redeemed at their Early Redemption Amount referred to in paragraph (e) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(c) Redemption at the Option of the Issuer

If the Relevant Issuer is specified in the applicable Pricing Supplement as having an option to redeem (the “Call Option”), such Issuer shall, having given not less than 15 nor more than 30 days’ notice (or such other notice period as may be specified in the applicable Pricing Supplement) to the Noteholders in accordance with Condition 12 (which notice shall be irrevocable), redeem all or, if provided in the applicable Pricing Supplement, some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Pricing Supplement together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount equal to the Minimum Redemption Amount or a Higher Redemption Amount. In the case of a partial redemption of Notes, the Notes to be redeemed (“Redeemed Notes”) will be selected individually by lot, in the case of Redeemed Notes represented by Definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg, in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the “Selection Date”). In the case of Redeemed Notes represented by Definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 12 not less than 15 days prior to the date fixed for redemption. The aggregate nominal amount of Redeemed Notes represented by Definitive Notes shall bear the same proportion to the aggregate nominal amount of all Redeemed Notes as the aggregate nominal amount of Definitive Notes outstanding bears to the aggregate nominal amount of the Notes outstanding, in each case on the Selection Date, provided that such first mentioned nominal amount shall, if necessary, be rounded downwards to the nearest integral multiple of the Specified Denomination, and the aggregate nominal amount of Redeemed Notes represented by a Global Note shall be equal to the balance of the Redeemed Notes. No exchange of the relevant Global Note will be permitted during the period from and including the Selection Date to and including the date fixed for redemption pursuant to this paragraph (c) and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 12 at least five days prior to the Selection Date.

(d) Redemption at the Option of the Noteholders

If the Noteholders are specified in the applicable Pricing Supplement as having an option to redeem (the “Put Option”), upon the holder of any Note giving to the Relevant Issuer in accordance with Condition 12 not less than 15 nor more than 30 days’ notice (or such other notice period as may be specified in the applicable Pricing Supplement) the Relevant Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Pricing Supplement, in whole (but not in part), such Note on the Optional Redemption Date and at the Optional Redemption Amount specified in, or determined in the manner specified in, the applicable Pricing Supplement together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

If this Note is in definitive form, to exercise the right to require redemption of this Note the holder of this Note must deliver such Note at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period, accompanied by a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a “Put Notice”) and in which the holder must specify a

bank account (or, if payment is by cheque, an address) to which payment is to be made under this Condition.

Any Put Notice given by a holder of any Note pursuant to this paragraph shall be irrevocable except where prior to the due date of redemption an Event of Default shall have occurred and be continuing in which event such holder, at its option, may elect by notice to the Relevant Issuer to withdraw the notice given pursuant to this paragraph and instead to declare such Note forthwith due and payable pursuant to Condition 9.

(e) Early Redemption Amounts

For the purpose of paragraph (b) above and Condition 8, the Notes will be redeemed at the Early Redemption Amount calculated as follows:

- (i) in the case of Notes with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;
- (ii) in the case of Notes (other than Zero Coupon Notes the Final Redemption Amount of which is their nominal amount but including Instalment Notes and Partly Paid Notes) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Notes are denominated, at the amount specified in, or determined in the manner specified in, the applicable Pricing Supplement or, if no such amount or manner is so specified in the Pricing Supplement, at their nominal amount;
- (iii) in the case of Zero Coupon Notes the Final Redemption Amount of which is their nominal amount, at an amount (the “Amortised Face Amount”) equal to the sum of:
 - (A) the Reference Price; and
 - (B) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable. Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction (as defined in Condition 3(f)) specified in the Pricing Supplement or such other calculation basis as may be specified in the applicable Pricing Supplement; or
- (iv) in the case of Notes with a Final Redemption Amount specified in the relevant Pricing Supplement, at the Final Redemption Amount so specified.

(f) Instalments

If the Notes are repayable in instalments (“Instalment Notes”), they will be redeemed in the Instalment Amounts and on the Instalment Dates specified in the relevant Pricing Supplement. In the case of early redemption, the Early Redemption Amount will be determined pursuant to paragraph (e) above.

(g) Partly Paid Notes

If the Notes are Partly Paid Notes, they will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Pricing Supplement.

(h) Purchases

The Relevant Issuer, the Guarantor or any of their respective Subsidiaries (each a “Subsidiary” which means any company which is for the time being a subsidiary within the meaning of Section 736 of the Companies Act 1985) may at any time purchase Notes in the open market or otherwise at any price (provided if they should be cancelled under paragraph (i) below, that they are purchased together with all unmaturing Receipts, Coupons and Talons relating to them). Such Notes may be held, reissued, resold or, at the option of the Issuer, the Guarantor or the relevant Subsidiary surrendered to any Paying Agent for cancellation. Any purchase by tender shall be made available to all Noteholders alike. The Notes so purchased, while held by or on behalf of the Relevant Issuer, the Guarantor or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Condition 13(a).

(i) Cancellation

All Notes so redeemed or purchased and any unmatured Receipts, Coupons and Talons attached to or surrendered with them will be cancelled and may not be re-issued or resold except for any Notes or Receipts, Coupons and Talons purchased in the ordinary course of business of dealing in securities which may be resold.

(j) Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to paragraph (a), (b), (c) or (d) above or upon its becoming due and repayable as provided in Condition 8 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in paragraph (e)(iii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (ii) five days after the date on which the full amount of the moneys payable has been received by the Agent and notice to that effect has been given to the Noteholders either in accordance with Condition 12 or individually, provided that payment is in fact made upon subsequent presentation of the relevant Note.

6. Taxation

(a) Grossing up of Payments

All payments of principal and interest by or on behalf of the Relevant Issuer or the Guarantor in respect of the Notes, Receipts and the Coupons by the Relevant Issuer or the Guarantor shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the Federal Republic of Germany in the case of the Bank and the Guarantor or Guernsey in the case of HSH Guernsey, or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event the Relevant Issuer or, as the case may be, the Guarantor shall pay such additional amounts as will result in receipt by the Noteholders, the Receiptholders and the Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note, Receipt or Coupon presented for payment:

- (i) in the Federal Republic of Germany, in the case of sums payable by the Bank or the Guarantor, in the Federal Republic of Germany or Guernsey in the case of HSH Guernsey; or
- (ii) by or on behalf of a Noteholder, Receiptholder or Couponholder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note, Receipt or Coupon by reason of his having some connection with the Federal Republic of Germany or Guernsey, as the case may be, other than the mere holding of the Note, Receipt or Coupon; or
- (iii) by, or on behalf of a Noteholder, Receiptholder or Couponholder who would not be liable or subject to the withholding or deduction by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority if (a) such compliance is required by law, regulation, administrative practice or an applicable treaty as a precondition to exemption from, or reduction in the rate of, such deduction or withholding and (b) at least 30 days prior to the first Interest Payment Date with respect to which the Relevant Issuer shall apply this clause (iii), the Relevant Issuer shall have notified the holders of the Notes that such holders or beneficial owners of the Notes will be required to comply with such requirement; or
- (iv) more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting such Note, Receipt or Coupon for payment on the last day of such period of 30 days; or

- (v) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other European Union Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (vi) in the case of Definitive Notes, by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union.

“Relevant Date” means, in respect of any payment, whichever is the later of (i) the date on which such payment first becomes due and (ii) if the full amount payable has not been received in the relevant place of payment by the Agent on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the Noteholders in accordance with Condition 12. Any reference in these Conditions to principal and/or interest shall be deemed to include any additional amounts which may be payable under this Condition.

(b) Substitution of the Issuer – withholding tax

In the event that such withholding or deduction is required, the Relevant Issuer may upon not less than 30 days’ notice to the Noteholders in accordance with Condition 12, substitute another body corporate (the “Substituted Debtor”) in its place as principal debtor under the Notes provided that:

- (i) the Substituted Debtor is, if not itself the Bank, at least 40 per cent., directly or indirectly, owned by the Bank;
- (ii) the Substituted Debtor is incorporated and resident in a jurisdiction from which all payments in respect of the Notes may, at the time of substitution, be made without deduction or withholding for or on account of any taxes or duties of whatever nature imposed or levied by or on behalf of that jurisdiction;
- (iii) the Substituted Debtor executes a deed poll substantially in the form set out in Schedule 6 to the Agency Agreement whereby it assumes all the obligations of the Relevant Issuer under the Notes and, in the case of Subordinated Notes, if the Substituted Debtor is incorporated, domiciled or resident in a territory other than any territory in which the Issuer that it is substituting is incorporated, domiciled or resident, such deed poll may contain such amendments to the provisions of the Notes so as to ensure that the obligations of the Substituted Debtor in respect of the Subordinated Notes and the relative Receipts and Coupons are subordinated on a basis similar or as similar thereto as may be possible to the obligations of the Relevant Issuer under the Subordinated Notes in accordance with the laws of the jurisdiction of incorporation, domicile or residence (as the case may be) of the Substituted Debtor and/or as may be required by the relevant banking supervisory authorities in the Federal 28 Republic of Germany in order to ensure that the status of the Subordinated Notes remains unchanged for capital purposes; and
- (iv) if the Substituted Debtor is not the Bank, the obligations of the Substituted Debtor in respect of the Notes shall be (or, where HSH Guernsey is the Relevant Issuer, shall continue to be) irrevocably and unconditionally guaranteed by the Bank on the same basis (including, in the case of Subordinated Notes, on a subordinated basis) and to the same extent as provided in these Conditions in respect of Notes issued by HSH Guernsey, such guarantee to be substantially in the form set out in such deed poll.

In the event of such substitution, all references to the Relevant Issuer in the Notes shall be deemed to be references to the Substituted Debtor and the Relevant Issuer shall be released from its obligations under the Notes in its capacity as issuer of the Notes and the references in Conditions 5(b) and 6(a) to any territory in which the Relevant Issuer is incorporated, domiciled or resident shall be replaced by the territory or territories in which the Substituted Debtor is incorporated, domiciled and/or resident. In addition, if the Substituted Debtor is not the Bank and the Relevant Issuer is not HSH Guernsey, the Conditions shall, with effect from such substitution, be amended so as to include references to the Bank as Guarantor on terms *mutatis mutandis* to the terms that would have applied to the Notes, Receipts, Coupons and Talons if they had been issued by HSH Guernsey, and references to the “Guarantee” include the deed poll by which the Bank guarantees the obligations of the Substituted Debtor.

Notice of the substitution of the Relevant Issuer shall be given to Noteholders in accordance with Condition 12 and, in the case of listed Notes, to the relevant Stock Exchange and, if the rules of such Stock Exchange so require, a supplement to the Offering Circular shall be published.

7. Prescription

The Notes, Receipts and Coupons will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 6) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 4(b) or any Talon which would be void pursuant to Condition 4(b).

8. Events of Default

(a) Events

In the case of Senior Notes only, if any one or more of the following events (each an “Event of Default”) shall occur and is continuing:

- (i) the Relevant Issuer is in default, for any reason whatsoever, for more than 30 days in the payment of any amounts due under the Notes and, where the Relevant Issuer is HSH Guernsey, such default has not been remedied by the Guarantor making such payment; or
- (ii) the Relevant Issuer or the Guarantor is in default in the performance of any of its obligations under the Notes or the Guarantee and such default shall continue for more than 60 days after written notification requiring such default to be remedied shall have been given to such Issuer or the Guarantor by any Noteholder through the Agent; or
- (iii) the Relevant Issuer or the Guarantor fails to fulfil any payment obligations arising from any other bond or note issues having an aggregate principal amount of €10,000,000 or more or its equivalent in other currencies or from any guarantee or indemnity given in respect thereof and such default is continuing for more than 30 days after notice thereof is given to such Issuer or the Guarantor by a Noteholder through the Agent, or the Relevant Issuer or the Guarantor becomes liable to fulfil any such payment obligation prior to its specified maturity by reason of default of such Issuer or the Guarantor unless, in such case, such payment obligation is being contested in good faith or the Relevant Issuer or the Guarantor shall have been ordered not to make such payments by a competent court; or
- (iv) subject to paragraph (b) below, insolvency or court composition proceedings are commenced before a court against the Relevant Issuer or the Guarantor which shall not have been discharged or stayed within 60 days after the commencement thereof, or the Relevant Issuer or the Guarantor institutes such proceedings or suspends payments or offers or makes a general arrangement for the benefit of all its creditors; or (v) the Relevant Issuer or the Guarantor goes into liquidation, unless such liquidation is to take place in connection with a merger, consolidation or other combination with another company and such company assumes all obligations of such Issuer or the Guarantor under these Conditions; or
- (v) the Guarantee is not (or is claimed by the Guarantor not to be) in full force and effect, then any Noteholder may, by written notice to the Issuer at the specified office of the Agent, effective upon the date of receipt thereof by the Agent, declare the Note held by the holder to be forthwith due and payable, whereupon the same shall become forthwith due and payable at the Early Redemption Amount (as described in Condition 5(e)), together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind.

(b) Substitution of the Issuer – insolvency

In the event that insolvency or court composition proceedings are commenced before a court against HSH Guernsey, which would otherwise constitute an Event of Default under paragraph (a)(iv) above, HSH Guernsey may, upon not less than 30 days’ notice to the Noteholders in accordance with Condition 12 and within 60 days after the commencement of such proceedings, substitute the Bank in its place as principal debtor under the Notes, provided that the Bank executes a deed poll in the form set out in Schedule 6 to the Agency Agreement whereby it assumes all the obligations of HSH Guernsey.

In the event of such substitution, all references to HSH Guernsey in the Notes shall be deemed to be references to the Bank and HSH Guernsey shall be released from its obligations under the Notes in its capacity as Issuer of the Notes and the references in Conditions 5(b) and 6(a) to any territory in which the Relevant Issuer is incorporated, domiciled or resident shall be replaced by the Federal Republic of Germany.

For the avoidance of doubt, if such substitution is effected within such 60-day period, no Event of Default shall occur pursuant to Condition 8(a)(iv).

Notice of the substitution of the Issuer shall be given to the Noteholders in accordance with Condition 12.

9. Replacement of Notes, Receipts, Coupons and Talons

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Agent and the Paying Agent in Luxembourg upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Relevant Issuer may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

10. Agent and Paying Agents

The names of the initial Agent and the other initial Paying Agents and their initial specified offices are set out below.

The Relevant Issuer and the Guarantor are entitled to vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts, provided that:

- (i) so long as the Notes are listed on any stock exchange, there will at all times be a Paying Agent with a specified office in such place or places as may be required by the rules and regulations of the relevant stock exchange;
- (ii) there will at all times be a Paying Agent with a specified office in a major European city;
- (iii) there will at all times be an Agent;
- (iv) there will be a Calculation and/or Determination Agent where the Terms and Conditions so require; and
- (v) there will at all times be a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other European Union Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.

In addition, the Relevant Issuer and the Guarantor shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in the final paragraph of Condition 4(b).

Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 12.

11. Exchange of Talons

On and after the Interest Payment Date, as appropriate, on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 7. Each Talon shall, for the purposes of these Terms and Conditions, be deemed to mature on the Interest Payment Date (as the case may be) on which the final Coupon comprised in the relative Coupon sheet matures.

12. Notices

All notices regarding the Notes shall be published (i) in a leading English language daily newspaper of general circulation in London and (ii) if and for so long as the Notes are listed on the Luxembourg Stock Exchange, and the Rules of that Stock Exchange so require, a daily newspaper of general circulation in Luxembourg. It is expected that such publication will be made in the *Financial Times* in London and the *Luxemburger Wort* in Luxembourg. The Relevant Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any other stock exchange on which the Notes are for the time being listed. Any such notice will be deemed to have been given on the date of the first publication in such newspapers.

Until such time as any Definitive Notes are issued, there may (provided that, in the case of Notes listed on a stock exchange, the rules of such stock exchange so permit), so long as the Global Note(s) is or are held in its/their entirety on behalf of Euroclear and Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and Clearstream, Luxembourg for communication by them to the holders of the Notes except that, so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, notices shall also be published in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*). Any such notice shall be deemed to have been given to the Noteholders on the seventh day after the day on which the said notice was given to Euroclear and Clearstream, Luxembourg.

Notices to be given by any holder of the Notes shall be in writing and given by lodging the same, together with the relative Note or Notes, with the Agent or the Paying Agent. Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Agent via Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Agent and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

13. Meetings of Noteholders; Modification

(a) Meetings of Noteholders

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Relevant Issuer, the Guarantor (where relevant) or Noteholders holding not less than 25 per cent. in nominal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing a clear majority in principal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the dates of maturity or redemption of the Notes, any Instalment Date or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the principal amount of, or any Instalment Amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum and/or Maximum Interest Rate, Instalment Amount or Redemption Amount is shown hereon, to reduce any such Minimum and/or Maximum, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, including the method of calculating the Amortised Face Amount, (vi) to change the currency or currencies of payment or denomination of the Notes or the Coupons, (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution, (viii) to substitute the Relevant Issuer with another body (other than pursuant to Condition 6(b)), (ix) to modify the Guarantee, or (x) to prepay the principal on the Notes (other than pursuant to Condition 5(b)) in which case the necessary quorum will be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in principal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on all Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders and Receiptholders.

(b) Modification of Agency Agreement

The Relevant Issuer and the Guarantor may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to:

- (i) any modification (except as mentioned above) of the Agency Agreement which is not prejudicial to the interests of the Noteholders; or
- (ii) any modification of the Notes, the Receipts, the Coupons, the Agency Agreement, the Senior Guarantee or the Subordinated Guarantee which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law of the Federal Republic of Germany (in the case of the Senior Guarantee, the Subordinated Guarantee or Notes issued by the Bank or HSH Guernsey) or Guernsey (in the case of Notes issued by HSH Guernsey).

Any such modification shall be binding on the Noteholders, the Receiptholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 12 as soon as practicable thereafter.

14. Further Issues

The Relevant Issuer shall be at liberty from time to time without the consent of the Noteholders, Receiptholders or Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes.

15. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999 except and to the extent (if any) that the Notes expressly provide for such Act to apply to any of their terms.

16. Governing Law and Submission to Jurisdiction

(a) Governing Law

The Notes, the Receipts, the Coupons and the Talons are governed by and shall be construed in accordance with English law.

(b) Jurisdiction

The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Notes, the Receipts, the Coupons and the Talons, and accordingly, any legal action or proceedings arising out of or in connection with any Notes, Receipts, Coupons or Talons ("Proceedings") may be brought in such courts. Each of the Relevant Issuer and the Guarantor irrevocably submits to the jurisdiction of such courts and waives any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. These submissions are made for the benefit of each of the Noteholders, Receiptholders, Couponholders and Talonholders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

(c) Agent for Service of Process

Each of the Bank and HSH Guernsey irrevocably appoints HSH Nordbank AG, London Branch, currently at Moorgate Hall, 155 Moorgate, London EC2M 6UJ as its agent in England to receive service of process in any Proceedings in England based on any of the Notes, the Receipts, the Coupons or the Talons. If for any reason either of the Bank or HSH Guernsey does not have such an agent in England, the Bank or HSH Guernsey, as the case may be, will promptly appoint a substitute process agent and notify the Noteholders of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

USE OF PROCEEDS

The net proceeds from each issue of Notes will be used, in the case of issues by the Bank, for its general corporate purposes and, in the case of issues by HSH Guernsey, to on-lend to the Bank and to HSH Guernsey, a bank which is a wholly-owned subsidiary of the Bank.

THE BANK

Introduction

The Bank was formed on 2 June 2003 following the merger of Hamburgische Landesbank – Girozentrale – (“Hamburg LB”) and Landesbank Schleswig-Holstein Girozentrale (“LB Kiel”). The Bank was incorporated as an Aktiengesellschaft (German public limited company) and subsequently registered in the Handelsregister (commercial register) of Hamburg and Kiel on 2 June 2003. For accounting and tax purposes the incorporation took effect retroactively as of 1 January 2003. The Bank is co-headquartered in Hamburg and Kiel.

The Merger united two powerful partners firmly rooted in the Hamburg and Schleswig-Holstein political and economic regions of northern Germany. In terms of both geographical focus and business strategy, Hamburg LB and LB Kiel have already complemented one another.

Ownership Structure

As of 2 June 2003, the City of Hamburg holds 35.38 per cent. of the share capital of the Bank, the State of Schleswig-Holstein holds 19.55 per cent.¹, the Savings Banks and Giro Association for Schleswig-Holstein holds 18.21 per cent. and WestLB Beteiligungsholding GmbH² holds the remaining 26.86 per cent.

The Bank is incorporated as an Aktiengesellschaft. The City of Hamburg, the State of Schleswig-Holstein and the Savings Banks and Giro Association for Schleswig-Holstein have entered into a “holding agreement” pursuant to which they have mutually undertaken to hold at least 50.1 per cent. in aggregate of the voting share capital in the Bank through at least the end of 2013.

Overview of the Business of the Bank

The Bank is authorised by its statutes to conduct all types of banking. The functions of the Bank are laid down by the Bank’s Articles of Association (*Satzung der HSH Nordbank AG*). The Bank acts as State Bank for the City of Hamburg and the State of Schleswig-Holstein, conducting the banking business of the City of Hamburg and the State of Schleswig-Holstein as well as for public corporations within and enterprises owned by the City of Hamburg and the State of Schleswig-Holstein.

The Bank offers non-public institutions (e.g., commercial and industrial companies, institutional investors and private individuals) a comprehensive range of banking services, both domestic and international. Among other services, the Bank makes short-term advances, grants medium- and long-term financing, both fixed rate and floating, issues guarantees and indemnities, acquires and sells receivables, offers factoring transaction services and structured finance products and assists customers through the purchase, sale, acceptance and drawing of bills. The Bank provides loans to public and private sector borrowers, finances residential and commercial mortgages, export finance and guarantees. The Bank accepts deposits and makes payments of all kinds, deals in foreign exchange. The Bank trades securities and money-market instruments and acts as manager and underwriter of many types of public and private debt instruments. It provides custodial services to private clients, institutional investors and other financial institutions.

Concurrently, the Bank also acts as central clearing house for Schleswig-Holstein savings banks. It undertakes credit business in conjunction with savings banks, provides support to international commercial and securities transactions, and assists in product development and balance sheet management.

Goals

The Bank has set itself the goal of increasing return on equity (RoE) from a current 11 per cent. to more than 15 per cent. by 2006. In order to achieve this, the Bank must place more emphasis on qualitative growth. Without extending the risk position, the requisite increase in profitability from a constant credit volume is to be achieved by product sales that are not capital absorbing, as well as by

¹ Of the 19.55 per cent. stake held by the State of Schleswig-Holstein, 2.69 percentage points are held on trust for the State of Schleswig-Holstein by the Gesellschaft zur Verwaltung und Finanzierung von Beteiligungen des Landes Schleswig-Holstein mbH (“GVB”). GVB is 100 per cent. owned by the State of Schleswig-Holstein.

² WestLB Beteiligungsholding GmbH, Düsseldorf, is a wholly owned subsidiary of WestLB AG, Düsseldorf and Münster, which in turn is a wholly-owned subsidiary of NRW. BANK (formerly Landesbank Nordrhein-Westfalen), institution under public law, Düsseldorf and Münster.

higher profit margins in the Bank's traditional credit businesses. The Bank will commit itself primarily to those business areas in which it can obtain attractive returns due to its market position.

Additionally, within the same timeframe, the core capital quota is to be increased to in excess of 7 per cent., with simultaneous risk limitations. Core equity capital will be quantitatively increased primarily by earnings retention or capital increase and qualitatively by the conversion of its silent equity participations (*Stille Einlagen*) into true equity. Optimal use of available equity capital will be achieved both by regular checks on distribution across the Bank's various divisions (divisions are called internally Centers of Competence ("CC")), and also by creating an internal equity market allowing greater flexibility in the deployment of capital. A strategic shift from the predominant role of asset financier to that of asset manager – from simply holding loans on the Bank's books to actively trading these on secondary markets – will further reduce risk exposure. This entails systematically breaking into the secondary loan market across broad segments of the Bank's portfolio (e.g., placing risk via securitization).

Strategy

Through actively focusing on its primary business areas (i.e., CC level businesses in which the Bank has sizeable market positions), as well as by taking strict account of capital market and customer requirements, the Bank seeks to significantly enhance its customer and investor profile. The Bank aims to strengthen its position not only as a regional player in Northern European banking, but also as an international expert in specialized financing and as an innovative capital markets partner.

Based on close relationships and mutual trust, the Bank's detailed customer business requirements knowledge – developed in many cases over numerous years of co-operation (relationship banking) – has enabled the Bank to develop a product mix that combines its own products with those of other providers to offer single source tailor-made solutions. At the same time, the Bank's products and processes are systematically monitored from a customer perspective to ensure quality and functionality and to significantly increase sales of non-capital-intensive bank products and services.

As a provider of specialty finance, the Bank will augment its international activities in specific primary business areas where it possesses unique expertise in products, customers and/or markets.

In addition, the Bank plans to increase commission income by assuming lead or co-lead functions in areas where it holds a significant market position. In this context the Bank will sell tranches of loans prior to maturity, thus freeing additional equity capital. This release of additional capital can be achieved through loan syndication at loan origination or by portfolio management transactions in the secondary market (e.g., securitization) during the term of the loan. This strategy will help the Bank extend its position as an innovative partner while simultaneously broadening its investor base in national and international capital markets.

The Bank also intends to boost its role as a powerful partner for German savings banks (*Sparkassen*). Innovative services specifically designed for these savings banks will be introduced. Furthermore, the Bank, Schleswig-Holstein savings banks and the Savings Banks and Giro Association for Schleswig-Holstein signed a co-operation agreement (*Verbundvereinbarung*) in the first quarter of 2004. This intensive co-operation agreement regulates common trading activities for Schleswig-Holstein savings banks' own and customer accounts, as well provides support for risk, liquidity and portfolio management activities. Bilateral detailed service agreements with each of the Schleswig-Holstein savings banks will follow.

Reflecting its international focus, the Bank is present in the world's major finance centres and economic regions. As of 31 December 2003, the Bank maintained branches in Luxembourg, Copenhagen, Stockholm, Helsinki, London, New York, Hong Kong and Singapore. On 1 April 2004, a branch was opened in the Cayman Islands.

Businesses

In the financial year ended 31 December 2003, total assets of the Group were €171.7 billion. Lending volumes, including credit-equivalent from off-balance sheet derivatives, were €205.0 billion and business volumes were €204.9 billion.

References to financial information in the following sections are to consolidated Group financial information.

The Bank's different areas of activity are represented by CC. The CCs are structured to cater for the Bank's customers' particular requirements and are based on the Bank's strategic strengths. The Bank divides its market activities into the following CCs:

Shipping

The Bank is the world's largest ship financing institution by volume of loans. The credit portfolio is well diversified with regard to vessel type, age and client domicile. The Bank has customers in all major shipping nations of the world, with a primary focus on Germany. A substantial number of clients are also based in Scandinavia, Greece, North America and Asia. The portfolio comprises container vessels, bulk carriers for dry cargo and wet cargo (crude oil and oil product tankers) as well as specialized ships, such as ferries, cruise ships, gas tankers and reefers.

In addition to traditional finance and structured products, the Shipping CC offers related finance and capital market instruments tailored to distinctive ship owner requirements as well as a broad range of other banking services. Well known as a leading expert in ship finance with long lasting customer relationships, excellent underwriting capacity, and sophisticated rating systems, the Bank's competitive position is conducive to winning further lead mandates and acting as securitization and syndication arranger. The business volume (consisting of on-balance-sheet assets, irrevocable loan commitments and guarantees) (the "Business Volume") of the Shipping CC was approximately €20.8 billion as of 31 December 2003.

Real Estate

The Bank operates its real estate business from its headquarters in Hamburg and Kiel, as well as out of its branches and representative offices in Berlin, London, New York, Amsterdam and Copenhagen. The primary focus of domestic real estate finance is on commercial and residential real estate in Northern Germany and other population centres in Western Germany. The Bank finances both new construction and the acquisition of existing properties. In terms of its international real estate business, the Bank focuses on high-profile properties in prime locations in commercial centres of key international real estate markets such as the United States, the United Kingdom, Scandinavia and the Netherlands, countries in which the Bank has many years experience.

As a "real estate service provider", the CC Real Estate, in addition to providing traditional finance solutions, is developing a broad range of innovative products and services in the context of real estate investment banking. Examples of such products and services include the structuring of large-volume real estate investments, the financing of cash flow oriented transactions and the provision of equity and advisory services. As of 31 December 2003, the real estate Business Volume was approximately €27.8 billion.

Corporates and Structured Finance

Together with the regional public savings banks, HSH Nordbank is a leading corporate customer bank for the Hamburg and Schleswig-Holstein regions, with a primary commitment to premium mid-cap (*Mittelstand*) enterprises in Northern Germany. Like its predecessors, the Bank continues to build its business model with a focus on establishing and maintaining long-lasting, core banking relationships with customers. Longstanding *Mittelstand* customers have benefited from the Bank's tailor-made solutions and advisory services with regard to M&A activities, financial risk management and innovative funding products. Offering customised solutions, in turn, allows the Bank to expand its range of products and services offered to its regular customers.

Foreign trade, domestic trade, provision of services, logistics, and port operations are the most important industries in the core region and, accordingly, the Bank is keenly focused on these. At both the national and international level, the Bank predominantly functions as a specialty and project financier, focussing on the energy, utility, infrastructure and healthcare sectors, where it can build on its experience, expertise and longstanding client relationships. The Bank also supports selected acquisition financing programs.

The Business Volume of the CC Corporates and Structured Finance amounted to €16 billion as of 31 December 2003.

Transport

The CC Transport includes the area of aircraft finance and offers specialized consulting and financing services for the international transport industry in the aviation, rail, infrastructure and logistics sectors. As a global business, the Transport CC operates from the New York, London and

Kiel offices. The Bank focuses primarily on aviation, rail and logistics. In terms of the aviation sector, the Bank follows its predecessors' tradition of supporting airlines, leasing companies, aircraft and engine manufacturers and suppliers, and aviation financial service providers with their investments. In the rail sector, the Bank focuses on operators, public transport, leasing companies, suppliers, and rolling stock manufacturers. Customers in the logistics/infrastructure sector include container leasing companies, airport and rail providers, project developers, public transport, operators of air traffic systems, logistic companies and manufacturers.

As a syndication house as well as a specialist for structured financial concepts, the Bank offers a broad range of underwriting and syndication services and innovative products such as advisory and arranging, tax products, structured asset finance, cash flow based structures and public private partnerships.

The exposure of the Bank is well diversified along the entire value-creation-chain of the international transport industry with a Business Volume of approximately €5.5 billion as of 31 December 2003.

Leasing

Leasing offers both domestic and international leasing companies tailor-made products for the refinancing of existing lease portfolios. In addition, the Bank provides domestic, tax-orientated lease transaction services and also participates in selected US cross-border lease transactions.

The Bank's lending portfolio in the CC Leasing consists primarily of movables (e.g., equipment, machinery and other capital goods) and real estate financing, predominantly in Germany. In addition, the Bank's corporate customers along with the network of savings banks co-operating with the Bank and interested in lease transactions benefit from in-house product expertise. Jointly with the subsidiary AGV Anlagen- und Grundstücksvermietungsgesellschaft mbH & Co (AGV Plant and Real Estate Leasing Company), the Bank has the competence to structure and finance specific lease transactions.

The total Business Volume in the Leasing CC amounted to approximately €9.1 billion in 2003. The CC Leasing focused more closely on risk and earnings aspects rather than high volume growth in 2003.

Savings Banks and Public Sector Customers

Co-operation with the savings banks network is an important pillar of the Bank's business. Through its role as central bank to the regional network, the Bank enjoys a particularly strong relationship with the savings banks in Schleswig-Holstein.

As well as providing its customers with traditional savings bank products (e.g., refinancing, investment and customer business, commercial and municipal syndicated loans and international commerce), the Bank is increasingly focused on innovative financial products and advisory services specifically designed for savings banks. The product range includes risk and portfolio management services as well as rating and corporate finance advisory services from HSH N Corporate Finance GmbH.

The delivery of the Bank's tailor-made consulting and advisory services is enhanced by a capital market product sales platform specifically designed for savings banks, thereby significantly increasing the Bank's market penetration. In tandem with the savings banks, the Bank has also created a joint central unit, which bundles lending activities into an independent organisational entity.

Furthermore, the Bank uses its traditional public sector relationships to position itself as a leading provider of financial and advisory services to the federal states, municipalities and related governmental entities in the Northern German region. The Business Volume of the CC Savings Banks and Public Sector Customers as of 31 December 2003 amounted to €24.1 billion.

Financial Institutions/Global Trade Finance

The CC Financial Institutions/Global Trade Finance is divided into two sub-divisions. Financial Institutions division serves customers in the fields of banking and insurance. As well as arranging syndicated loans, selling both innovative and traditional capital market solutions, and providing transaction services, it specializes in providing conventional and structured refinancing. In Northern and Central Europe, as well as in Asia, Financial Institutions is a leading syndicated loan arranger and bookrunner. Longstanding customer relationships provide an excellent foundation for the continued selling of a wide range of capital market products to a variety of financial institution customers.

Global Trade Finance includes the former Export & Trade Finance and Structured Commodity Finance activities as well as the overseas Commodity Trade Finance businesses of the pre-merger Landesbanks. It focuses primarily on customers in specific areas of export merchandise and trade, with commodities trading being of particular interest. Within commodity markets, Global Trade Finance focuses on globally active producers, merchants and traders and has substantial experience. The Business Volume of Financial Institutions/Global Trade Finance as of 31 December 2003 was €32.9 billion.

Private and Business Clients

The CC Private and Business Clients concentrates its activities in the Northern German region. Within the Private Clients Division, the Bank focuses on high net worth individuals, foundations and top executives. Similarly, the Business Client Division focuses on self-employed and freelance clients, in particular attorneys and public notaries. On the basis of the Bank's complete range of lending, borrowing and servicing activities, Private and Business Clients offers customers tailor-made solutions combining high-performance products adapted to individual requirements. Business Volume in this CC totalled €3.5 billion in 2003.

Capital Markets

The focal point of Capital Markets is customer-related trading activities. In particular, Capital Markets provides individual solutions to both internal and external clients, thereby creating a sustainable platform from which to serve a wide variety of client needs. Capital Markets also oversees the operational implementation of the Bank's funding strategy (i.e., the procurement of capital funding from national and international money and capital markets). In addition to traditional funding products, such as bearer bonds, registered bonds and German loan agreements (*Schuldscheindarlehen*), the Bank also has a Euro and U.S. dollar denominated commercial paper programme. In 2003, the Bank successfully placed three benchmark issues with a total volume of €3.5 billion under its EMTN Programme. The Bank's global network helps expand its international investor base and creates additional capital funding sources.

Portfolio Management and Investments

The CC Portfolio Management and Investments has assumed three core functions within the Bank: capital and asset manager, growth enabler, and product manager.

In its role as capital and asset manager, the CC Portfolio Management and Investment is responsible for raising and managing the Bank's capital, actively investing capital into credit-related and market risks, and advising the Bank on rating and adequate capitalization levels.

As growth enabler, Portfolio Management and Investment allows additional Bank growth by releasing capital through loan and other asset securitizations as well as by establishing other permanent exit channels for capital-intensive businesses. Portfolio Management and Investments allows the Bank's business units to increase franchise value by identifying and focusing on high quality relationships, and providing market-based tools for credit pricing.

As product manager, Portfolio Management and Investment provides value-added products to both internal and external clients and improves cross-selling which, in turn, improves Bank profitability. These products can be divided into three categories: advisory services, asset management, and structuring.

Portfolio Management and Investments is co-headquartered in Kiel and London.

Regulation

Banking institutions in the Federal Republic of Germany are subject to governmental supervision and regulation exercised by the Federal Agency for Financial Market Supervision (*Bundesanstalt für Finanzdienstleistungsaufsicht*), an independent federal authority with regulatory powers, and the German Central Bank (*Deutsche Bundesbank*) in accordance with the German Banking Act (*Gesetz über das Kreditwesen*). This law contains the basic principles for banking supervision and regulates the Bank's business activities, capital adequacy and liquidity.

Corporate Governance Code

The Bank has established a Corporate Governance Code, stating the essential statutory regulations for the management and supervision of HSH Nordbank AG and internationally and

nationally recognized standards of good and responsible Corporate Governance to which the Bank, its Supervisory Board and Board of Managing Directors are bound.

Although the Bank is not a listed company it is concerned, as an international company, to make its corporate governance system transparent and comprehensible to shareholders, customers, employees and the public in Germany and abroad by assuming this voluntary obligation, thus promoting trust in the Bank.

Both the content and the wording of the Bank's Corporate Governance Code correspond largely to those of the German Corporate Governance Code.

The Bank has a dual board system as prescribed by law for German *Aktiengesellschaften*. This means that management responsibility is shared by two bodies, the Board of Managing Directors and the Supervisory Board. The Board of Managing Directors is responsible for managing the Bank, and the task of the Supervisory Board is to appoint, advise and supervise the Board of Managing Directors. These Corporate Governance rules can be adjusted to meet changing requirements. The Bank will report once a year, in its Annual Report, on adherence to the Corporate Governance rules.

Management and Administration Bodies

Board of Managing Directors

As at 2 June 2004 the members of the Bank's Board of Managing Directors are:

<i>Name</i>	<i>Position</i>
Alexander Stuhlmann	<i>Chairman</i>
Hans Berger	<i>Deputy Chairman</i>
Ulrich W. Ellerbeck	
Peter Rieck	
Hartmut Strauß	
Franz S. Waas, Ph.D.	

Supervisory Board

The Supervisory Board shall have twenty members. Ten members shall be elected by the Shareholders' Meeting pursuant to the provisions of the German Stock Corporation Act and ten members shall be elected by the employees under the German Codetermination Act of 1976.

The members of the Bank's Supervisory Board appointed by the owners as at 2 June 2004 are:

<i>Name</i>	<i>Main Activities/Place of Residence</i>	<i>Position</i>
Ms. Heide Simonis	Prime Minister of the State of Schleswig-Holstein, Kiel	Chairwoman
Mr. Olaf Behm	Staff council of HSH Nordbank AG, Hamburg	Deputy Chairman
<i>Representatives elected by the shareholders</i>		
Mr. Olaf Cord Dielewicz	President of the Savings Banks & Giro Association for Schleswig-Holstein, Kiel	
Prof. Dr. Hans-Heinrich Driftmann	Managing Partner of Peter Kölln KGaA, Elmshorn	
Dr. Thomas R. Fischer	Chairman of the board of management of WestLB AG, Düsseldorf	
Mr. Hans-Peter Krämer	Chairman of the board of management of Kreissparkasse Köln, Köln	
Dr. Hans Lukas	Chairman of the board of management of Sparkasse Stormann, Bad Oldesloe	
Mr. Alexander Otto	Chairman of the board of management of ECE Projektmanagement GmbH & Co. KG, Hamburg	
Dr. Wolfgang Peiner	Senator, head of the Ministry of Finance of the City of Hamburg, Hamburg	
Dr. Ralf Stegner	Minister of Finance of the State of Schleswig-Holstein, Kiel	
Mr. Gunnar Uldall	Senator, head of the Ministry of Economics and Employment of the City of Hamburg, Hamburg	

	<i>Representatives elected by the staff</i>
Ms. Sabine-Almut Auerbach	District chief executive, ver.di, Neumünster
Ms. Astrid Balduin	Staff council of HSH Nordbank AG, Kiel
Mr. Berthold Bose	Division head of financial services of ver.di Landesbezirk, Hamburg
Mr. Jens-Peter Gotthardt,	Staff council of HSH Nordbank AG, Hamburg
Mr. Thorsten Heick	CC Private and Business Clients, representative of executive employee, Hamburg
Ms. Katharina Kniesche	Staff council of PLUS BANK, Hamburg
Ms. Rieka Meetz-Schawaller	CC Private and Business Clients, Kiel
Mr. Knut Pauker	Employee of Spielbank, Schenefeld
Ms Edda Redeker	Head of legal department, ver.di, Kiel

Legal Proceedings

The Bank, in its own name or as successor to Hamburg LB or LB Kiel, has, is and may from time to time become involved in litigation and arbitration proceedings in Germany and a number of other jurisdictions outside Germany, including the United States, arising in the ordinary course of its business and that of the HSH Nordbank AG Group (the “Group”). While it is not possible to predict the outcome of all currently pending or threatened proceedings involving the Bank and/or the Group, the Bank believes that, with the exception of the litigation and arbitration proceedings described below, the outcome of any of these proceedings will not have a material adverse effect on its results of operations or financial condition, and, to the Bank’s knowledge, no litigation or arbitration proceedings that are likely to have such an adverse effect are currently threatened.

Commission Proceedings

A dispute between the Federal Republic of Germany and the European Commission involving *Landesbanken* is still pending resolution. The dispute concerns the adequacy of the consideration paid by the former Westdeutsche Landesbank Girozentrale (“WestLB”) to the German State of North Rhine-Westphalia in exchange for the integration of Wohnungsbauförderungsanstalt North Rhine-Westphalia into WestLB. In a decision of 8 July 1999, the European Commission claimed that the consideration paid by WestLB had not been calculated on an arm’s length basis and that therefore the transition violated EU state aid rules. This led to a number of pending proceedings at the European Court. On 6 March 2003, the European Court of First Instance annulled the decision of the European Commission from 8 July 1999 since, from the point of view of the Court, the European Commission had not provided sufficient reasons for the reference rate that it used to show the inappropriateness of the remuneration payments made by WestLB to the State of North Rhine-Westphalia. To determine whether other *Landesbanken* have benefited from similar allegedly illegal subsidies, the European Commission launched a comprehensive investigation in 1999, which covers, among other *Landesbanken*, the Bank as successor to Hamburg LB and LB Kiel.

In Schleswig-Holstein, the investigation of the European Commission focuses on the merger of various development agencies of the State of Schleswig-Holstein into IB in 1991 and the integration of IB as an economically and organisationally separate business area into the Bank. In connection with the formation of the IB business area, the capital of the former development agencies was transferred into IB. Potential state aid issues could arise due to the fact that LB Kiel was entitled to use capital not needed by IB in its own business as regulatory capital to cover risk related assets and large exposures in LB Kiel’s other business areas. The Bank believes that LB Kiel paid the State of Schleswig-Holstein adequate consideration and that therefore the arrangement did not violate EU state aid rules. This consideration comprises payments made by LB Kiel to the state, synergies and cost savings realised by the development agencies, cost caps guaranteed by LB Kiel to the state and an increase in the value of IB that enabled the state to realise a gain when it sold its stake in LB Kiel to WestLB and Landesbank Baden-Württemberg effective 1 January 1994. On 1 June 2003, IB was

separated from LB Kiel with economically retroactive effect from 1 January 2003 (see “Discontinued Businesses” above).

The investigations of the European Commission against Hamburg LB relate to the following situation. In 1986 and 1993, the City of Hamburg brought into the capital of Hamburg LB a total of 81.86 per cent. of its shares in WK as a contribution in kind. Since it was not the assets of WK, but the shares of the City of Hamburg, that were contributed to the capital, the method of contribution used in the case of Hamburg LB differs substantially from that of the WestLB case. Furthermore, the City of Hamburg received a return on its capital contribution which is equivalent to the return a private investor would expect under market conditions. From 1986 to 1996, Hamburg LB effectively paid to the City of Hamburg, as one of its shareholders, an annual net dividend of approximately 9 per cent. From 1997 onwards, this dividend increased substantially, reaching approximately 21 per cent. in 1999. In addition, the value of Hamburg LB increased substantially. The increased value could be realised by the City of Hamburg with respect to a 49.5 per cent. stake when it sold this stake to LB Kiel in 1997. Hamburg LB sold its 81.86 per cent. share in WK before the merger came into effect (see “Discontinued Businesses” above).

In November 2002, the European Commission initiated proceedings against Hamburgische Landesbank and Landesbank Schleswig-Holstein, as well as other Landesbanks, for receiving unlawful subsidies. Regarding HSH Nordbank’s predecessors, the question is whether an equity contribution in the form of shares in various public development banks in Hamburg and Schleswig-Holstein constituted unlawful subsidy. As the equity bears adequate interest, the Bank does not expect the proceedings to have a negative impact. Hamburgische Landesbank and Landesbank Schleswig-Holstein sold the shares in question before the foundation of HSH Nordbank.

Maintenance Obligation and Guarantee Obligation

On 17 July 2001, the Federal Republic of Germany agreed with the European Commission to change the regulatory framework applicable to *Landesbanken*, by:

- (i) replacing the Maintenance Obligation with normal ownership relations between the Bank’s owners and the Bank by 18 July 2005; and
- (ii) abolishing Guarantee Obligation by 18 July 2005, subject to certain transitional arrangements.

With respect to LB Kiel, the Savings Banks Act for the State of Schleswig-Holstein (*Sparkassengesetz für das Land Schleswig-Holstein*) and, as regards Hamburg LB, the Act concerning Hamburgische Landesbank – Girozentrale – (*Gesetz über die Hamburgische Landesbank – Girozentrale* –), contained the legal basis for the two administrative law principles known as “Maintenance Obligation” (*Anstaltslast*) and “Guarantee Obligation” (*Gewährträgerhaftung*) that applied to LB Kiel and Hamburg LB as *Landesbanken*. Under the concept of Maintenance Obligation, the relevant owners of Hamburg LB and LB Kiel were required to preserve the economic viability of Hamburg LB or LB Kiel, respectively, to keep them in a position to perform their functions and to enable them, through the provision of liquid funds or otherwise, to meet their obligations when due and to maintain a sound financial condition. Under the concept of Guarantee Obligation, the relevant owners of Hamburg LB and LB Kiel were jointly and severally liable for the obligations of Hamburg LB or LB Kiel, respectively, to the extent that their assets were insufficient to satisfy such obligations.

Unlike Hamburg LB and LB Kiel, which were public law entities, the Bank is incorporated as an *Aktiengesellschaft*. However, the State Treaty ensures that on the basis of the understanding reached with the EU Competition Commissioner (see “Appendix” to this Offering Circular) the Maintenance Obligation and Guarantee Obligation continue to apply to the Bank as they had to Hamburg LB and LB Kiel.

HSH NORDBANK AG GROUP

Principal Subsidiaries of HSH Nordbank

The following are the principal subsidiaries of HSH Nordbank, defined as subsidiaries, for the year ended 31 December 2003:

<i>Name, Headquarters</i>	<i>Capital share in %</i>
HSH Nordbank (Guernsey) Ltd., Guernsey	100.00
HSH Nordbank Hypo Aktiengesellschaft, Hamburg	100.00
HSH Nordbank International S. A., Luxembourg	100.00
Nobis Société des Banques Privées S. A., Luxembourg	80.00
International Fund Services & Asset Management S. A., Luxembourg	51.61
HSH N Composites GmbH, Kiel	100.00
HSH N Funding I, Grand Cayman	58.26
HSH N Finance (Guernsey) Ltd., Guernsey	100.00
METONO GmbH, Hamburg	100.00
PLUS BANK AG, Hamburg	100.00
Spielbank SH GmbH, Kiel	100.00
Spielbank SH GmbH & Co. Casino Flensburg KG, Flensburg	90.00
Spielbank SH GmbH & Co. Casino Kiel KG, Kiel	100.00
Spielbank SH GmbH & Co. Casino Lübeck-Travemünde KG, Lübeck-Travemünde	100.00
Spielbank SH GmbH & Co. Casino Stadtzentrum Schenefeld KG, Schenefeld	100.00
Spielbank SH GmbH & Co. Casino Westerland auf Sylt KG, Westerland/Sylt	90.00

CAPITALISATION OF THE BANK

Capitalisation

The following table shows the unconsolidated unaudited capitalisation of the Bank as of 31 December 2003:

	<i>(in millions of €)</i>
Capital Stock ⁽¹⁾	450
Non-voting preferred share capital	50
Silent partnership capital	4,558
Reserves	1,164
Subordinated capital ⁽²⁾	4,253
Total capital and reserves	10,475
Long-term unsubordinated debt to financial institutions and customers (with an outstanding maturity of more than five years)	27,922
Short-term and medium-term unsubordinated debt to financial institutions and customers (with an outstanding maturity of up to five years)	73,980
Other debt in form of bonds or other issued securities	49,741
Total capitalisation⁽³⁾	162,118

Notes:

(1) Excluding non-voting preferred share capital.

(2) Subordinated Capital includes both subordinated capital loan stock (Genusscheine) and subordinated debt in the form of bonds or loans. A part of the Subordinated Capital qualifies as Tier II Capital.

(3) Except as disclosed above, there have been no material changes in the capitalisation of the Bank since 31 December 2003.

SUMMARY FINANCIAL STATEMENTS OF HSH NORDBANK AG

Set out below in summary form are the audited non-consolidated and consolidated financial statements of the Bank as at 31 December 2003. Although the Bank came into existence on 2 June 2003, by operation of law, for accounting and taxation purposes the Bank came into existence with retroactive effect as of 1 January 2003.

Condensed Balance Sheet at 31 December 2003

		<i>As of 31 December 2003</i>		<i>As at 1 January 2003*</i>
	(€'000)	(€'000)	(€'000)	(€'000)
Assets				
1 Cash reserve				
(a) cash on hand		8,522		11,190
(b) balances with central banks		293,322		333,086
thereof:			301,844	344,276
with Deutsche Bundesbank	287,661			
2 Debt instruments issued by public institutions and bills of exchange eligible for refinancing with central banks				
(a) treasury bills and discounted treasury notes as well as similar debt instruments issued by public institutions		3,587		4,489
thereof:				
eligible for refinancing with Deutsche Bundesbank	791			
(b) bills of exchange		16,739		5,584
thereof:			20,326	10,073
eligible for refinancing with Deutsche Bundesbank	16,739			
3 Loans and advances to banks				
(a) payable on demand		4,295,778		6,715,976
(b) other loans and advances		32,765,090		39,773,198
			37,060,868	46,489,174
4 Loans and advances to customers			78,154,725	77,871,785
thereof:				
secured by mortgages	17,535,247			
public-sector loans	12,084,502			
secured by ship mortgages	11,406,872			
5 Bonds and other fixed-income securities				
(a) money market instruments				
(aa) issued by public-sector issuers		399,421		512,876
thereof:				
eligible as collateral for Deutsche Bundesbank	399,421			
(ab) issued by other issuers		2,484,789		1,041,775
thereof:			2,884,210	1,554,651
eligible as collateral for Deutsche Bundesbank	60,074			

* These figures form part of an opening balance sheet which was derived from financial statements of Hamburgische Landesbank – Girozentrale – (“Hamburg LB”) and Landesbank Schleswig – Holstein Girozentrale (“LB Kiel”).

		<i>As of 31 December 2003</i>			<i>As at 1 January 2003*</i>
	(€'000)	(€'000)	(€'000)	(€'000)	(€'000)
(b) bonds					
(ba) issued by public-sector issuers thereof:		11,007,717			13,374,664
eligible as collateral for Deutsche Bundesbank	8,744,208				
(bb) issued by other issuers		<u>27,654,643</u>			<u>29,053,507</u>
thereof:			38,662,360		42,428,171
eligible as collateral for Deutsche Bundesbank	13,186,160				
(c) own bonds			<u>1,757,293</u>		<u>1,996,327</u>
nominal amount	1,731,599			43,303,863	45,979,149
6 Shares and other non-fixed-income securities				2,798,842	2,421,413
7 Equity investments in non-affiliated companies				505,279	523,678
thereof:					
in banks	50,217				
in financial services institutions	1,000				
8 Equity investments in affiliated companies				1,670,073	1,403,926
thereof:					
in banks	778,512				
9 Trust assets				377,323	339,835
thereof:					
trust loans	56,212				
10 Intangible fixed assets				7,286	10,199
11 Tangible fixed assets				129,500	128,284
12 Other assets				1,131,379	872,171
13 Prepaid expenses				464,851	333,836
14 Deferred Taxes				93,206	—
Total assets				<u>166,019,365</u>	<u>176,727,799</u>

* These figures form part of an opening balance sheet which was derived from financial statements of Hamburgische Landesbank – Girozentrale – (“Hamburg LB”) and Landesbank Schleswig – Holstein Girozentrale (“LB Kiel”).

		<i>As of 31 December 2003</i>		<i>As at 1 January 2003*</i>
	<i>(€'000)</i>	<i>(€'000)</i>	<i>(€'000)</i>	<i>(€'000)</i>
Liabilities				
1 Liabilities to banks				
(a) payable on demand		7,866,233		3,667,561
(b) with agreed maturities or notice periods		47,082,566		57,467,183
			54,948,799	61,134,744
2 Liabilities to customers				
(a) savings deposits				
(aa) with agreed notice periods of three months		176,610		122,615
(ab) with agreed notice periods of more than three months		4,209		4,929
			180,819	127,544
(b) other liabilities				
(ba) payable on demand		7,848,658		7,549,576
(bb) with agreed maturities or notice periods		38,923,373		37,274,271
			46,772,031	44,823,847
			46,952,850	44,951,391
3 Certificated liabilities				
(a) bonds issued		41,109,998		44,046,703
(b) other certificated liabilities thereof:		8,630,663		13,298,019
money market instruments	7,242,265		49,740,661	57,344,722
4 Trust liabilities			377,323	339,835
thereof:				
trust loans	56,212			
5 Other liabilities			1,787,793	1,472,260
6 Deferred income			367,772	335,237
7 Provisions				
(a) provisions for pensions and similar obligations		367,434		335,680
(b) tax provisions		156,213		92,441
(c) other provisions		250,573		249,533
			774,220	677,654
8 Special reserve item			—	521
9 Subordinated debt			2,756,376	2,952,683
10 Profit participation capital			1,496,565	1,496,565
thereof:				
maturing in less than two years	57,776			
11 Fund for general banking risks			365,000	251,641

* These figures form part of an opening balance sheet which was derived from financial statements of Hamburgische Landesbank – Girozentrale – (“Hamburg LB”) and Landesbank Schleswig – Holstein Girozentrale (“LB Kiel”).

	<i>As of 31 December 2003</i>				<i>As at 1 January 2003*</i>
	(€'000)	(€'000)	(€'000)	(€'000)	(€'000)
12 Equity capital					
(a) subscribed capital					
(aa) share capital		500,000			500,000
(ab) silent partnership capital		4,557,716			4,106,256
			5,057,716		4,606,256
(b) capital reserves			1,164,290		1,164,290
(c) profit			230,000		—
				6,452,006	5,770,546
Total liabilities				166,019,365	176,727,799
1 Contingent liabilities					
liabilities from guarantees and indemnity agreements				25,118,361	23,014,276
2 Other commitments					
irrevocable loan commitments				12,118,319	9,395,769

* These figures form part of an opening balance sheet which was derived from financial statements of Hamburgische Landesbank – Girozentrale – (“Hamburg LB”) and Landesbank Schleswig – Holstein Girozentrale (“LB Kiel”).

**Condensed Profit and Loss Account of HSH Nordbank AG for the period from
1 January to 31 December 2003**

	(€'000)	(€'000)	(€'000)	2003 (€'000)	2002* (€'000)
1 Interest income from					
(a) lending and money-market transactions		7,576,465			7,604,895
(b) fixed-income securities and debt book-entry securities		<u>1,388,046</u>			<u>1,806,001</u>
			8,964,511		9,410,896
2 Interest expenses			7,715,134		<u>8,262,374</u>
				1,249,377	1,148,522
3 Current income from					
(a) shares and other non-fixed-income securities			89,049		102,165
(b) equity investments in non-affiliated companies			7,320		30,748
(c) equity investments in affiliated companies			<u>98,735</u>		<u>137,557</u>
				195,104	270,470
4 Income from profit pooling, profit transfer and partial profit transfer agreements				5,515	2,052
5 Commission income			246,482		239,206
6 Commission expenses			<u>64,725</u>		<u>66,796</u>
				181,757	172,410
7 Net income from trading activities				74,685	70,503
8 Other operating income				131,618	144,861
9 Income from writing back special reserve items				521	28,700
10 General administrative expenses					
(a) personnel expenses					
(aa) wages and salaries		232,666			216,800
(ab) compulsory social security contributions, pension and welfare as well as expenses for retirement pensions and other employee benefits thereof			72,742		86,934
for retirement pensions	38,629		305,408		303,734
(b) other administrative expenses			<u>307,609</u>		<u>278,434</u>
				613,017	582,168
11 Depreciation on and value adjustments to intangible and tangible fixed assets				53,608	41,034
12 Other operating expenses				34,689	103,835
13 Write-downs on value adjustments to loans and certain securities as well as allocations to loan loss provisions			465,219		596,975

* Pro forma figures.

	(€'000)	(€'000)	(€'000)	2003 (€'000)	2002* (€'000)
14 Income from write-ups on loans and certain securities and from release of loan loss provisions			—	—	—
				465,219	596,975
15 Allocations to the fund for general banking risks				113,359	40,000
16 Write-downs on and value adjustments to equity investments in non-affiliated as well as affiliated companies and securities treated as fixed assets			—	—	—
17 Income from write-ups on equity investments in non-affiliated as well as affiliated companies and securities treated as fixed assets			6,997	—	124,467
				6,997	124,467
18 Expenses from the assumption of losses				4,367	7,522
19 Profit on ordinary activities				561,315	590,451
20 Taxes on income and revenues			4,547		112,752
21 Other taxes not shown under other operating expenses (item 12)			9,951		1,623
				14,498	114,375
22 Profit transferred under partial profit transfer agreements				316,817	261,710
23 Net income				230,000	214,366
24 Profit				230,000	214,366

* Pro forma figures.

**Condensed Consolidated Balance Sheet of HSH Nordbank AG Group
as at 31 December 2003**

			<i>As of 31 December 2003</i>	<i>As at 1 January 2003*</i>
	(€'000)	(€'000)	(€'000)	(€'000)
Assets				
1. Cash reserve				
(a) cash on hand			11,404	13,864
(b) balances with central banks			328,299	342,617
			<hr/>	<hr/>
thereof:			339,703	356,481
with Deutsche Bundesbank	289,201			
2. Debt instruments issued by public institutions and bills of exchange eligible for refinancing with central banks				
(a) treasury bills and discounted treasury notes as well as similar debt instruments issued by public institutions:			3,587	4,488
thereof:				
eligible for refinancing with Deutsche Bundesbank	791			
(b) bills of exchange:			16,739	5,585
			<hr/>	<hr/>
thereof:			20,326	10,073
eligible for refinancing with Deutsche Bundesbank	16,739			
3. Loans and advances to banks				
(a) payable on demand			4,355,480	6,696,885
(b) other loans and advances			32,963,537	39,075,007
			<hr/>	<hr/>
			37,319,017	45,771,892
4. Loans and advances to customers			79,207,345	78,875,605
thereof:				
secured by mortgages	17,666,713			
public-sector loans	12,474,002			
secured by ship mortgages	11,526,689			
5. Bonds and other fixed-income securities				
(a) money market funds				
(aa) issued by public-sector issuers		399,421		512,876
thereof:				
eligible as collateral for Deutsche Bundesbank	399,421			
(ab) issued by other issuers		2,484,789		1,041,775
		<hr/>		<hr/>
thereof:			2,884,210	1,554,651
eligible as collateral for Deutsche Bundesbank	60,074			

* These figures form part of an opening balance sheet which was derived from financial statements of Hamburgische Landesbank – Girozentrale – (“Hamburg LB”) and Landesbank Schleswig – Holstein Girozentrale (“LB Kiel”).

				<i>As of</i> <i>31</i> <i>December</i> <i>2003</i> <i>(€'000)</i>	<i>As at 1</i> <i>January</i> <i>2003*</i> <i>(€'000)</i>
(b) bonds	(€'000)	(€'000)	(€'000)	(€'000)	(€'000)
(ba) issued by public-sector issuers thereof: eligible as collateral for Deutsche Bundesbank		11,370,047			13,724,910
(bb) issued by other issuers thereof: eligible as collateral for Deutsche Bundesbank	8,983,413	31,656,936	43,026,983		33,155,831 46,880,741
(c) own bonds	14,047,717		2,151,842		2,026,553
nominal amount	2,057,857			48,063,035	50,461,945
6. Shares and other non-fixed income securities				2,828,564	2,445,159
7. Equity investments in non-affiliated companies				505,279	523,678
thereof:					
in banks	50,217				
in financial services institutions	1,000				
8. Equity investments in affiliated undertakings				920,199	752,307
thereof:					
in banks	57,771				
9. Trust assets				377,323	339,835
thereof:					
trust loans	56,212				
10. Intangible fixed assets				241,250	256,477
11. Tangible fixed assets				153,523	154,652
12. Other assets				1,087,636	888,191
13. Prepaid expenses				473,667	336,466
14. Deferred taxes				122,946	—
Total				<u>171,659,813</u>	<u>181,172,761</u>

* These figures form part of an opening balance sheet which was derived from financial statements of Hamburgische Landesbank – Girozentrale – (“Hamburg LB”) and Landesbank Schleswig – Holstein Girozentrale (“LB Kiel”).

Liabilities

			<i>As at 31 December 2003</i>	<i>As at 1 January 2003*</i>
	(€'000)	(€'000)	(€'000)	(€'000)
1. Liabilities to banks				
(a) payable on demand			7,892,886	3,831,971
(b) with agreed maturities or notice periods			39,676,938	51,658,955
			<u>47,569,824</u>	<u>55,490,926</u>
2. Liabilities to customers				
(a) savings deposits				
(aa) with agreed notice periods of three months		176,611		122,615
(ab) with agreed notice periods of more than three months		<u>4,208</u>		<u>4,929</u>
			180,819	127,544
(b) other liabilities				
(ba) payable on demand		8,046,952		7,777,298
(bb) with agreed maturities or notice periods		<u>39,737,733</u>		<u>37,488,049</u>
			47,784,685	45,265,347
			<u>47,965,504</u>	<u>45,392,891</u>
3. Certificated liabilities				
(a) bonds issued			52,916,366	53,538,107
(b) other certificated liabilities			<u>8,630,663</u>	<u>13,298,019</u>
thereof:			61,547,029	66,836,126
money market instruments	7,242,265			
4. Trust liabilities			377,323	339,835
thereof:				
trust loans	56,212			
5. Other liabilities			1,732,285	1,458,513
6. Deferred income			398,289	357,237
7. Provisions				
(a) provisions for pensions and similar obligations			373,226	339,636
(b) tax provisions			169,266	130,354
(c) deferred taxes			49,290	—
(d) provisions			<u>289,727</u>	<u>275,514</u>
			881,509	745,504
8. Special reserve item			—	521
9. Subordinated debt			2,841,224	3,027,305
10. Profit participation capital			1,496,565	1,496,565
thereof:				
maturing in less than two years	57,776			
11. Fund for general banking risks			365,000	251,641
12. Equity capital				
(a) subscribed capital				
(aa) share capital		500,000		500,000

* These figures form part of an opening balance sheet which was derived from financial statements of Hamburgische Landesbank – Girozentrale – (“Hamburg LB”) and Landesbank Schleswig – Holstein Girozentrale (“LB Kiel”).

			<i>As at 31 December 2003</i>	<i>As at 1 January 2003*</i>
	(€'000)	(€'000)	(€'000)	(€'000)
(ab) silent partnership capital		<u>4,557,717</u>		4,106,256
			5,057,717	4,606,256
(b) capital reserves			1,164,290	1,164,290
(c) differences arising from capital consolidation			—	1,281
(d) profit			259,383	—
(e) minority interests			<u>3,871</u>	<u>3,870</u>
			<u>6,485,261</u>	<u>5,775,697</u>
Total liabilities			<u>171,659,813</u>	<u>181,172,761</u>
1. Contingent liabilities				
liabilities from guarantees and indemnity agreements			14,149,357	13,999,922
2. Other commitments				
irrevocable loan commitments			12,289,652	9,549,220

* These figures form part of an opening balance sheet which was derived from financial statements of Hamburgische Landesbank – Girozentrale – (“Hamburg LB”) and Landesbank Schleswig – Holstein Girozentrale (“LB Kiel”).

Condensed Consolidated Profit and Loss Account of HSH Nordbank AG Group
for the period from 1 January to 31 December 2003

			2003	2002*
	(€'000)	(€'000)	(€'000)	(€'000)
1 Interest income from				
(a) lending and money-market transactions		7,801,389		7,844,478
(b) fixed-income securities and book-entry securities		1,585,558		1,998,564
2 Interest expenses		9,386,947		9,843,042
		8,016,164		8,580,702
			1,370,783	1,262,340
3 Income from				
(a) shares and other non-fixed-income securities		89,133		102,254
(b) equity investments in non-affiliated companies		7,478		30,747
(c) equity investments in affiliated companies		26,608		70,490
			123,219	203,491
4 Income from profit pooling, profit transfer and partial profit transfer agreements			5,150	1,679
5 Commission income		309,281		275,776
6 Commission expenses		85,956		78,684
			223,325	197,092
7 Net income from trading activities			83,219	78,704
8 Other operating income			166,871	178,170
9 Income from writing back special reserve items			521	28,700
10 General administrative expenses				
(a) personnel expenses				
(aa) wages and salaries		268,258		241,980
(ab) compulsory social security contributions, as well as expenses for retirement pensions and other employee benefits		79,405		91,082
		347,663		333,062
therefore:				
for retirement pensions	39,824			
(b) other administrative expenses		312,201		293,444
			659,864	626,506
11 Depreciation on and value adjustments to intangible and tangible fixed assets			72,344	46,104
12 Other operating expenses			39,270	106,067
13 Write-downs on and value adjustments to loans and certain securities as well as allocations to loan loss provisions		468,109		598,559

* Pro forma figures.

	(€'000)	(€'000)	(€'000)	2003 (€'000)	2002* (€'000)
14 Income from write-ups on loans and certain securities and from release of loan loss provisions			—	—	—
				468,109	598,559
15 Allocations to the fund for general banking risks				113,359	40,000
16 Write-downs on and value adjustments to equity investments in non-affiliated as well as affiliated companies and securities treated as fixed assets			—	—	—
17 Income from write-ups on equity investments in non-affiliated as well as affiliated companies and securities treated as fixed assets			5,897	—	128,350
				5,897	128,350
18 Expenses from the assumption of losses				4,367	7,522
19 Profit on ordinary activities				621,672	653,768
20 Taxes on income and revenues			3,925		120,753
21 Other taxes not shown under other operating expenses (item 12)			38,943		32,052
				42,868	152,805
22 Profit transferred under partial profit transfer agreements				316,949	261,882
23 Net income				261,855	239,081
24 Minority interest income				2,472	—
25 Profit				259,383	239,081

* Pro forma figures.

HSH GUERNSEY

Establishment and Domicile

HSH Guernsey was incorporated under the name of Hamburgische LB Finance (Guernsey) Limited as a limited corporation on 30 January 1998 (“Date of Incorporation”) under the laws of Guernsey for an unlimited period of time. On 23 May 2003, HSH Guernsey changed its name from Hamburgische LB Finance (Guernsey) Limited to its current name – HSH N Finance (Guernsey) Limited. HSH Guernsey is a wholly-owned subsidiary of the Bank. HSH Guernsey’s office is located at Trafalgar Court, Les Banques, St. Peter Port, Guernsey GY1 2JA.

Purpose

The principal purpose of HSH Guernsey is to raise funds by issuing Notes under the Programme and other debt instruments. The funds raised are lent to entities within the Bank Group.

Share Capital

The authorised share capital of HSH Guernsey amounts to £100,000, divided into 100,000 ordinary shares of £1 par value each. As of the Date of Incorporation all 100,000 shares were issued and fully paid-up.

The Bank owns all of the issued share capital of HSH Guernsey.

Capitalisation

The following table shows the audited capitalisation and the shareholder’s equity of HSH Guernsey as at 31 December 2003:

<i>Shareholders’ equity</i>	€
Paid-up share capital (ordinary shares)	152,641
Reserves	2,180,239
	<hr/>
Total shareholders’ funds	2,332,880
Long-term unsubordinated debt to financial institutions and customers (with an outstanding maturity of more than five years)	3,543,421,063
Short-term and medium-term unsubordinated debt to financial institutions and customers (with an outstanding maturity of up to five years)	7,464,327,757
	<hr/>
Total capitalisation⁽¹⁾	11,010,081,700
	<hr/> <hr/>

Note:

(1) There has been no material change in the capitalisation of HSH Guernsey since 31 December 2003.

Management

The management of HSH Guernsey is exercised by the Board of Directors, consisting of the Managing Director and four Directors listed below:

Nigel P. De La Rue, Guernsey
Baring Trustees (Guernsey) Limited
Managing Director

Ralf Paulsen, Kiel
HSH Nordbank AG
Director

Robert J. Banfield, Guernsey
Baring Trustees (Guernsey) Limited
Director

Stephan Zeger, Kiel
HSH Nordbank AG
Director

Gudrun Rusman, Guernsey
Baring Trustees (Guernsey) Limited
Director

Auditors

The auditors of HSH Guernsey are KPMG Chartered Accountants, P.O. Box 235, 2 Grange Place, The Grange, St. Peter Port, Guernsey GY1 4LD.

As a result of a restructuring of their business, KPMG have requested that KPMG Channel Islands Limited be appointed as auditors of the Company. A resolution for the appointment of KPMG Channel Islands Limited will take place at the forthcoming Annual General Meeting.

General Meeting of Shareholders

The general meetings are held in Guernsey or elsewhere at the discretion of the Directors. There must be at least one general meeting held in every financial year.

Financial Year

The financial year of HSH Guernsey is the calendar year.

Distribution of Profits

The net profit of HSH Guernsey may be allocated to reserves or paid out as dividends at the discretion of the general meeting of shareholders in accordance with the Articles of Association of HSH Guernsey and Guernsey law.

SUMMARY FINANCIAL STATEMENTS OF HSH GUERNSEY – REVENUE ACCOUNT

Revenue Account for the year ended 31 December 2003 and 2002

	<i>Year ended 31 December</i>			
	2003		2002	
	(€)	(€)	(€)	(€)
Income				
Commission		1,221,822		941,447
Loan interest		367,734,083		286,116,744
Bank interest		33,988		23,042
Exchange loss		(12,883)		(3,107)
		<u>368,977,010</u>		<u>287,078,126</u>
Expenses				
Interest on note issues	367,735,184		286,115,342	
Administration fees	210,885		173,043	
Audit fee	8,240		16,295	
Legal and professional	96,743		86,348	
Travel and entertaining	1,228		4,789	
Depreciation	—		—	
Information Systems	—		—	
Bank charges	25,826		24,357	
	<u>368,078,106</u>		<u>286,420,174</u>	
Surplus for the year		898,904		657,952
Retained surplus brought forward		1,281,335		623,383
		<u>2,180,239</u>		<u>1,281,335</u>
Retained surplus as at the end of year				

SUMMARY FINANCIAL STATEMENTS OF HSH GUERNSEY – BALANCE SHEET

Balance Sheet as at 31 December 2003 and 2002

	<i>Year ended 31 December</i>			
	2003		2002	
	(€)	(€)	(€)	(€)
Assets employed				
Tangible fixed assets			—	
Loans to parent company repayable after more than one year		10,153,167,934		8,014,775,518
Current assets				
Loans to group companies	854,580,886		1,198,630,498	
Debtors and Prepayments	58,730		68,563	
Interest receivable	117,228,032		88,063,408	
Cash at bank	2,336,830		1,451,779	
	<hr/>		<hr/>	
	974,204,478		1,288,214,248	
Liabilities falling due within one year				
Capital instruments issued	854,580,886		1,198,630,498	
Interest payable	117,228,032		88,063,408	
Creditors and accruals	62,680		86,366	
	<hr/>		<hr/>	
	971,871,598		1,286,780,272	
Net current assets		2,332,880		1,433,976
		<hr/>		<hr/>
Total assets less current liabilities		10,155,500,814		8,016,209,494
Liabilities falling due in more than one year				
Capital instruments issued		10,153,167,934		8,014,775,518
		<hr/>		<hr/>
		2,332,880		1,433,976
		<hr/>		<hr/>
Financed by Shareholders' funds				
Share capital		152,641		152,641
Reserves		2,180,239		1,281,335
		<hr/>		<hr/>
		2,332,880		1,433,976
		<hr/>		<hr/>

TAXATION

The information below is not intended as tax advice and it does not purport to describe all of the tax considerations that may be relevant to a prospective purchaser of Notes and/or Coupons. Prospective purchasers are urged to satisfy themselves as to the overall tax consequences of purchasing, holding and/or selling Notes and/or Coupons.

The Federal Republic of Germany

Payments of interest on Notes to persons who are resident in the Federal Republic of Germany (that includes persons whose residence, customary place of abode, head office or central management or legal domicile or permanent establishment is located in the Federal Republic of Germany) are subject to German personal or corporate income tax and trade tax if the Notes are held as business assets. If the Notes are kept or administered in a domestic securities deposit account by a German credit or financial services institution, which term includes a German branch of a foreign credit or financial services institution but excludes a foreign branch of a German credit or financial services institution, a 30 per cent. capital yield tax on interest payments ("*Zinsabschlagsteuer*"), plus a 5.5 per cent. solidarity surcharge on such tax, will be levied on interest payments, resulting in a total withholding tax charge of 31.65 per cent. If Notes or Coupons are presented for payment at the office of a paying agent in Germany, the tax rate for the *Zinsabschlagsteuer* is always 35 per cent. plus solidarity surcharge, resulting in a total tax charge of 36.925 per cent. Such *Zinsabschlagsteuer* and solidarity surcharge are later credited as prepayments against the German personal or corporate income tax and the respective solidarity surcharge.

If a Noteholder sells a Notes during a current interest period, the accrued interest received in this connection will also be subject to personal or corporate income tax and trade tax if the Notes are held as business assets and the 30 per cent. *Zinsabschlagsteuer* plus solidarity surcharge thereon.

Accrued interest charged to and paid by a Noteholder upon the purchase of the Notes reduces the personal or corporate income tax base and – under certain circumstances – the taxable base for the *Zinsabschlagsteuer* and the solidarity surcharge.

If Notes issued under the Programme are classified as so called financial innovations (*Finanzinnovationen*) under the special provisions of Sec. 20 (2) No. 4 of the Income Tax Act, (1997), capital gains deriving from the disposal or redemption of the Notes will be subject to personal or corporate income tax and trade tax if the Notes are held as business assets. The tax base is determined by the balance of the issue price, the acquisition costs or the book value, as the case may be, and the disposal price or redemption amount if the Notes do not have an issuing yield or the Noteholder does not bring proof for the issuing yield. An additional withholding tax may arise as follows:

If the Note is sold prior to maturity or redeemed at maturity, an additional taxation may be usually applicable. A positive difference between the purchase price paid by the Noteholder and the selling price or redemption price, as the case may be, is subject to an additional 30 per cent. *Zinsabschlagsteuer* plus solidarity surcharge thereon. If the Notes are denominated in other currencies than Euro, the positive difference is firstly calculated in such other currency and then converted into Euro. However if, for example, the Note is sold or redeemed after a transfer from a securities deposit account kept with another bank, the price difference as the taxable base for the *Zinsabschlagsteuer* and the solidarity surcharge will be substituted by a flat amount of 30 per cent. of the selling price or the redemption price. This flat-rate taxation is not final but will be modified in the course of the relevant assessment of personal or corporate income tax and trade tax, using the price difference of the new issue rate (*besitzzeitanteilige Emissionsrendite*) or the price difference between the purchase price and the selling price or the redemption price as the taxable basis.

If Notes or Coupons are presented for payment at the office of a paying agent in Germany, the tax rate for the *Zinsabschlagsteuer* is always 35 per cent. plus solidarity surcharge, resulting in a total tax charge of 36.925 per cent. If the Note is classified as financial innovation and repaid at maturity or sold prior to maturity, the *Zinsabschlagsteuer* of 35 per cent. plus solidarity surcharge is always calculated on 30 per cent. of the selling price or the redemption price (flat amount). This flat amount is not final but will included in the relevant assessment of personal or corporate income tax and trade tax, using the price difference of the issue yield rate or the price difference between the purchase price and the selling price or the redemption price as the taxable basis. The *Zinsabschlagsteuer* and the solidarity surcharge can be set off against the German personal or corporate income tax and trade tax liability and solidarity surcharge liability.

Special rules would apply, if the Notes qualified as units in a foreign fund, pursuant to the German Investment Tax Act (*Investmentsteuergesetz*) which might be the case with regard to Indexed Notes.

Persons which are not tax resident in Germany, are in general exempt from this German Zinsabschlagsteuer plus solidarity surcharge. In the case of over-the-counter-transactions, with the exception of transactions entered into by foreign credit institutions or foreign financial services institutions, the 35 per cent. Zinsabschlagsteuer plus solidarity surcharge is applicable but can be refunded to non-residents. If according to German tax law the interest received from the Notes kept or administered in a domestic securities account are effectively connected with a German trade or business of a non-resident, the 30 per cent. Zinsabschlagsteuer plus solidarity surcharge is applicable and can be set off against the German personal or corporate income tax liability of the non-resident.

Guernsey

HSH Guernsey has applied for and has been granted tax exempted status in Guernsey pursuant to the Income Tax (Exempt Bodies) (Guernsey) Ordinances 1989, 1992 and 1996. The exemption is granted on an annual basis after payment of an annual fee to the States of Guernsey Income Tax Authority. It is the intention of the directors of HSH Guernsey to apply for such exemption annually.

Subject to comments set out below in relation to the proposed EU Directive on the Taxation of Savings Income and its possible adoption under present Guernsey Law, no withholding tax or deduction will be made on interest payments made by HSH Guernsey in respect of any Notes issued by HSH Guernsey to non-resident Guernsey Noteholders.

Noteholders who do not engage in trade or carry on business through a permanent establishment in Guernsey for Guernsey tax purposes and who are not resident in Guernsey for Guernsey tax purposes will not suffer any charge for Guernsey income tax on any interest payments received from HSH Guernsey nor will such holders be required to file or make any return to the Income Tax Authority in Guernsey.

Under current legislation in Guernsey there is no liability to Capital Gains Tax, Wealth Tax, Capital Transfer Tax or Estate or Inheritance Tax on the issue, transfer, realisation or redemption of Notes issued by HSH Guernsey nor is any stamp duty or similar tax payable in Guernsey on the issue or transfer of such Notes.

Holders of Notes who are resident for tax purposes in Guernsey or engage in trade or carry on business in Guernsey through a branch or agency to which the Note is attributable may be subject to Guernsey income tax on the interest paid on the Notes.

In the event of the death of a sole holder of Notes, a Guernsey grant of probate or administration may be required in respect of which certain fees will be payable to the Ecclesiastical Registrar in Guernsey.

EU Savings Directive

The European Union has adopted a Directive regarding the taxation of savings income. Subject to a number of important conditions being met, it proposed that, Member States will be required from 1 January 2005 to provide to the tax authorities of other Member States details of payments of interest and other similar income paid by a person to an individual in another Member State, except that Belgium, Luxembourg and Austria will instead operate a withholding system for a transitional period unless during such period they elect otherwise. The transitional period is to commence on the date from which the directive is to be applied by Member States and to terminate at the end of the first fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

Whilst Guernsey is not part of the European Union, the Advisory & Finance Committee of the State of Guernsey has agreed with Her Majesty's government of the United Kingdom that Guernsey will implement equivalent measures to those applied by the Member States of the European Union. It has recently been announced that if and when the EU Savings Directive is adopted, Guernsey will offer the option to individual residents in the Member States of the European Union in receipt of interest (or other similar income) paid by a Guernsey company the choice either to require that Guernsey company or its paying agent to provide to the tax authorities relevant information or to accept a retention tax against such payments.

SUBSCRIPTION AND SALE

Summary of Programme Agreement

Subject to the terms and on the conditions contained in the Amended and Restated Programme Agreement dated 2 June 2004 (the “Programme Agreement”) between the Issuers, the Guarantor, the Dealers and the Arranger, the Notes will be offered on a continuous basis by the Issuers to the Permanent Dealers. However, each Issuer has reserved the right to sell Notes directly on its own behalf to Dealers that are not Permanent Dealers. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the Issuers through the Dealers, acting as agents of the Issuers. The Programme Agreement also provides for Notes to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers.

Each of the Issuers, failing whom (where relevant) the Guarantor, will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by such Dealer. The commissions in respect of an issue of Notes on a syndicated basis will be stated in the relevant Pricing Supplement. Each of the Issuers, failing whom (where relevant) the Guarantor, has agreed to reimburse the Arranger for their expenses incurred in connection with the establishment of the Programme and the Dealers for certain of their activities in connection with the Programme.

Each of the Issuers, failing whom (where relevant) the Guarantor, has agreed to indemnify the Dealers and the Arranger against certain liabilities in connection with the offer and sale of the Notes. The Programme Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the relevant Issuer.

Selling Restrictions

United States

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”) and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Notes in bearer form having a maturity of more than one year are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder.

Each Dealer has represented and agreed that, except as permitted by the Programme Agreement, it will not offer, sell or deliver the Notes of any identifiable Tranche, (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution of such Tranche as determined, and certified to the Issuer, by the Agent or, in the case of Notes issued on a syndicated basis, the Lead Manager, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

United Kingdom

Each Dealer has represented, warranted and agreed that:

- (i) in relation to Notes which have a maturity of one year or more, it has not offered or sold and, prior to the expiry of a period of six months from the issue date of such Notes, will not offer or sell any such Notes to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995;

- (ii) in relation to any Notes which must be redeemed before the first anniversary of the date of their issue, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (the “FSMA”) by the relevant Issuer;
- (iii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not or, would not, if it was not an authorised person, apply to the Issuer or the Guarantor; and
- (iv) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such Notes in, from or otherwise involving the United Kingdom.

Germany

Each Dealer has represented and agreed that it has only offered and sold and will only offer and sell Notes in the Federal Republic of Germany in accordance with the provisions of the Securities Sales Prospectus Act of 9 September 1998, as amended (*Wertpapier-Verkaufsprospektgesetz*) and any other laws applicable in the Federal Republic of Germany governing the issue, sale and offering of securities. Any resale of Notes in the Federal Republic of Germany may only be made in accordance with the provisions of the Securities Sales Prospectus Act and any other applicable laws in the Federal Republic of Germany governing the issue, sale and offering of securities.

Guernsey

Each Dealer has represented and agreed that it has not offered or sold and will not offer or sell any Notes to any person resident for the purposes of the Income Tax (Guernsey) Law 1975 in the Islands of Guernsey, Alderney or Herm.

Japan

The Notes have not been and will not be registered under the Securities and Exchange Law of Japan (the “Securities and Exchange Law”). Accordingly, each Dealer has represented, warranted and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and other relevant laws and regulations of Japan.

General

These selling restrictions may be modified by the agreement of the Issuers and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Pricing Supplement issued in respect of the issue of Notes to which it relates or in a supplement to this Offering Circular.

No action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of the Offering Circular or any other offering material or any Pricing Supplement, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed that it will comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes the Offering Circular, any other offering material or any Pricing Supplement and none of the Issuers, the Guarantor, nor any other Dealer shall have responsibility therefor.

FORM OF PRICING SUPPLEMENT

The form of Pricing Supplement that will be issued in respect of each Tranche is set out below:
Pricing Supplement dated [●]

[HSH NORDBANK AG]
[HSH N FINANCE (GUERNSEY) LIMITED]
Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
[Guaranteed by HSH Nordbank AG]
under the €25,000,000 Euro Medium Term Note Programme

This document constitutes the Pricing Supplement relating to the issue of Notes described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated [●] [and the supplemental Offering Circular dated [●]]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular [as so supplemented].

[The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date.]

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “Conditions”) set forth in the Offering Circular dated [original date]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular dated [current date] [and the supplemental Offering Circular dated [●]], save in respect of the Conditions which are extracted from the Offering Circular dated [original date] and are attached hereto.]

[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Pricing Supplement.]

- | | | |
|---|--|--|
| 1 | (i) Issuer | [●] |
| | (ii) [Guarantor | HSH Nordbank AG] |
| 2 | (i) Series Number | [●] |
| | (ii) [Tranche Number | [●] |
| | (if fungible with an existing Series, details of that Series, including the date on which the Notes become fungible.)] | |
| 3 | Specified Currency or Currencies | [●] |
| 4 | Aggregate Nominal Amount | [●] |
| | (i) Series | [●] |
| | (ii) [Tranche | [●] |
| 5 | (i) Issue Price | [●] per cent. of the Aggregate Nominal Amount [plus accrued Interest from [insert date] (<i>in the case of fungible issues only, if applicable</i>)] |
| | (ii) [Net proceeds | [●] (<i>Required only for listed issued</i>)] |
| 6 | Specified Denominations | [●] ¹ |
| 7 | (i) Issue Date | [●] |
| | (ii) [Interest Commencement Date | [●] |
| 8 | Maturity Date | [specify date or (for Floating Rate Notes) Interest Payment Date falling or nearest to in the relevant month and year] |

¹ Notes (including Notes denominated in sterling) in respect of which the issue proceeds are to be accepted by HSH N Finance (Guernsey) Limited and HSH Nordbank AG in the United Kingdom or whose issue otherwise constitutes a contravention of Section 19 of the FSMA and which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies). In relation to HSH Nordbank AG only, this shall only apply until such time as HSH Nordbank AG becomes an authorised person under the Financial Services and Markets Act 2000.

- 9 Interest Basis [[●] per cent. Fixed Rate]
[[specify reference rate +/- [●] per cent. Margin]
[Zero Coupon]
[Index Linked Interest]
[Other (specify)]
(further particulars specified below)
- 10 Redemption /Payment Basis [Redemption at par]
[Index Linked Redemption]
[Dual Currency]
[Partly Paid]
[Instalment]
[Other (specify)]
- 11 Change of Interest or Redemption/Payment Basis [*Specify details of any provision for convertibility of Notes into another interest or redemption/ payment basis*]
- 12 Put/Call Options [Put]
[Call]
[(further particulars specified below)]
- 13 (i) Status of the Notes [Senior/Dated/perpetual/Subordinated]
(ii) [Status of the Guarantee] [Senior/Dated/perpetual/Subordinated]]
- 14 Listing [Luxembourg/Other (specify)/None]
- 15 Method of distribution [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

- 16 Fixed Rate Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Rate[(s)] of Interest [●] per cent. per annum [payable [annually/semi-annually/quarterly/ monthly] in arrear]
[●] in each year
- (ii) Interest Payment Date(s) [●] per [●] in nominal amount
- (iii) Fixed Coupon Amount [(s)] [*Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount [(s)] and the Interest Payment Date(s) to which they relate*]
- (iv) Broken Amount [●]
- (v) Day Count Fraction (Condition 3(f)) [●] in each year.
- (vi) Determination Date(s) (Condition 3(f)) [*insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon*]
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes [Not Applicable/give details e.g. Day Count Fraction.]
- 17 Floating Rate Provisions [Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph.*)
- (i) Interest Period(s)/ [●]
- (ii) Specified Interest Payment Dates [●]
- (iii) Business Day Convention [Floating Rate Business Day Convention/ Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)]
- (iv) Additional Business Centre(s) (Condition 3(f)) [●]
- (v) Manner in which the Rate(s) of Interest [Screen Rate Determination/ISDA]

	is/are to be determined	Determination/other (<i>give details</i>)
(vi)	Interest Period Date(s)	[Not applicable/ <i>specify dates</i>]
(vii)	Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the [Calculation Agent])	[●]
(viii)	Screen Rate Determination (Condition 3(b)(ii)(B))	
	— Relevant Time	[●]
	— Interest Determination Date(s)	[/●/ TARGET] Business Days in [specify city] for [specify currency] prior to [the first day in each Interest Accrual Period/each Interest Payment Date]
	— Reference Rate	[●]
	— Relevant Screen Page	[●]
(ix)	ISDA Determination (Condition 3(b)(ii)(A))	[●]
	— Floating Rate Option	[●]
	— Designated Maturity	[●]
	— Reset Date	[●]
	— ISDA Definitions (if different from those set out in the Conditions)	[●]
(x)	Margin(s)	[+/-][●] per cent. per annum
(xi)	Minimum Rate of Interest	[●] per cent. per annum
(xii)	Maximum Rate of Interest	[●] per cent. per annum
(xiii)	Day Count Fraction (Condition 3(f))	[●]
(xiv)	Rate Multiplier	[●]
(xv)	Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions	[●]
18	Zero Coupon Note Provisions	[Applicable/Not Applicable] (<i>If not applicable, delete the remaining sub-paragraphs of this paragraph</i>)
(i)	[Amortisation/] Yield (Condition 5(e)(iii))	[●] per cent. per annum
(ii)	Day Count Fraction (Condition [3(f)])	[●]
(iii)	(Any other formula/basis of determining amount payable:	[●]
19	Index Limited Interest Note Provisions	[Applicable/Not Applicable] (<i>If not applicable, delete the remaining sub-paragraphs of this paragraph</i>)
(i)	Index/Formula	[Give or annex details]
(ii)	Calculation Agent responsible for calculating the interest due	[●]
(iii)	Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable	[●]
(iv)	Interest Period(s)	[●]
(v)	Specified Interest Payment Dates	[●]
(vi)	Business Day Convention	[Floating Rate Business Day Convention/ Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (<i>give details</i>)]
(vii)	Additional Business Centre(s) (Condition 3(f)(iii))	[●]
(viii)	Minimum Rate of Interest	[●] per cent. per annum
(ix)	Maximum Rate of Interest	[●] per cent. per annum
(x)	Day Count Fraction (Condition[3(f)])	[●]

20	Dual Currency Note Provisions	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
(i)	Rate of Exchange/Method of calculating Rate of Exchange	[●]
(ii)	Calculation Agent, if any, responsible for calculating the principal and/or interest due	[●]
(iii)	Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable	[●]
(iv)	Person at whose option Specified Currency(ies) is/are payable	[●]
(v)	Day Count Fraction (Condition [3(f)])	[●]

PROVISIONS RELATING TO REDEMPTION

21	Call Option	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
(i)	Optional Redemption Date(s)	[●]
(ii)	Optional Redemption Amount(s) and method, if any, of calculation of such amount(s)	[●]
(iii)	If redeemable in part	[●]
(aa)	Minimum nominal amount to be redeemed	[●]
(bb)	Maximum nominal amount to be redeemed	[●]
(cc)	Option Exercise Date(s)	[●]
(dd)	Description of any other Issuer's option	[●]
(iv)	Notice period	[●]
22	Put Option	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
(i)	Optional Redemption Date(s):	[●]
(ii)	Optional Redemption Amount(s) and method, if any, of calculation of such amount(s)	[●]
(iii)	Option Exercise Date(s)	[●]
(iv)	Description of any other Noteholders' option	[●]
(v)	Notice period (if other than as set out in the Conditions):	[●]
23	Final Redemption Amount	[●]
24	Early Redemption Amount	[●]
(i)	Early Redemption Amount(s) payable on redemption for taxation reasons (Condition [5(b)]) or an Event of Default (Condition 8) and/or the method of calculating the same (if required or if different from that set out in the Conditions)	[●]
(ii)	Redemption for taxation reasons permitted on days other than Interest Payment Dates (Condition [5(b)])	[Yes/No]
(iii)	Unmatured Coupons to become void upon	[Yes/No/Not Applicable]

early redemption (Bearer Notes only)
(Condition [4(b)])

GENERAL PROVISIONS APPLICABLE TO THE NOTES

- | | | |
|----|--|---|
| 25 | Form of Notes | [Bearer Notes]
[Delete as appropriate] |
| | (iv) Temporary or permanent Global Note | [temporary Global Note exchangeable for a permanent Global Note which is exchangeable for Definitive Notes on [●] days' notice/at any time/in the limited circumstances specified in the permanent Global Note]
[temporary Global Note exchangeable for Definitive Notes on [●] days' notice]
[permanent Global Note exchangeable for Definitive Notes on [●] days' notice/at any time/in the limited circumstances specified in the permanent Global Note] |
| | (v) Applicable TEFRA exemption: | [C Rules/D Rules/Not Applicable] |
| 26 | Financial Centre(s) or other special provisions relating to payment dates | [Not Applicable/give details. Note that this item relates to the date and place of payment, and not interest period end dates, to which item 16(ii), 17(iv) and 19(vii) relates] |
| 27 | Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature) | [Yes/No. If yes, give details] |
| 28 | Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment | [Not Applicable/give details] |
| 29 | Details relating to Instalment Notes | [Not Applicable/give details] |
| | (i) Instalment Amount(s) | [●] |
| | (ii) Instalment Date(s) | [●] |
| | (iii) Minimum Instalment Amount | [●] |
| | (iv) Maximum Instalment Amount | [●] |
| 30 | Redenomination, renominatisation and reconventioning provisions | [Not Applicable/The provisions [in Condition [●]] apply] |
| 31 | Consolidation provisions | [Not Applicable/The provisions [in Condition [●]] [annexed to this Pricing Supplement] apply] |
| 32 | Other terms or special conditions ² | [Not Applicable/give details] |

DISTRIBUTION

- | | | |
|----|--------------------------------------|-------------------------------|
| 33 | (i) If syndicated, names of Managers | [Not Applicable/give names] |
| | (ii) Stabilising Manager (if any) | [Not Applicable/give name] |
| | (iii) Dealer's Commission | [●] |
| 34 | If non-syndicated, name of Dealer | [Not Applicable/give name] |
| 35 | Additional selling restrictions | [Not Applicable/give details] |

² If full terms and conditions are to be used, please add the following here: "The full text of the Conditions which apply to the Notes [and which will be endorsed on the Notes in definitive form] are set out in [the Annex hereto], which Conditions replace in their entirety those appearing in the Offering Circular for the purposes of these Notes and such Conditions will prevail over any other provision to the contrary." The first set of bracketed words is to be deleted where there is a permanent global Note instead of Notes in definitive form.

The full Conditions should be attached to and form part of the Pricing Supplement.

OPERATIONAL INFORMATION

- 36 ISIN Code [●]
- 37 Common Code [●]
- 38 Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s) [Not Applicable/give name(s) and number(s)]
- 39 Delivery Delivery [against/free of] payment
- 40 The Agent(s) appointed in respect of the Notes are (if any) [●]

GENERAL

[LISTING APPLICATION]

This Pricing Supplement comprises the final terms required to list the issue of Notes described herein pursuant to the €25,000,000,000 Euro Medium Term Note Programme [of HSH Nordbank AG/ HSH N Finance (Guernsey) Limited.]

[STABILISING]

In connection with this issue, [*insert name of Stabilising Manager*] (the “Stabilising Agent”) or any person acting for him may over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail for a limited period after the issue date. However, there may be no obligation on the Stabilising Agent or any agent of his to do this. Such stabilising, if commenced, may be discontinued at any time, and must be brought to an end after a limited period.]

[MATERIAL ADVERSE CHANGE STATEMENT]

[Except as disclosed in this document, there/There]³ has been no significant change in the financial or trading position of the Issuer, the Guarantor or of the Group since [*insert date of last audited accounts or interim accounts (if later)*] and no material adverse change in the financial position or prospects of the Issuer, the Guarantor or of the Group since [*insert date of last published annual accounts*].

RESPONSIBILITY

The Issuer [and the Guarantor] accept[s] responsibility for the information contained in this Pricing Supplement which, when read together with the Offering Circular [and the supplemental Offering Circular] referred to above, contains all information that is material in the context of the issue of the Notes.

Signed on behalf of the Issuer:

By: _____
Duly authorised

[Signed on behalf of the Guarantor:

By: _____
Duly authorised]

³ If any change is disclosed in the Pricing Supplement, it will require approval by the Stock Exchange(s). Consideration should be given as to whether or not such disclosure should be made by means of a supplemental Offering Circular [comprising supplementary listing particulars] rather than in a pricing supplement.

GENERAL INFORMATION

1. In connection with the application to list the Notes issued under the Programme on the Luxembourg Stock Exchange a legal notice relating to the issue of the Notes and copies of the Articles of Incorporation of the Bank and the Memorandum and Articles of Association of HSH Guernsey will be deposited with the *Registre de Commerce et des Societes à Luxembourg* where such documents may be examined and copies obtained so long as Notes are listed on the Luxembourg Stock Exchange. The Programme has been registered with the Luxembourg Stock Exchange under the number 12865. So long as the Notes are listed on the Luxembourg Stock Exchange there shall be a Paying Agent with a specified office located in Luxembourg.
2. Each of the Issuers and the Guarantor has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes and the guarantee relating to them. The issue of the Notes was authorised by a resolution of the Board of Managing Directors of the Bank passed on 2 June 2004 and by a resolution of the Board of Directors of HSH Guernsey passed on 2 June 2004 and the giving of the Guarantee relating to the Notes by the Bank was authorised by a resolution of the Board of Managing Directors of the Bank passed on 2 June 2004.
3. Except as disclosed in this Offering Circular, there has been no significant change in the financial or trading position of the Bank or HSH Guernsey since 31 December 2003 and no material adverse change in the financial position or prospects of the Bank or HSH Guernsey since 31 December 2003.
4. Neither the Bank nor any of its subsidiaries, including HSH Guernsey, is, unless otherwise disclosed in this Offering Circular, involved in any legal or arbitration proceedings that may have, or have had during the 12 months preceding the date of this document, a significant effect on the financial position of the Bank or of the Bank and its subsidiaries, including HSH Guernsey, nor is the Bank aware that any such proceedings are pending or threatened.
5. Each Note in a series of Notes which has an original maturity of more than 365 days and each Receipt, Coupon and Talon relating to such Note will bear the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code".
6. Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems. The Common Code and the International Securities Identification Number ("ISIN") for each Series of Notes will be set out in the relevant Pricing Supplement.
7. Copies of the latest annual report and accounts of HSH Guernsey and the Bank may be obtained, and copies of the Agency Agreement and the Deed of Covenant (including the guarantee) will be available for inspection, at the specified offices of each of the Paying Agent during normal business hours, so long as any of the Notes is outstanding. The Bank and HSH Guernsey do not publish interim accounts and HSH Guernsey does not publish its accounts.

APPENDIX

Germany agrees on the implementation of the Understanding with the Commission on State guarantees for Landesbanken and Savings Banks

The following is an extract from a press release that was issued by the European Commission on 28 February 2002:

“After intensive talks today in Brussels, Competition Commissioner Mario Monti and State-Secretary Caio Koch-Weser from Germany’s Federal Ministry of Finance accompanied by Finance Ministers Peer Steinbrück (Nordrhein-Westfalen), Kurt Faltlhauser (Bavaria), Gerhard Stratthaus (Baden-Württemberg) and by the President of the German Savings Banks Association, Dietrich Hoppenstedt, reached conclusions that should clear the road to rendering the German system of State guarantees for public law credit institutions compatible with the State aid rules of the EC Treaty. The conclusions spell out the key measures for implementing the understanding reached between the German Authorities and the Commission on 17 July 2001 regarding the principles of a solution concerning the two forms of guarantees, “*Anstaltslast*” and “*Gewährträgerhaftung*”, to Landesbanken and savings banks. Mr Koch-Weser confirmed that all necessary legislation both at the Federal and at Länder level will be in place by the end of 2002.

The German authorities will now notify to the Commission the final draft legal texts implementing the agreement. These texts are also being submitted to the Länder Parliaments for adoption before the end of the year. As to the Commission, Mr Monti will propose a decision on Landesbanken, and savings banks by the end of March, in order to amend the Commission decision of 8 May 2001 which had set in motion the current process. In line with Community State aid procedures, the new decision will lay down in detail the measures to be taken by Germany, as accepted by the Commission, for the system of *Anstaltslast* and *Gewährträgerhaftung*. It would be followed by close monitoring of their correct implementation.

Background

On 8 May 2001, the European Commission adopted a decision proposing to the German Government so-called “appropriate measures” in order to make the guarantee system of *Anstaltslast* and *Gewährträgerhaftung* compatible with the State aid rules of the EC Treaty. In July 2001, the German authorities fully accepted the proposed appropriate measures, on the basis of an understanding between Commissioner Monti and State-Secretary Koch-Weser on the key principles of a solution as well as on the process and the timing, including transitional arrangements.”

Annexes

1 Today’s Conclusions

Conclusions on *Anstaltslast* and *Gewährträgerhaftung* following the understanding on Landesbanken and savings banks of 17.7.2001 Mr Mario Monti, Commissioner for Competition, and Mr Caio Koch-Weser, State Secretary in the German Ministry of Finance, Mr Kurt Faltlhauser, Minister of Finance of Bavaria, Mr Peer Steinbrück, Minister of Finance of Northrhine-Westphalia, Mr Gerhard Stratthaus, Minister of Finance of Baden-Württemberg and Mr Dietrich Hoppenstedt, President of the German savings banks’ association, for the Federal Republic of Germany, reached in Brussels on 28 February 2002 the following conclusions.

All engagements mentioned have to be made by 15 March 2002. For the other measures, the timetable established in the understanding of 17 July 2001 applies. The original time limit to submit the necessary legal measures to the respective legislative bodies fixed 31 December 2001 is postponed to 31 March 2002; in motivated exceptional cases this time limit can be extended to 31 May 2002 at the latest. At any rate, a preliminary report on the status of the legislative efforts has to be submitted to the Commission by 15 March 2002:

(A) Replacement of *Anstaltslast* and abolishment of *Gewährträgerhaftung*

For the replacement of *Anstaltslast* and the abolishment of *Gewährträgerhaftung*, at least the following elements shall be contained:

In the legal text itself:

1. *Anstaltslast* is replaced by the following provisions.

2. The owner supports (*unterstützt*) the savings bank/Landesbank in the fulfilment of its tasks according to the following principles/provisions.
3. There is no obligation of the owner to provide the savings bank/Landesbank with funds, nor is there a right (claim) of the savings bank/Landesbank against the owner.
4. The savings bank/Landesbank is responsible for its liabilities with all its assets.
5. The responsibility (*Haftung*) of the owner of a Landesbank is limited to its statutory capital./ The owner of the savings bank is not responsible (*haftet nicht*) for its liabilities.
6. All Landesbanks and savings banks must be able to go insolvent [to be reached by abolishment of Länder provisions based on 12(1) No 2 Insolvency Code].
7. Any existing provisions on Anstaltslast and Gewährträgerhaftung, which contradict the above, are to be deleted.

In the recitals (*Gesetzesbegründungen*):

In addition to explanations of the provisions in the legal text, the following must appear:

As far as the owner provides the savings bank/Landesbank with means, this occurs only according to the State aid discipline of the Community.

In separate engagements by the German authorities:

1. The German authorities engage themselves by a separate letter that they will notify any future provision of funds to savings banks/Landesbanks to the Commission, in case it contains State aid.
2. The German Federal and Länder authorities engage themselves by a separate letter that in the future no use will be made of the enabling clause in federal law to exempt from the insolvency procedures Anstalten under the supervision of Länder for public banks covered by the understanding of 17 July 2001.

(B) Grandfathering of Gewährträgerhaftung

The following provisions are to be put into the legal text, corresponding explanations are to be provided in the recitals: “The owners of the savings banks and the Landesbank at 18.7.2005 are responsible for the honouring of all liabilities of the respective institution existing at this date. For the liabilities agreed by 18.7.2001 this applies without time limits; for those agreed afterwards until 18.7.2005, this applies only if their maturity does not go beyond 31.12.2015. The owners will immediately honour their obligations from *Gewährträgerhaftung* vis-a-vis the creditors of liabilities agreed until 18.7.2005 as soon as they have stated, when these liabilities come due, in due manner and in writing that the creditors of these liabilities cannot be satisfied out of the assets of the institution. Liabilities of the Landesbank or savings banks from their own *Gewährträgerhaftung* or of comparable responsibilities or those resulting from membership in a savings banks association are founded and come due in the sense of sentences 1 and 2 at the same time as a liability secured by such responsibility. Several owners are collectively responsible, in their internal relationships according to their shares [or: according to the provisions in the by-law of the institution.]”

(C) Institutional security funds (*Institutssicherungsfonds*)

The German authorities engage themselves by a separate letter to abolish any obligation of owners or other public bodies to provide financial means to institutional security funds (*Institutssicherungsfonds*) of savings banks associations in the Länder, where this is applicable, with a clear timetable along the lines of the understanding of 17.7.01. Subsequently, the necessary measures will be taken in accordance with this engagement.

(D) Free savings banks

The German authorities engage themselves by a separate letter to abolish any obligation of public bodies to provide financial means to so-called free savings banks (e.g. *Frankfurter Sparkasse*) with a clear timetable along the lines of the understanding of 17.7.2001. Subsequently, the necessary measures will be taken in accordance with this engagement.

Brussels, on 28 February 2002

2 Agreement of 17.07.01

Understanding on Anstaltslast and Gewährträgerhaftung

Mr Mario Monti, Commissioner for Competition, and Mr Caio Koch-Weser, State Secretary in the German Ministry of Finance, Mr Kurt Faltlhauser, Minister of Finance of Bavaria, Mr Peer Steinbrück, 85 Minister of Finance of Northrhine-Westphalia, Mr Gerhard Stratthaus, Minister of Finance of Baden- Württemberg and Mr Dietrich Hoppenstedt, President of the German savings banks' association, for the Federal Republic of Germany, reached in Brussels on 17 July 2001 the following understanding:

3 “Platform-model”

- 3.1 The German authorities confirm that all Landesbanken and Sparkassen, including their subsidiaries in public law form, will adopt the so-called “platform-model”.
- 3.2 The “platform-model” consists in the abolishment of *Gewährträgerhaftung* and the replacement of *Anstaltslast*, as it exists now, in line with what is specified under 2.

4 Principles of changes as regards the system of Anstaltslast and Gewährträgerhaftung

- 4.1 *Gewährträgerhaftung* shall be abolished.
- 4.2 *Anstaltslast*, as it exists now, shall be replaced in order to comply with the following principles:
 - (a) The financial relationship between the public owner and the public credit institution shall be not different from a normal commercial owner relationship governed by market economy principles, just as between a private shareholder and a limited liability company.
 - (b) Any obligation of the public owner to grant economic support to the public credit institution and any automatism of economic support granted by the owner to the public credit institution shall be excluded. There shall be no unlimited liability of the owner for the liabilities of the public credit institution. There shall be no declaration of intent nor guarantee to ensure the existence of the public credit institution (no “*Bestandsgarantie*”).
 - (c) The public credit institutions shall be subject to the same insolvency rules as private credit institutions, putting their creditors in the same position as creditors of private credit institutions.
 - (d) These principles shall be without prejudice to the possibility of the owner to grant economic support in conformity with the State aid rules of the EC Treaty.
- 4.3 Explicit legal change in line with the above shall be made in all laws in Germany governing public credit institutions, which are on the platform, regardless of whether *Anstaltslast* is now explicitly prescribed in the law or not.

5 Commitment of implementation

- 5.1 The German authorities offered the commitments (i) that the Federal and all Länder authorities shall submit not later than 31.12.2001 to their legislative bodies the proposals for the necessary legal measures according to what is laid down in 1. and 2. above and (ii) that all necessary legal measures shall be definitively adopted not later than 31.12.2002. These deadlines allow in particular the municipalities (cities, counties, communes) as owners of the Sparkassen an appropriate time for discussion within the framework of the democratic process of implementation.
- 5.2 The purpose of the commitments under 3.1. shall be to ensure the proper implementation of the appropriate measures laid down in the Commission's recommendation of 8.5.2001 and facilitate an early adaptation of the public law credit institutions to the new legal and economic framework.
- 5.3 Commissioner Monti welcomes these commitments which will be part of the draft decision he will submit to the Commission to amend the Commission's decision of 8.5.2001 adopting a recommendation of appropriate measures.
- 5.4 It is understood that non-compliance with these commitments by the Federal Republic or one or more Länder shall constitute the non-compliance with the Commission decision amending its decision of 8.5.2001 with respect to the non-complying Federal Republic, Land or Länder and shall have as legal effects that the state aid element involved in *Anstaltslast* and *Gewährträgerhaftung* shall be treated as new state aid as of 1.1.2003.

6 Transitional arrangement

Liabilities existing at 18.7.2001, the date of acceptance by the German authorities of the Commission's recommendation of 8.5.2001, will continue to be covered by *Gewährträgerhaftung* until their maturity runs out. The decision amending the Commission's decision of 8.5.2001 will contain a transitional period which will last until 18.7.2005 and during which *Anstaltslast* and *Gewährträgerhaftung* can be maintained in their present form. As of the final date of this transitional period any liability existing 86 by then and created after 18.7.2001 will continue to be covered by *Gewährträgerhaftung* under the condition that its maturity does not go beyond 31.12.2015.

7 Further steps

- 7.1 The German authorities shall at the latest on 18.7.2001 give their unequivocal and unconditional acceptance of the appropriate measures as recommended in the Commission's decision of 8.5.2001.
- 7.2 As soon as possible after reception of such acceptance Mr Monti will report to the Commission the results of this meeting.
- 8 Commissioner Monti and the German delegation are convinced that with the implementation of these principles the economic activities of the Landesbanken and Sparkassen will become compatible with the Community law.

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