



DISCLOSURE REPORT

as at 30 June 2015 according to Part Eight CRR

CONTENT

1.	INTRODUCTION AND GENERAL PRINCIPLES	4
1.1.	OVERVIEW	4
1.2.	NON-MATERIAL, PROPRIETARY OR CONFIDENTIAL INFORMATION	4
1.3.	FREQUENCY OF DISCLOSURE	4
1.4.	MEANS OF DISCLOSURES	4
1.5.	NON-RELEVANCE AND NEGATIVE DECLARATIONS	4
2.	SCOPE OF APPLICATION, OWN FUNDS AND CAPITAL REQUIREMENTS	6
2.1.	SCOPE OF APPLICATION	6
2.2.	STRUCTURE OF OWN FUNDS	6
2.3.	CAPITAL REQUIREMENTS	7
2.4.	GUARANTEE FACILITY	10
3.	LEVERAGE RATIO (DEBT RATIO)	12
4.	INFORMATION ON THE USE OF THE IRB APPROACH FOR CREDIT RISK	13
4.1.	PERMISSION FROM THE COMPETENT AUTHORITIES TO USE THE IRB APPROACH OR ACCEPTED TRANSITIONAL ARRANGEMENTS	13
4.2.	EXPOSURE VALUES BROKEN DOWN BY EXPOSURE CLASSES AND BY RATING LEVELS UNDER THE IRB APPROACH	13
4.3.	UNDRAWN LOAN COMMITMENTS AND AVERAGE EXPOSURE VALUES UNDER THE IRB APPROACH	15

LIST OF TABLES

Table 1: Structure of own funds and regulatory adjustments in € m	6
Table 2: Capital ratios in %	7
Table 3: Capital requirements in € m	9
Table 4: Leverage ratio in % (capital and exposure in € m)	12
Table 5: Avg. PD, avg. LGD, avg. RW and exposures values in € m by rating ranges	15
Table 6: Assessment basis in € m and avg. exposure value of undrawn loan commitments and of non-derivative off-balance sheet assets	17
Table 7: Exposure values and capital requirements of the equity exposures in investment funds or fund-like certificates in € m	18

Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

This is an English translation of the original German version of the Disclosure Report.

1. INTRODUCTION AND GENERAL PRINCIPLES

1.1. OVERVIEW

The disclosure is made in accordance with the regulatory requirements of the Basel III framework (CRR/CRD IV) that came into effect as at 1 January 2014. The goal of this disclosure is to strengthen the market discipline of the institutions. For that reason, additional information on the risk profile will be provided, exceeding the information that has already been published in the Annual Report. The disclosure of the bank relates to the banking group in accordance with Article 13 (1) CRR. There are no significant subsidiaries.

Amongst others, a guarantee facility was provided to HSH Nordbank in 2009 in connection with a capitalisation implemented by the shareholders, the Federal State of Schleswig-Holstein and the Free and Hanseatic City of Hamburg. This guarantee facility reduces capital requirements by protecting the Bank from secondary losses for up to € 10 billion in the guaranteed portfolio, as soon as the risks in the collateralised portfolios exceed the agreed first loss piece of € 3.2 billion held by the Bank (so-called second loss guarantee).

HSH Nordbank determines capital requirements in accordance with Article 92 CRR taking the guarantee facility into account. Consequently, disclosures made in this report reflect the effect of the guarantee.

1.2. NON-MATERIAL, PROPRIETARY OR CONFIDENTIAL INFORMATION

Under Article 432 (1) CRR institutions may omit one or more of the disclosures listed in Part Eight Title II CRR, if the information provided by such disclosures is not regarded as material.

Under Article 432 (2) institutions may also omit one or more items of information included in the disclosures listed in Part Eight Titles II and III CRR, if those items include information which is regarded as proprietary or confidential. HSH Nordbank has not made use of this option in this report.

1.3. FREQUENCY OF DISCLOSURE

HSH Nordbank disclosed the required information under Part Eight CRR in accordance with Article 433 CRR in full as at 31 December 2014.

For information of which disclosure is required more often than once a year, HSH Nordbank adheres to the BaFin's circular 05/2015 dated 8 June 2015 on the implementation of the EBA guideline on disclosure of materiality, proprietary and confidentiality and on disclosure frequency (circular 05/2015 (BA)) and hence complies with the EBA guideline regarding Articles 432 (1) and (2) and Article 433 CRR (EBA/GL/2014/14). Consolidated total assets of HSH Nordbank exceed € 30 billion. In accordance with the criterion set forth in Title VI (18) subparagraph (b) in conjunction with Title VIII (26) of this circular, HSH Nordbank will provide disclosures semi-annually starting with this disclosure, in line with the frequency of the publication of its financial statements. The content of the semi-annual Disclosure Report complies with the requirements laid down in Title VIII (26) subparagraph (b) of the circular 05/2015 (BA). With respect to Article 451, Article 452 subparagraph (d) and (e) CRR as well as to other information that may rapidly change, and to information that changes significantly during the reporting period, HSH Nordbank follows the wording of Title VII (28) subparagraph (b) CRR (EBA/GL/2014/14) of the broader descriptions of the original English version.

1.4. MEANS OF DISCLOSURES

The Disclosure Report is published on HSH Nordbank's website under Investor Relations in accordance with Article 434 (1) CRR. The publication's timing and medium are notified to the supervisory authorities and published in the German Electronic Federal Gazette ("Bundesanzeiger").

1.5. NON-RELEVANCE AND NEGATIVE DECLARATIONS

Some of the intra-year disclosure requirements in accordance with Part Eight Titles II and III CRR are irrelevant for the Bank and accordingly not disclosed. To ensure unambiguousness, relevant points are listed below and HSH Nordbank explicitly states a negative declaration for these points:

-
- ▶ The capital ratios are determined solely on the basis of the principles laid down in the CRR. Accordingly, an explanation according to Article 437 subparagraph (f) CRR is not provided.
 - ▶ Equity investments, to which grandfathering provisions apply regarding capital requirements, are not held in HSH Nordbank's portfolio. Therefore, disclosure in accordance with Article 438 subparagraph (d) (iv) CRR does not apply.
 - ▶ HSH Nordbank only uses own estimates of the LGD and conversion factors for exposures to central governments, central banks, institutions and corporates. Accordingly, separate disclosure pursuant to Article 452 subparagraph (d) CRR and Article 452 subparagraph (j) (ii) CRR is not made for exposures, to which own estimates of the above-mentioned parameters are not applied.
 - ▶ HSH Nordbank only uses the Standardised Approach for credit risk for the retail exposure class. As a result, no information pursuant to Article 452 subparagraph (f) CRR is disclosed.

2. SCOPE OF APPLICATION, OWN FUNDS AND CAPITAL REQUIREMENTS

2.1. SCOPE OF APPLICATION

HSH Nordbank AG is the parent company of the HSH Nordbank Group (hereafter HSH Nordbank). In accordance with Part Eight CRR the disclosures reflect those entities belonging to the Group which form part of the banking group within the meaning of Section 10a of the German Banking Act (KWG) in conjunction with Article 11 et seq. CRR (regulatory scope of consolidation). The scope of consolidation recognised for financial accounting/reporting purposes under International Financial Reporting Standards (IFRS) as described in the Annual Report of the HSH Nordbank differs from the regulatory scope of consolidation. The basis for the disclosure report is the regulatory scope of consolidation.

2.2. STRUCTURE OF OWN FUNDS

For the intra-year disclosure of own funds pursuant to Article 437 (1) subparagraphs (a), (b), (d) and (e) CRR HSH Nordbank follows the Commission Implementing Regulation (EU) No. 1423/2013 of 20 December 2013 laying down implementing technical standards with regard to disclosure of capital requirements for institutions according to Regulation (EU) No. 575/2013 of the European Parliament and of the Council (CRR) to the re-

quired extent of paragraph 23 subparagraph (a) of the circular 05/2015 (BA). The item numbers (Item No.) in the first column of Tables 1 and 2 relate to the structure of own funds during the transition period in accordance with Annex VI of the Commission Implementing Regulation (EU) No. 1423/2013.

The increase of total capital (TC) in the amount of € 176 million – based on € 6,843 million as at 31 December 2014 to € 7,019 million as at 30 June 2015 – results from the increased Common Equity Tier 1 capital (CET1) and the increased Tier 2 capital (T2). Opposing that is the decrease of the Additional Tier 1 capital (AT1).

The Common Equity Tier 1 capital (T1) has increased among other things due to the recognition of the interim profit of € 228 million as at 30 June 2015.

The decrease of the Additional Tier 1 capital (AT1) in the amount of € 210 million is mostly due to the reduction of weighting for silent participations within the scope of Basel III transitional regulations of 80 % in 2014 to 70 % in 2015.

An opposing effect in the Tier 2 capital (T2) caused the increase of € 157 million in total Tier 2 capital. Reason for that increase was, among other effects, that a large part of the silent participations can now be recognized in this position.

Structure of own funds and regulatory adjustments

Item No.		30.06.2015	31.12.2014
6	Common Equity Tier 1 capital (CET1) before regulatory adjustments	4,790	4,746
29	Common Equity Tier 1 capital (CET1)	3,855	3,627
36	Additional Tier 1 capital (AT1) before regulatory adjustments	1,544	1,765
44	Additional Tier 1 capital (AT1)	1,510	1,720
45	Tier 1 capital (T1 = CET1 + AT1)	5,365	5,346
51	Tier 2 capital (T2) before regulatory adjustments	1,672	1,511
58	Tier 2 capital (T2)	1,654	1,497
59	Total capital (TC = T1 + T2)	7,019	6,843
28	Total regulatory adjustments to Tier 1 (CET1)	-935	-1,119
43	Total regulatory adjustments to Additional Tier 1 capital (AT1)	-35	-45
57	Total regulatory adjustments to Tier 2 capital (T2)	-18	-14

Table 1: Structure of own funds and regulatory adjustments in € m

Capital ratios

Item No.		30.06.2015	31.12.2014
61	Common Equity Tier 1 capital (as a percentage of the total debt)	9.7	9.2
62	Tier 1 capital (as a percentage of the total debt)	13.5	13.5
63	Total capital ratio (as a percentage of the total debt)	17.6	17.3

Table 2: Capital ratios in %

2.3. CAPITAL REQUIREMENTS

The capital requirements relevant for HSH Nordbank pursuant to Article 438 subparagraphs (c) to (f) CRR are explained below and disclosed in Table 3.

2.3.1. Credit risk

Following approval by the competent authorities the risk parameters required to determine the risk weight are generally calculated internally by HSH Nordbank (see Section 4.1). Consequently, the risk-weighted exposure amounts for credit risk are generally calculated using the IRB Approach in accordance with Part Three Title II Chapter 3 CRR.

However, as part of the temporary or permanent partial use, the Standardised Approach for credit risk pursuant to Part Three Title II Chapter 2 CRR is applied to individual exposures and exposures of companies to be consolidated as a regulatory requirement. For this reason, information on capital requirements for credit risk is provided in accordance with both the advanced IRB Approach and Standardised Approach for credit risk, broken down in each case into separate exposure classes by the approach applied. Furthermore, capital requirements determined since 1 January 2014 for risks arising from contributions to the default fund of a central counterparty (CCP) are disclosed pursuant to Articles 307 to 309 CRR.

In the case of equity holdings under the IRB Approach, HSH Nordbank determines the capital requirements using the PD-LGD approach and the simple risk weight method. In addition, significant investments in financial sector entities pursuant to Article 48 CRR have been separately backed by equity, provided that these are not deducted from own funds. Furthermore, the equity holdings already held prior to 1 January 2008 and consequently “grandfathered” (portfolio protection) according

to Article 495 (1) CRR are excluded from the Advanced IRB Approach until 31 December 2017 and are treated in accordance with the rules applicable to the CRSA.

In total, the capital requirements for credit risk decreased as at the reporting date compared to 31 December 2014 – from € 2,476 million to € 2,422 million. The decrease is due to opposing effects. While the planned expansion of new business as well as the appreciation of the dollar against the euro cause increased capital requirements, the ongoing winding down strategy pursued for high-risk legacy portfolios held in the Restructuring Unit has a relieving effect in regards to capital requirements. Further details on business performance are presented in the Economic Report of the Interim Report of HSH Nordbank as at 30 June 2015.

2.3.2. Market risk

HSH Nordbank uses standardised methods for determining capital requirements for market risk in accordance with Part Three Title IV Chapters 2 to 4 CRR.

The capital requirement for market risk amounts to € 537 million. The increase of € 91 million compared to € 446 million as at 31 December 2014 results from foreign exchange risk effects and an increase in interest rate risk.

2.3.3. Operational risk

HSH Nordbank applies the Standardised Approach pursuant to Article 317 CRR for purposes of determining the capital requirement for operational risk.

In total, there is a capital requirement for the Group of € 157 million. The decrease of € 43 million compared to € 200 million as at 31 December 2014 results from lower gross income of the bank.

2.3.4. Overall capital requirements

In addition to credit risk, market risk and operational risk, HSH Nordbank has also backed the credit valuation adjustment risk (CVA risk) with own funds in accordance with Part Three Title VI CRR. The capital requirements for this risk amounts to € 71 million compared to € 49 million as at 31 December 2014.

The capital requirements for settlement risk pursuant to Part 3 Title VI CRR were close to zero as at the reporting date.

This results in total capital requirements of € 3,187 million as at the reporting date in comparison to € 3,163 million as at 31 December 2014.

Capital requirements

	30.06.2015	31.12.2014
Credit risk		
Standardised Approach (CRSA)		
Central governments or central banks	-	-
Regional governments or local authorities	0	0
Public sector entities	5	5
Multilateral development banks	-	-
International organisations	-	-
Institutions	2	5
Corporates	38	48
Retail exposure	2	2
Exposures secured by mortgages on immovable property	1	1
Exposures in default	8	8
Exposures associated with particularly high risk	2	3
Covered bonds	-	-
Securitisations	8	8
Exposures to institutions and corporates with a short-term credit assessment	-	-
Shares in collective investment undertakings	1	1
Equity holdings based on the continued use of the old methodology/grandfathering (CRSA)	21	20
Equity holdings excluded from the IRBA on a permanent basis or for a limited period (CRSA)	-	-
Other items	0	0
Advanced Internal Rating Based Approach (IRBA)		
Central governments or central banks	39	48
Institutions	120	154
Corporates	1,328	1,234
Retail exposures	-	-
Significant equity holdings in a financial sector entity (250 %)	0	0
Equity holdings using the simple risk weight approach	12	12
Of which: private equity exposures in sufficiently diversified portfolios (190 %)	(-)	(-)
Of which: Exchange traded equity exposures (290 %)	(-)	(-)
Of which: Other equity exposures (370 %)	(12)	(12)
Equity holdings using the PD-LGD approach	23	23
Equity holdings using internal models	-	-
Securitisations	668	766
Other non credit-obligation assets	144	130
Risk arising from default fund contributions to a central counterparty	0	0
Subtotal capital requirements for credit risks	2,422	2,467
Market risk in accordance with the Standardised Approach	537	446
Operational risk in accordance with the Standardised Approach	157	200
Credit valuation adjustment risk	71	49
Settlement risk	0	-
Overall capital requirements	3,187	3,163

Table 3: Capital requirements in € m

2.4. GUARANTEE FACILITY

2.4.1. Provision of a guarantee facility

On 2 June 2009 the Federal State of Schleswig-Holstein and the Free and Hanseatic City of Hamburg granted HSH Nordbank AG a guarantee facility in the amount of € 10 billion via the HSH Finanzfonds AöR as the guarantor in order to secure the future of the Bank. This agreement on the provision of a guarantee facility as well as a related recapitalisation of the Bank is subject to approval by the European Commission in accordance with the law regarding state aid. The EU Commission concluded these state aid proceedings at the end of September 2011 and entered into an agreement on commitments with all the parties involved and imposed conditions. The guarantee of the federal states is split into two partial guarantees for financial reporting purposes. Partial guarantee One relates to non-structured financial instruments. Partial guarantee Two relates essentially to structured financial instruments, in particular those that are full or partial derivatives in nature and equity instruments. Partial guarantee One is recognised in the consolidated financial statements as a financial guarantee contract in accordance with IAS 39.9. Partial guarantee Two is recognised as a credit derivative.

The guarantor guarantees actual rating-related defaults on financial instruments selected based on certain defined criteria that form part of the assets of HSH Nordbank Group.

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

The guarantee expires when it is returned to the guarantor after the last reference commitment in the hedged portfolio has been met irrevocably and in full or has resulted in a guarantee case for the full amount. Since 2014 it is possible for HSH Nordbank AG to terminate the guarantee in full.

2011 the guarantee was reduced by a total of € 3 billion to € 7 billion. The guarantee facility was replenished as at

30 June 2013 by € 3 billion to the original amount of € 10 billion. The guarantee agreement was adjusted by way of an appropriate amendment agreement. Under this agreement the fee provisions for the replenished guarantee remain essentially unchanged. The EU Commission provisionally approved the replenishment of the guarantee and at the same time initiated a formal review process, which will be concluded in 2015, prospectively.

Additional details on the contractual arrangement, the hedging effect as well as the balance sheet treatment of the guarantee facility are presented in the consolidated financial statements of 2014 (Note 3 "Provision of the guarantee facility" to the consolidated financial statements) contained in the Annual Report, as well as in the Interim Report as at 30 June 2015 (Note 2 "Provision of a guarantee facility" to the consolidated financial statements).

2.4.2. Effects of the capital measures on the capital requirements

HSH Nordbank has classified the guarantee facility issued by HSH Finanzfonds AöR as eligible unfunded credit protection in accordance with Article 213 CRR in conjunction with Article 215 CRR. As it possesses the necessary characteristics, such as for example division into tranches and ranking (waterfall), it is treated as a securitised position under the Advanced IRB Approach. The risk weight of the senior tranche is determined using the Supervisory Formula Approach in accordance with Article 262 CRR.

This secondary, loss-based, risk-shielding function of the guarantee facility is designated within HSH Nordbank as Sunrise or the Sunrise transaction. This risk shield is structured as a synthetic securitisation transaction which is recognised by the supervisory authorities so that assets remain on HSH Nordbank's balance sheet.

Due to its structure, a corresponding easing of the strain on capital requirements may be achieved through the HSH Finanzfonds AöR guarantee facility starting on 30 June 2009.

Based on the securitisation regulations in CRR, there is a choice for the first loss piece between a capital deduction and an allowance with a risk weight of 1,250%.

For reporting dates prior to 30 June 2010 HSH Nordbank backed the first loss piece as a risk-weighted exposure amount with equity. The first loss piece is now deducted from the Common Equity Tier 1 capital, as of the 30 June 2010 reporting date. This corresponds to the use of the option in accordance with Article 244 (1) subparagraph (b) CRR. The risk weight for the second loss piece is 0%. The risk weight for the senior tranche is 20%

(minimum risk weight for resecuritisations in accordance with Article 262 (1) CRR) as at the reporting date.

HSH Nordbank determines capital requirements taking the guarantee facility into account. Consequently, disclosures made in this report generally reflect the effect of the guarantee. Exceptions are explicitly stated.

3. LEVERAGE RATIO (DEBT RATIO)

In accordance with Article 451 CRR in conjunction with Title VII (23) subparagraph (c), as well as (26) subparagraph (b) (EBA/GL/2014/14), information on leverage ratio is to be disclosed for the first time as at 30 June 2015. The determination of the leverage ratio is conducted in accordance with Article 429 CRR in conjunction with the final draft of Implementing Technical Standards on Disclosure of the Leverage Ratio (EBA/ITS/2014/04/rev1) dated 15 June 2015.

3.1.1. Definition

In the course of the Basel III framework (CRR/CRD IV) the leverage ratio complements the risk-based capital requirements as a risk independent debt ratio. The leverage ratio is the ratio of the Tier 1 capital and the total leverage ratio exposure and is stated as a percentage. The total leverage ratio exposure consists of the unweighted nominal values of the assets and off-balance sheet business (incl. derivatives) under special consideration of relevant valuation approaches especially for leverage ratio. At the present time, the leverage ratio is an observation parameter. A benchmark was set by the Basel Committee on

Banking Supervision as part of the framework for the maximum leverage ratio and disclosure requirements of January 2014 with a maximum leverage ratio of at least 3%. The implementation of the leverage ratio as an additional minimum capital ratio is scheduled for 2018.

The HSH Nordbank discloses the Tier 1 capital, the total leverage ratio exposure and hence the resulting leverage ratio intra-yearly. This information is based on the European Commission's Delegated Regulation (EU) 2015/62 on the amendment of the Regulation (EU) 575/2013 of the European Parliament and the Council in regards to the leverage ratio of 10 October 2014.

3.1.2. Information on the level of leverage ratio

As at the reporting date the leverage ratio amounts to 5.1%. In that process, the right to opt following Article 499 (2) CRR is made use of, which implies the determination of the Tier 1 capital exclusively in accordance with Article 499 (1) subparagraph (b) CRR on the basis of the Basel III transitional regulations.

Leverage ratio

Item No.		30.06.2015
20	Tier 1 capital	5,365
21	Total leverage ratio exposure	104,239
22	Leverage Ratio (debt ratio)	5.1

Table 4: Leverage ratio in % (capital and exposure in € m)

4. INFORMATION ON THE USE OF THE IRB APPROACH FOR CREDIT RISK

4.1. PERMISSION FROM THE COMPETENT AUTHORITIES TO USE THE IRB APPROACH OR ACCEPTED TRANSITIONAL ARRANGEMENTS

HSH Nordbank determines all parameters required to determine the risk-weighted exposure amount internally, i.e. probability of default (PD), loss given default (LGD), exposure at default (EaD), credit conversion factor (CCF) and maturity (M), and hence complies with the requirements of the Advanced IRB Approach for credit risks. HSH Nordbank had already received the necessary permission from the competent authorities in 2007 to use this approach in accordance with Article 452 subparagraph (a) CRR. The implementation phase was completed as at 31 December 2012 by achieving the exit threshold in accordance with Section 10 (3) SolvV.

HSH Nordbank does not currently apply any transitional arrangements with respect to the use of the IRB Approach. Exposure classes, to which the Standardised Approach for credit risk is permanently applied, and any relevant exemptions or transitional arrangements for these exposure classes are presented at appropriate points in the following sections.

An exit threshold of over 92% is achieved for all coverage ratios of regulatory relevance - i.e. based on IRBA exposure values pursuant to Section 11 (1) SolvV and on risk-weighted IRBA exposure values pursuant to Section 11 (2) SolvV - as at the reporting date at both the institution and banking group levels.

4.2. EXPOSURE VALUES BROKEN DOWN BY EXPOSURE CLASSES AND BY RATING LEVELS UNDER THE IRB APPROACH

The requirements under Article 452 subparagraphs (d) and (e) are provided in Table 5 to Table 7. HSH Nordbank only uses own estimates of the LGD and conversion factors to central governments, central banks, institutions and corporates. Accordingly, separate disclosure is not made for risk exposures pursuant to Article 452 subparagraph (d) CRR, to which own estimates of the above-mentioned parameters are not applied. Secu-

ritisation positions and other non credit-obligation assets are not included in the positions listed. The exposure values of those exposure classes in accordance with Article 147 (2) subparagraph (f) and (g) CRR amount to € 42,062 million and € 762 million as at the reporting date.

Retail exposures are also not included, as HSH Nordbank treats those under the Standardised Approach for credit risk; accordingly, information pursuant to Article 452 subparagraph (f) CRR is not provided.

In the case of equity holdings, only equity holdings under the PD-LGD approach are shown. The exposure value for the total retail exposure class, in accordance with Article 147 (2) subparagraph (e) CRR, amounts to € 144 million as at the reporting date.

The rating results determined using the rating modules described in the Disclosure Report 2014 are calibrated to a standard rating scale, whereby rating classes 16 to 18 represent default classes. The individual rating classes are summarised in seven rating ranges for greater clarity. As most of the receivables have a good rating and there are relatively few receivables in the poorer rating ranges, the assignment of rating ranges for better grades has been refined.

The following table shows the exposure values in accordance with Part Three Title II Chapter 3 Section 5 CRR allowing for credit risk reduction techniques. It also shows the average probability of default (average PD), average LGD and average risk weight within a rating range for the individual exposure classes. All disclosures made in accordance with Article 452 subparagraphs (d) and (e) CRR are based on the figures in the reports prepared in accordance with Annex I of the Commission Implementing Regulation (EU) No. 680/2014 of 16 April 2014 defining the implementation of technical standards with regard to supervisory reporting of institutions (Commission Implementing Regulation (EU) no. 680/2014).

As part of the credit risk mitigation the second loss piece is migrated into the central governments exposure class as a financial guarantee under the substitution principle. As a result, the figures include the second loss piece totaling € 10.0 billion of the Sunrise Transaction, but exclude the first loss piece and senior tranche.

IRBA exposure class	Avg. PD in %		Avg. LGD in %		Avg. RW in %		Exposure value	
	30.06.2015	31.12.2014	30.06.2015	31.12.2014	30.06.2015	31.12.2014	30.06.2015	31.12.2014
Corporates	13.9	14.2	27.1	26.2	131.0	131.0	786	612
Equity holding exposures ¹	14.7	10.0	90.2	90.0	527.5	470.6	0	2
Subtotal	13.6	13.9	28.6	28.2	139.1	142.3	838	666
Rating range 7 (Default): 16 - 18								
Central governments and central banks	100.0	100.0	81.2	81.2	140.0	140.0	3	3
Institutions	100.0	100.0	75.1	37.3	129.6	64.3	14	16
Corporates	100.0	100.0	51.9	52.7	89.4	90.8	1,845	1,903
Equity holding exposures ¹	100.0	100.0	90.0	90.0	155.2	155.2	20	13
Subtotal	100.0	100.0	52.5	52.8	90.5	91.1	1,881	1,936
Total (without default)								
Central governments and central banks	0.0	0.0	27.6	25.3	1.7	2.1	28,649	27,524
Institutions	0.2	0.1	18.1	23.9	18.2	18.4	8,163	10,419
Corporates	1.0	0.8	31.8	32.5	51.7	48.4	28,917	28,309
Equity holding exposures ¹	2.0	2.1	90.0	90.0	308.7	312.4	83	85
Total	0.5	0.4	28.4	28.2	26.1	24.8	65,812	66,337

¹ Only equity holdings under the PD-LGD approach; with regulatory LGD of 65% or 90%; CCF = 100%

Table 5: Avg. PD, avg. LGD, avg. RW and exposures values in € m by rating ranges

4.3. UNDRAWN LOAN COMMITMENTS AND AVERAGE EXPOSURE VALUES UNDER THE IRB APPROACH

average exposure values weighted by commitment for each exposure class are given in Table 6 in accordance with Article 452 subparagraph (e) (i) and (iii) CRR.

Based on the rating level ranges listed in Section 4.2 the assessment basis for undrawn loan commitments and the

Assessment basis and avg. exposure value

IRBA exposure class	Central governments and central banks		Institutions		Corporates		Equity holding exposures ¹		Total	
	30.06.2015	31.12.2014	30.06.2015	31.12.2014	30.06.2015	31.12.2014	30.06.2015	31.12.2014	30.06.2015	31.12.2014
Rating range 1: 1(AAAA) – 1(AA+)										
Basis for evaluation of loan commitments	51	51	-	-	-	-	-	-	51	51
Basis for evaluation of non-derivative assets not reported	0	0	-	-	-	-	-	-	0	0
Avg. exposure values of loan commitments	19	15	-	-	-	-	-	-	19	15
Avg. exposure values of non-derivative assets not reported	0	0	-	-	-	-	-	-	0	0
Rating range 2: 1(AA) – 1(A-)										

IRBA exposure class	Central governments and central banks		Institutions		Corporates		Equity holding exposures		Total	
	30.06. 2015	31.12. 2014	30.06. 2015	31.12. 2014	30.06. 2015	31.12. 2014	30.06. 2015	31.12. 2014	30.06. 2015	31.12. 2014
	Basis for evaluation of loan commitments	-	-	1,121	1,114	824	646	-	-	1,944
Basis for evaluation of non-derivative assets not reported	-	-	156	90	146	103	-	-	302	193
Avg. exposure values of loan commitments	-	-	232	203	17	14	-	-	141	133
Avg. exposure values of non-derivative assets not reported	-	-	12	4	4	2	-	-	8	3
Rating range 3: 2 – 5										
Basis for evaluation of loan commitments	-	-	35	38	3,805	3,743	-	-	3,841	3,781
Basis for evaluation of non-derivative assets not reported	-	-	60	356	874	918	-	-	934	1,274
Avg. exposure values of loan commitments	-	-	10	3	13	9	-	-	13	9
Avg. exposure values of non-derivative assets not reported	-	-	42	260	10	10	-	-	12	80
Rating range 4: 6 – 9										
Basis for evaluation of loan commitments	-	-	11	13	3,667	3,940	-	-	3,678	3,953
Basis for evaluation of non-derivative assets not reported	-	-	2	72	853	628	-	-	855	700
Avg. exposure values of loan commitments	-	-	4	4	13	6	-	-	13	6
Avg. exposure values of non-derivative assets not reported	-	-	0	3	11	7	-	-	11	7
Rating range 5: 10 – 12										
Basis for evaluation of loan commitments	-	-	5	4	57	133	-	-	62	137
Basis for evaluation of non-derivative assets not reported	-	-	-	-	40	68	-	-	40	68
Avg. exposure values of loan commitments	-	-	2	1	2	5	-	-	2	5
Avg. exposure values of non-derivative assets not reported	-	-	-	-	3	1	-	-	3	1
Rating range 6: 13 – 15										
Basis for evaluation of loan commitments	-	-	-	-	79	161	-	-	79	161
Basis for evaluation of non-derivative assets not reported	-	-	-	-	39	7	-	-	39	7
Avg. exposure values of loan commitments	-	-	-	-	12	9	-	-	12	9
Avg. exposure values of non-derivative assets not reported	-	-	-	-	3	1	-	-	3	1
Rating range 7 (Default): 16 – 18										
Basis for evaluation of loan commitments	-	-	-	-	78	76	-	-	78	76

IRBA exposure class	Central governments and central banks		Institutions		Corporates		Equity holding exposures		Total	
	30.06. 2015	31.12. 2014	30.06. 2015	31.12. 2014	30.06. 2015	31.12. 2014	30.06. 2015	31.12. 2014	30.06. 2015	31.12. 2014
	Basis for evaluation of non-derivative assets not reported	2	3	-	-	18	31	-	-	21
Avg. exposure values of loan commitments	-	-	-	-	0	0	-	-	0	0
Avg. exposure values of non-derivative assets not reported	2	3	-	-	1	1	-	-	1	1
Total										
Basis for evaluation of loan commitments	51	51	1,172	1,168	8,509	8,698	-	-	9,732	9,918
Basis for evaluation of non-derivative assets not reported	2	3	218	518	1,971	1,755	-	-	2,191	2,275
Avg. exposure values of loan commitments	19	15	222	193	13	8	-	-	38	30
Avg. exposure values of non-derivative assets not reported	2	3	20	180	10	8	-	-	11	47

¹ Only equity holdings under the PD-LGD approach; with regulatory LGD of 65% or 90%; CCF = 100%

Table 6: Assessment basis in € m and avg. exposure value of undrawn loan commitments and of non-derivative off-balance sheet assets

In the case of investment funds and funds-like certificates purchased by HSH Nordbank and included under the Advanced IRB Approach using the look-through approach (Article 152 (1) CRR), an average risk weight is determined mostly based on information provided on a

regular basis by the capital management companies. It is not possible to include this in the rating ranges; therefore disclosure of equity holding exposures contained in investment funds or funds-like certificates is made by means of Table 7. HSH Nordbank still does not hold any such exposures in portfolio as at the reporting date.

Exposure values and capital requirements of the equity exposures contained in investment funds or fund-like certificates

Risk weight range in %	Exposure value		Capital requirements under IRBA	
	30.06.2015	31.12.2014	30.06.2015	31.12.2014
0 ≤ 10	-	-	-	-
> 10 ≤ 20	-	-	-	-
> 20 ≤ 50	-	-	-	-
> 50 ≤ 100	-	-	-	-
> 100 ≤ 350	-	-	-	-
> 350 ≤ 650	-	-	-	-
> 650 > 1.250	-	-	-	-
1,250	-	-	-	-
Capital deduction	-	-	-	-
Total	-	-	-	-

Table 7: Exposure values and capital requirements of the equity exposures in investment funds or fund-like certificates in € m

List of Abbreviations	
AöR	Anstalt öffentlichen Rechts (Institution under Public Law)
Basel III	Basel III: A global framework for resistant banks and banking systems (June 2011)
CCF	Credit Conversion Factor
CoRep	Common solvency ratio reporting
CRD IV	Capital Requirements Directive (Capital Adequacy Directive): guideline 2013/36/EU of the European Parliament and the Council of 26 June 2013, on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, on the amendment of guideline 2002/87/EG and the repeal of the guidelines 2006/48/EG and 2006/49/EG
CRR	Capital Requirements Regulation: Regulation (EU) No. 575/2013 of the European Parliament and the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and the amendment of Regulation (EU) No. 648/2012
CRSA	Credit Risk Standardised Approach
CVA	Credit Valuation Adjustments
EaD	Exposure at Default (gross loan volume at the date of default)
EBA	European Banking Authority
IAS	International Accounting Standards
IFRS	International Financial Reporting Standard
IRB	Internal Rating Based
IRBA	Internal Rating Based Approach
KWG	Gesetz über das Kreditwesen/Kreditwesengesetz (German Banking Act) as amended on 28 August 2013
LGD	Loss Given Default
M	Maturity
OpRisk	Operational Risk
PD	Probability of Default
RW	Risk Weight
SFA	Supervisory Formula Approach
SolvV	Solvabilitätsverordnung (German Solvency Regulation)

HSB NORDBANK AG

HAMBURG: Gerhart-Hauptmann-Platz 50, 20095 Hamburg, Germany

Phone +49 40 3333-0, Fax +49 40 3333-34001

KIEL: Martensdamm 6, 24103 Kiel, Germany

Phone +49 431 900-01, Fax +49 431 900-34002

HSB-NORDBANK.COM