

# DISCLOSURE REPORT

**AS AT 31 DECEMBER 2017  
ACCORDING TO PART EIGHT CRR**



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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.

**[TAB. 1] DISCLOSURE INDEX ACCORDING TO NOTE 31 OF EBA/GL/2016/11**

<b>CRR Article</b>	<b>Designation</b>	<b>Chapter in the disclosure</b>
431	Scope of disclosure requirements	Introduction and General Principles
432	Non-material, proprietary or confidential information	Introduction and General Principles
433	Frequency of disclosure	Introduction and General Principles
434	Means of disclosures	Introduction and General Principles
435	Risk management objectives and policies	Introduction and General Principles Liquidity Risk Default Risk Counterparty Credit Risk Market Risk, Operational Risk
436	Scope of application	Introduction and General Principles
437	Own funds	Own Funds and Capital Requirements
438	Capital requirements	Own Funds and Capital Requirements
439	Exposure to counterparty credit risk	Default Risk
440	Capital buffers	Countercyclical Capital Buffer
441	Indicators of global systemic importance	Not relevant for HSH Nordbank
442	Credit risk adjustments	Default Risk
443	Unencumbered assets	Unencumbered Assets
444	Use of ECALs	Default Risk
445	Exposure to market risk	Market Risk, Operational Risk and Liquidity Risk
446	Operational risk	Market Risk, Operational Risk and Liquidity Risk
447	Exposures in equities not included in the trading book	Default Risk
448	Exposure to interest rate risk on positions not included in the trading book	Market Risk, Operational Risk and Liquidity Risk
449	Exposure to securitisation positions	Securitisation
450	Remuneration policy	Disclosed in a separate report
451	Leverage	Leverage Ratio
452	Use of the IRB Approach to credit risk	Default Risk
453	Use of credit risk mitigation techniques	Default Risk
454	Use of the Advanced Measurement Approaches to operational risk	Not relevant for HSH Nordbank
455	Use of Internal Market Risk Models	Not relevant for HSH Nordbank

# 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). The objective of the disclosure requirements is to strengthen the market discipline of the institutions. For that reason, additional information on the risk profile will be provided for market participants, exceeding the information that have already been published in the Annual Report.

General introductory information for a better overall understanding of the disclosure report regarding the EU proceedings and the guarantee issued by the Free and Hanseatic City of Hamburg and the federal state of Schleswig-Holstein (hereinafter the Länder) is presented. This is based on excerpts of the financial statement 2017 of the HSH Nordbank. Further details are shown in the financial statement.

### Sale of HSH Nordbank AG on 28 February 2018

The federal state owners Hamburg and Schleswig-Holstein, as well as the minority owner Sparkassen- und Giroverband für Schleswig-Holstein, sold their stake of 94.9 % in HSH Nordbank AG, which was held indirectly via HSH Beteiligungs Management GmbH, in full to several investors on 28 February 2018 (signing). The buyers are funds of Cerberus European Investments LLC, J.C. Flowers & Co. LLC, GoldenTree Asset Management L.P., Centaurus Capital LP and BAWAG P.S.K. AG which are independent of each other. With the sale of HSH Nordbank AG, the federal state owners will meet the central commitment set out in the formal decision of 2 May 2016 in the EU state aid proceedings on the replenishment of the second loss guarantee issued by the federal states at that time in a timely manner, thus laying the foundation for the first successful privatisation of a Landesbank in Germany.

The closing of the share purchase agreement is subject to various conditions, in particular parliamentary approval in Hamburg and Schleswig-Holstein, the viability review on the future bank conducted by the European Commission, the approval of the banking supervisory authorities (ECB, BaFin and CSSF in Luxembourg), the approval of the competent antitrust/competition authorities and confirmation of the successful extension of HSH Nordbank AG's full membership of the guarantee scheme of the German Savings Banks Finance Group (SFG) for three further years after the conclusion of the share purchase agreement (closing) at least until the end of 2021. The closing of the privatisation process (share purchase agreement) is scheduled for the end of the second or for the third quarter of the current financial year.

The privatisation will relieve HSH Nordbank AG of a large part of the legacy burdens bundled in the Non-Core Bank. Within this context, the Bank sold largely non-performing portfolios consisting mainly of ship financing in an amount of € 6.3 billion (EaD) to a special purpose entity (SPE) from the sphere of the investors (the portfolio transaction) on 28 February 2018, giving rise to one-off negative valuation effects as at 31 December 2017.

The closing of the portfolio transaction is subject, first of all, to the approval of the competent antitrust and competition authorities and also depends on the closing of the share purchase agreement. This means that the sold portfolio cannot be transferred to the sphere of the investors until immediately after the closing of the privatisation process, which is why the Bank's balance sheet cannot be relieved until this time. The successful implementation of the portfolio transaction will significantly improve the Bank's financial profile, in particular by reducing the NPE ratio to around 2 %, and its capital position.

In addition, an agreement has been reached as part of the privatisation negotiations between the parties that the second loss guarantee in an amount of € 10 billion granted by the federal state owners to the Bank will be terminated prematurely immediately after the closing of the share purchase agreement. In this respect, a corresponding cancellation agreement has been signed between the guarantor, HSH Beteiligungs Management and the Bank. Under this agreement, the second loss guarantee will be terminated prematurely in return for a compensation payment made by HSH Nordbank to HSH Finanzfonds AöR in an amount of € 100 million. The signed cancellation agreement is subject, first of all, to the condition precedent of the successful closing of the share purchase agreement, second, to a corresponding notification sent to the parties to the portfolio transaction and third, as a result, to the condition precedent of the closing of the portfolio transaction.

The signed share purchase agreement, the proposed portfolio transaction and the premature termination of the second loss guarantee will influence the structure and business activities of HSH Nordbank in a variety of ways. First of all, the Bank will undergo a far-reaching transformation process that will lay the necessary foundation for the sustainable further development of the Bank's business model. Second, the Bank's net results are influenced by significant privatisation effects as at the reporting date.

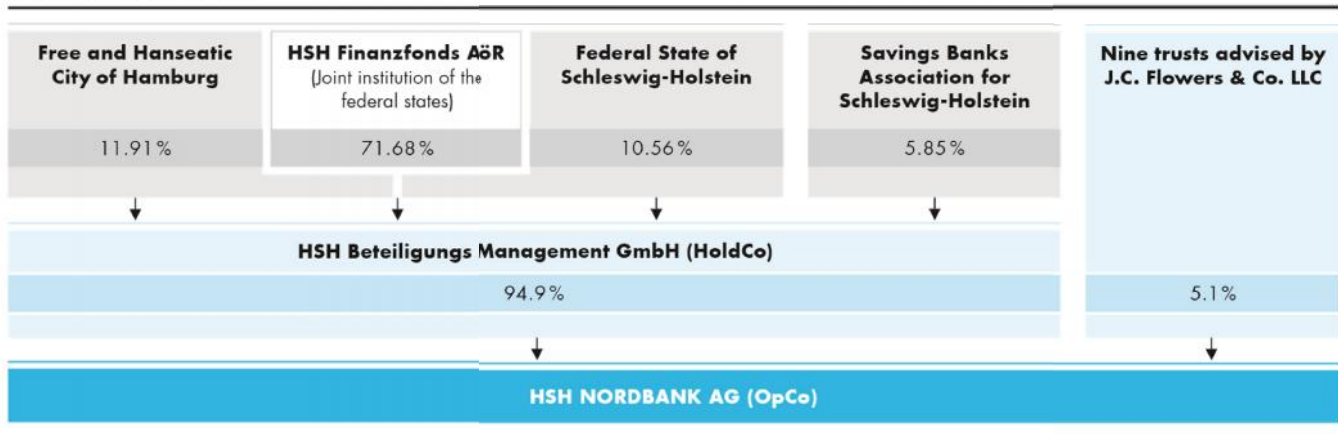
Details on the privatisation process, the portfolio transaction and the second loss guarantee, as well as the associated cancellation agreement, are provided in the following sections. The opportunities and risks associated with these transactions are described in the "Forecast, opportunities and risks report" section of this management report.

### Ownership structure, guarantee and EU proceedings

The principal owner of HSH Nordbank AG as at the 2017 year end is HSH Beteiligungs Management GmbH with a shareholding of 94.9%. Private investors advised by J.C. Flowers & Co. LLC also have a shareholding of 5.1%. The Free and Hanseatic City of Hamburg and the

federal state of Schleswig-Holstein indirectly hold a combined shareholding of 89.35% via HSH Beteiligungs Management GmbH and 5.55% is held by the Savings Bank Association (Sparkassen- und Giroverband) for Schleswig-Holstein.

#### OWNERSHIP STRUCTURE



In order to secure the Bank's survival, the federal states of Hamburg and Schleswig-Holstein issued via HSH Finanzfonds AöR a guarantee in favor of HSH Nordbank on 2 June 2009 that provided capital relief (second loss guarantee), but which did not affect liquidity at that time, under which payment defaults in a specified portfolio are hedged (mainly in the Non-Core Bank). In 2013, the guarantee facility was replenished after a reduction in 2011 from € 7 billion to the original facility of € 10 billion in view of the changed underlying conditions. This measure was initially provisionally approved by the EU Commission in 2013. At the same time, the EU Commission instituted state aid proceedings to investigate whether the replenishment of the guarantee is consistent with state aid rules.

In these EU state aid proceedings, the European Commission reached a formal decision on 2 May 2016 and thereby finally approved the replenishment of the second loss guarantee issued by the federal states. The decision is based on a catalogue of conditions and commitments provided by the Federal Republic of Germany, on behalf of the federal state owners of HSH Nordbank, to the EU Commission containing the fundamental aspects of the agreement, which include, among other things, the privatisation of HSH Nordbank AG by 28 February 2018 as a central requirement.

The purpose of the structural measures envisaged in the list of conditions and commitments is to improve the financial and risk situation and create the basis for a sustainable structure and viable business model.

With the sale of HSH Nordbank AG on 28 February 2018 to private investors that are independent of each other, the federal state owners meet the EU Commission's central commitment set out in the formal decision of 2 May 2016 in a timely manner.



## FUTURE OWNERSHIP STRUCTURE

Funds initiated by <b>Cerberus Capital Management, L.P.<sup>1)</sup></b>			Funds initiated by <b>J.C. Flowers &amp; Co. LLC</b>	Funds initiated by <b>GoldenTree Asset Management LP</b>	Funds initiated by <b>Centaurus Capital LP</b>	<b>BAWAG P.S.K.</b> Bank für Arbeit und Wirtschaft und Österreichische Postsparkasse Aktiengesellschaft
Promontoria Holding 221 B.V.	Promontoria Holding 231 B.V.	Promontoria Holding 233 B.V.	JCF IV Neptun Holdings S.à r.l.	GoldenTree Asset Management Lux S.à r.l.	Chi Centauri LLC	
17.0%	13.5%	12.0%				
42.5%			35.0%	12.5%	7.5%	2.5%

<sup>1)</sup> Change of allocation of shares within the Cerberus initiated funds possible.

Further details are described in the Group Management Report. Additionally, details concerning the second loss guarantee are set out in Note 3 in the Group financial statements. Details regarding the impact of the guarantee on the net assets, financial position and earnings in 2017 are set out in section “Economic Report”. Information with regard to the decision of the EU Commission is set out in “Business Development – Significant Developments and Events” as well as in section “Forecast, Opportunities and Risks Report”.

### Membership in the German Savings Banks Finance Group

HSH Nordbank is a member institution of the German Savings Banks Finance Group. The German Savings Banks Finance Group has an institutional guarantee scheme: This scheme protects deposits held at a savings bank, Landesbank or a Landesbausparkasse. The objective of the protection scheme is to protect the member institutions and avert emerging or existing financial difficulties at these institutions.

The Deposit Guarantee Act (EinSiG) entered into force in Germany on 3 July 2015. The Act implements the relevant EU Directive. The German Savings Banks Finance Group has designed its proven protection scheme to meet these statutory requirements, and the scheme has been recognised as a deposit guarantee fund under the EinSiG.

Due to the ongoing privatisation of HSH Nordbank AG, the guarantee scheme needs to be changed from the guarantee scheme of the German Savings Banks Finance Group to the guarantee scheme of private banks (BdB). Within this context, the Bank is aiming to achieve a seamless transition between the guarantee schemes. The closing of the privatisation process, for example, is subject to the provision that the German Savings Banks Association (DSGV) confirms that HSH Nordbank can keep its full membership of the institutional protection scheme of the German Savings Banks Finance Group (SFG) for another three years after the conclusion of the share purchase agreement (closing), at least until the end of 2021. At the same time, the Bank has applied for admission to the guarantee scheme of private banks. Further details can be found in the “Forecast, opportunities and risks report” section.

### Scope of application

This report is focused – as in previous years and known by the market participants – on HSH Nordbank Group (hereafter sub-group) on a voluntary basis. Therefore all qualitative and quantitative information is based on the sub-group level.

To fulfill the regulatory requirements in accordance with Article 13 (2) CRR the bank has to report on the financial holding group level. In large part disclosure-data and content of both levels - holding and sub-group – is identical. Therefore only in case of significant differences both levels will be reported and explained separately.

The sub-group level will always be shown in first place followed by the holding level. This applies essentially to own funds and therefore to leverage ratio and countercyclical capital buffer, furthermore to own funds requirements for operational risk and to a lesser extent to the default risk and to the carrying values of balance sheet items, which are mapped to regulatory risk categories.

In accordance with Part Eight CRR the disclosures reflect those entities belonging to the Holding within the meaning of Section 10a of the German Banking Act (KWG) in conjunction with Article 13 (2) 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.

In Table 6 LI3 (Section 2.2) the consolidation principle pursuant to Article 436 point (b) CRR as well as the difference between the regulatory and IFRS consolidations is described. All entities to be consolidated and their allocation to the regulatory and/or financial accounting scope of consolidation are listed. The entities are allocated to entity types for the purposes of the regulatory consolidation on the basis of the definitions in accordance with Article 4 (1) CRR.

In principle own funds and capital can be transferred within the holding-group pursuant to Article 436 point c CRR. The feasibility can be restricted due to existing supervisory requirements or other legal obligations or restrictions to the holding, the holding-group or the single legal entities of the holding-group.

With regard to the regulatory capital adequacy of subsidiaries in which there are other shareholders in addition to the HSH Nordbank, a change in capital and/or own funds requires the approval of the co-shareholders and their respective bodies. In the case of subsidiaries which are also institutions, changes in capital must be approved where necessary by the appropriate banking supervisory authorities.

There are no cases where the actual own funds are less than required in relation to subsidiaries within the meaning of Article 436 point d CRR. A capital shortfall is the amount by which the actual capital is lower than the regulatory capital required.

#### **Material, propriety 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. In general, HSH Nordbank fully meets all disclosure requirements with one exception where the aggregation option is used due to immateriality. Credit Risk Standardised Approach exposure classes, which account for an immaterial proportion of the total exposure value, are aggregated to meet the requirements under Article 442 points d to f CRR. For this purpose, HSH Nordbank defines a proportion of a maximum of 8% as immaterial. This corresponds to the regulatory ceiling for the permanent use of the Standardised Approach for credit risk (permanent partial use).

Under Article 432 (2) CRR institutions may also omit one or more items of information included in the disclosures listed in Part Eight Title 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 and also does not currently consider that this will be required in the future.

#### **Frequency of disclosure**

HSH Nordbank discloses the information required under Part 8 CRR in accordance with Article 433 CRR fully annually at the reporting date 31<sup>st</sup> December.

For information that need to be disclosed more frequently 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, propriety 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). The consolidated total assets of HSH Nordbank exceed € 30 billion. In accordance with the criterion set forth in Title VI (18) point (b) in conjunction with Title VIII (26) of this circular,

HSH Nordbank provides disclosures semi-annually, 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) point (b) of the circular 05/2015 (BA). With respect to Article 451, Article 452 point (d) and (e) CRR as well as to other information that may rapidly change, and to information that change significantly during the reporting period, HSH Nordbank follows the wording of Title VII (26) point (b) CRR (EBA/GL/2014/14) of the broader descriptions of the original English version.

#### **Means of disclosures**

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

#### **Further source of disclosure**

Provided that equivalent disclosures are made under other requirements, these may be deemed compliant in accordance with Article 434 (2) CRR. HSH Nordbank uses this provision for the representations listed below:

- Under Article 435 (1) institutions shall disclose their risk management objectives and policies for each separate category of risk, including counterparty default risk, market risk incl. interest rate risk and operational risk. Other material risk types of HSH Nordbank include transformation risk and reputation risk. These are disclosed as part of the information provided in the Group Management Report (Risk Report) in HSH Nordbank's Annual Report. The information flow to the management body regarding risk issues is described there in accordance with Article 435 (2) point (e) CRR.
- The number of management or supervisory posts held by members of the management body as well as the recruitment policy and policy on diversity for the selection of members of the management body in accordance with Article 435 (2) points (a) to (c) is disclosed as part of the information provided in the Corporate Governance report in HSH Nordbank's Annual Report. Information regarding the Risk Committee in accordance with Article 435 (2) point (d) CRR can be found in the Supervisory Board Report in HSH Nordbank's Annual Report.
- Under Article 438 point (a) CRR an institution shall disclose a qualitative summary of the approach used to assess the adequacy of its internal (economic) capital to support current and future activities. The internal procedures used to assess capital adequacy in relation to the risk profile as well as the strategy for maintaining the equity capital level must therefore be described. Details regarding this are set out in the Group Management Report (Risk Report) in HSH Nordbank's Annual Report.
- A description of the approaches and methods adopted for determining specific and general credit risk adjustments in accordance with Article 442 point (b) CRR takes place in the information provided in the Group Management Report and Group Financial

Statements (Group notes, Note 7 "Accounting policies") in HSH Nordbank's Annual Report.

- The requirements laid down in Article 450 CRR in conjunction with Section 16 (1) of the German Ordinance on the Remuneration of Financial Institutions (Institutsvergütungsverordnung – InstitutsVergV) are met by HSH Nordbank by means of a separate remuneration report. This report will be published on HSH Nordbank's website at the same place as the disclosure report under "Investor Relations"

### **Additional information under section 26a of the German banking act (KWG)**

The Group's legal and organisational structure as well as principles of proper management are presented in the Group Management Report (Basis of the Group and Risk Report) in HSH Nordbank's Annual Report in accordance with Section 26a (1) Sentence 1 KWG.

Additional disclosure requirements under Section 26a (1) Sentence 2 KWG are set out as an appendix to the Group Financial Statements ('Country by country reporting') in HSH Nordbank's Annual Report.

### **Non-relevance and negative declarations**

In principle, HSH Nordbank discloses all information laid down in Part Eight Titles II and III CRR. However, some of the requirements are irrelevant for the Bank and accordingly not disclosed. For ensuring unambiguousness of disclosure, HSH Nordbank explicitly makes a negative declaration for the information listed below:

- HSH Nordbank does not make use of Articles 7 and 9 CRR. Therefore, disclosure is not made in accordance with Article 436 point (e) CRR.
- The capital ratios are determined solely on the basis of the principles laid down in the CRR. Accordingly, an explanation according to Article 437 point (f) CRR is not provided.
- Equity holdings, to which grandfathering provisions apply regarding capital requirements, are not held in HSH Nordbank's portfolio. Therefore, disclosure in accordance with Article 438 point (d) (iv) CRR does not apply.
- HSH Nordbank uses the mark-to-market method for determining counterparty credit risk in accordance with Article 274 CRR. Methods based on internal models pursuant to Articles 276 to 282 CRR are not used. Accordingly, no information according to Article 439 points (c) and (i) CRR regarding correlation risk pursuant to Article 291 CRR and/or the estimate for value  $\alpha$  pursuant to Article 284 CRR is disclosed.
- Information pursuant to Article 441 CRR is not disclosed, as HSH Nordbank was not classified as a bank of a global systemic importance.
- HSH Nordbank does not hold any securitisation positions in the trading book. For this reason, no information is provided on the specific interest rate risk pursuant to Article 445 CRR and trading book securitisation positions under Article 449 CRR.
- Hedging transactions for other retained re-securitisation and securitisation positions were not in place as at the reporting date and are also not planned. No disclosure according to Article 449 point (g) CRR is therefore made.
- An internal measurement approach for securitisations pursuant to Part 3 Title II Chapter 5 (3) is currently not applied by HSH Nordbank. Accordingly, no information is disclosed with regard to Article 449 (l) CRR.
- No securitised facilities subject to early amortisation treatment are held in HSH Nordbank's portfolio. Therefore, no disclosure according to Article 449 point (n) (iv) CRR is made.
- HSH Nordbank has not provided any support as defined in Article 248 (1) CRR. A disclosure pursuant to Article 449 (r) is therefore not made.
- 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 point (d) CRR and Article 452 point (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 point (c) (iv) and point (f) CRR is disclosed.
- HSH Nordbank does not use Advanced Measurement Approaches for the calculation of capital requirements for operational risk. Information pursuant to Article 454 CRR is therefore not presented.
- Information is not disclosed under Article 455 CRR, as an internal market risk model is not used.
- Specialised lending is not disclosed according to article 428 (2) CRR as HSH Nordbank does not calculate credit risk exposures according to article 153 paragraph (5) CRR.

## 1.2. RISK MANAGEMENT CONCEPT

The risk management objectives and policies for market risk pursuant to Article 435 (1) CRR are described in the information provided in the Group Management Report (Risk Report) in HSH Nordbank's Annual Report according to Article 434 (2) CCR within the references

implemented in Table 2 OVA. Furthermore, additional descriptions concerning credit risk are set out in Section 8, with regard to counterparty credit risk in Section 9 and liquidity risk in Section 7.

**[TAB. 2] OVA: CONCEPT OF RISK MANAGEMENT**

Regulatory requirements of table CRA (EBA/GL/2016/11)	Reference CRR	Refer to HSH Nordbank Annual Report
a) Approved risk declaration describing the business model and the impact of the risk profile and material transactions within the banking group, equities and subsidiaries as well as its aim and economic impact	Article 435 paragraph 1 note (f)	Group Management Report (basis of the group) Page 2 - 7 Group Management Report (Risk Report) Page 61 - 62, Page 89 - 91
b) Risk governance structure, approved limits for risks, Information concerning general internal monitoring processes and framework	Article 435 paragraph 1 note (b)	Group Management Report (Risk Report) Page 61 - 64
c) Communication channels ensuring the risk culture within the bank	Article 435 paragraph 1 note (b)	Group Management Report (Risk Report) Page 62 - 64
d) Scope and main aspects of risk measurement systems and description of the risk communication to the management body	Article 435 paragraph 1 note (c) and paragraph 2 note (e)	Group Management Report (Risk Report) Page 62, 64, 79
e) Continuous and systematic monitoring processes of risk management strategies and evaluation of the effectiveness	Article 435 paragraph 1 note (c)	Group Management Report (Risk Report) Page 64
f) Qualitative Information concerning stresstesting	Article 435 paragraph 1 note (a)	Group Management Report (Risk Report) Page 66 - 67
g) Information concerning control strategies and processes, risk reduction and assurance as well as the effectiveness of measurements regarding risk reduction and protection	Article 435 paragraph 1 note (a) and (d)	Group Management Report (Risk Report) Page 68 - 70

## 1.3. PROVISION OF A GUARANTEE FACILITY

### 1.3.1. SECOND LOSS GUARANTEE OF HSH FINANZFONDS AÖR

#### Basics of the effect of the second loss guarantee

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 is recognised in the Group financial statements as a financial guarantee contract in accordance with IAS 39.9. Partial guarantee Two is recognised as a credit derivative. For example, certain assets no longer meet the requirements for a financial guarantee after recovery and restructuring measures, and are therefore covered by partial guarantee Two. Transfers to partial guarantee two

are also made for commitments in respect of which HSH Nordbank cannot establish legal maturity for various reasons.

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 AG.

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.

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.

As long as and insofar as a cash drawdown of the guarantee had not yet taken place through the invoicing of losses that in total exceed the first loss piece of € 3.2 billion to be borne by the Bank, a claim for

compensation against HSH Finanzfonds AöR could not be recognised. Against this background the hedging effect of partial guarantee One recognised in the balance sheet is accounted for on a net basis. The Bank initially determines specific and general loan loss provisions without taking the hedging effect of the second loss guarantee into account and then records the balance sheet hedging effect through the use of a compensation item that reduces the loan loss provision amount disclosed on the balance sheet accordingly. The specific and general loan loss provisions recognised are not changed by the accounting applied to the hedging effect. The hedging effect of partial guarantee Two is not disclosed separately as a compensation item in Loan loss provisions but in a separate line item in the statement of financial position and the statement of income within the framework of accounting for the credit derivative at fair value.

If, during the restructuring and workout program, measures consistent with the guarantee are implemented in respect of hedged commitments that conflict with recognition of the hedging instrument in the financial statements as a financial guarantee under IAS 39.9, commitments may be transferred to the partial guarantee Two under the framework agreement that falls under the definition of a credit derivative under IFRS, subject to approval from the trustee appointed by the guarantor. The maximum guarantee amount is not altered by the revival of partial guarantee Two and the respective partial amounts offset each other.

#### **Decision made by the European Commission in the EU state aid proceedings**

On 2 May 2016 the EU Commission issued a formal decision in the EU state aid proceedings and thereby approved the replenishment of the second loss guarantee provided by the federal states from € 7.0 billion to € 10 billion. Within this context, HSH Nordbank AG was relieved of significant guarantee premiums by a newly formed holding company (HSH Beteiligungs Management GmbH).

In exchange for the guarantee HSH Nordbank AG has been paying a contractually agreed base premium of 2.2% p.a. on the guarantee volume that has not yet been drawn down since 1 January 2016. The recurring base premium payable is recognised through profit or loss on an accrual basis in the Expenses for government guarantees line item. The guarantee premium expense that is attributable to partial guarantee Two (credit derivative) is taken into account when calculating the market value of the credit derivative. The other fee components of the guarantee (base premium on the utilised portion of the guarantee, base premium of 1.8% p.a. on the nominal amount of the guarantee, additional premium) were assumed by the newly established holding company.

#### **Accounting impact of the second loss guarantee in the 2017 financial year**

The hedging effect of the financial guarantee granted by the Free and Hanseatic City of Hamburg and the Federal State of Schleswig-Holstein via HSH Finanzfonds AöR, which was reported on the face

of the balance sheet for the first time as at 31 December 2010, amounted to € 5,181 million as at 31 December 2017 (previous year: € 7,854 million).

As at 31 December 2017 a compensation item disclosed on the balance sheet of € 5,181 million (31 December 2016: € 7,854 million) results from the hedging effect of partial guarantee One which is offset under the loan loss provisions item. An expense of € -728 million (previous year: € 2,284 million) has been taken into account under loan loss provisions in the statement of income which can be traced to a reduced hedging effect of partial guarantee One through changes in the allocation of transactions from partial guarantee One (financial guarantee) to partial guarantee Two (credit derivative).

The compensation item on the balance sheet includes compensation claims of HSH Nordbank AG vis-à-vis the guarantor in the total amount of € 319 million. This means that HSH Nordbank AG now has a contractual entitlement to loss compensation with regard to the main claims in default and the interest accrued. The payments already made amount to € 3.8 billion as at 31 December 2017.

The partial guarantee Two is disclosed as a credit derivative under the "Credit derivative under the second loss guarantee" line item. Changes in the measurement of the credit derivative are disclosed under the "Hedging effect of the credit derivative second loss guarantee" line item in the statement of income. The fair value of the partial guarantee Two was € 1,014 million as at 31 December 2017 (previous year: € 199 million). Income of € 810 million (previous year: expense of € - 475 million) has been recognised under the "Hedging effect of credit derivative under the second loss guarantee" line item in the statement of income. The increase in the market value of the credit derivative is due to changes in the allocation of transactions in the transaction portfolio which was sold on 28 February 2018 from partial guarantee One (financial guarantee) to partial guarantee two (credit derivative). The transactions in question no longer meet the requirements for the accounting of the hedging effect under the financial guarantee.

Insofar as the reference commitments so far associated with partial guarantee One are now included under the hedging effect of partial guarantee Two, the compensation item up to now accounted for on a net basis (hedging effect before guarantee expenses) was derecognised in the loan loss provisions in the amount of € 809 million. Additionally a compensatory claim under partial guarantee Two was recognised vis-à-vis the guarantor in the compensation item in the balance sheet in the amount of € 47 million.

Payments were already made under partial guarantee Two from settled losses in the amount of € 904 million (previous year: € 739 million).

Taking into account the compensation payments of HSH Finanzfonds AöR already received for credit losses in the hedged portfolio of € 3,797 million (previous year: € 1,852 million) and the hedging effect

resulting from the credit derivative measured on the reporting date in the amount of € 1,022 million, the utilization of the guarantee as at 31 December 2017 comes to € 10,000 million (previous year: € 9,911million). Since the 2009 reporting year the Bank has recorded premium expense totalling € 3,860 million for the provision of the second loss guarantee. € 3,825 million has been paid to date, of which € 2,790 million is attributable to the current base premium and € 1,035 million to one-off payments (thereof € 260 million to HSH Beteiligungs Management GmbH).

### Privatisation of the Bank

As part of the privatisation of the Bank, an agreement was reached between HSH Nordbank AG, the guarantor and HSH Beteiligungs Management GmbH on 28 February 2018 on the premature termination of the agreement on the provision of a guarantee facility. This means that, on the date on which the cancellation takes effect, HSH Nordbank AG will no longer be under any obligation to pay guarantee fees, and the guarantor will make a compensation payment to HSH Nordbank AG to compensate for the loss facility that has not yet been settled/disbursed. In addition, HSH Nordbank AG is to make a one-off payment of € 100 million to the guarantor to compensate for the monetary benefits associated with the early termination of the guarantee, as well as the premature liquidity effect, in particular state aid law advantages resulting from the fact that premium payments are no longer to be made. This will put pressure on the statement of income in 2018. Losses from guarantee cases that have not yet been definitively confirmed at the time of the signing of this agreement will be assessed based on a separate settlement procedure and compensated for within the context of the compensatory payment. The cancellation of the guarantee, remuneration and compensation payment, i.e. the guarantee cancellation agreement, depends on the closing of the purchase agreement on the shares in HSH Nordbank AG (share purchase agreement), corresponding notification sent to the parties to the agreement on the sale of an extensive credit portfolio (portfolio transaction) on 28 February 2018 and, as a result, on the closing of the portfolio transaction.

### 1.3.2. 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%.

At the reporting date the first loss piece was already fully utilised, thus neither option could be used.

The risk weight for the second loss piece is 0%. The risk weight for the senior tranche is 27% at the reporting date.

Since 31<sup>st</sup> December 2017 HSH Nordbank uses the option pursuant to Article 266 (3) point (c) to split the senior tranche into two (virtual) tranches of whom a sub-tranche, receiving a risk weight of 1.250%, is deducted from regulatory capital pursuant to Article 36 (1) point (k) CCR. The other tranche receives the risk weight of the senior tranche.

Pursuant to Article 92 CRR 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.

Additional information on the features of the Sunrise transaction (e.g. treatment of currency mismatches) is set out in Chapter 10.

## 2. RECONCILIATION OF ACCOUNTING TO REGULATORY EXPOSURE AMOUNTS

### 2.1. EXPLANATIONS OF DIFFERENCES BETWEEN ACCOUNTING AND REGULATORY EXPOSURE AMOUNTS

On the basis of Article 436 point (b) CRR a reconciliation of the accounting perspective of the Annual Report under IFRS to the regulatory risk perspective in accordance with note 61 to 66 (EBA/GL/2016/11) is required.

#### 2.1.1. RECONCILIATION OF ACCOUNTING TO REGULATORY CONSOLIDATION

Table LI1 shows the differences between accounting and the regulatory scope of consolidation as well as the mapping of financial statement balance sheet items to the regulatory risk categories of the HSH Nordbank sub-group. The main differences according to Table LIA (a) (EBA/GL/2016/11) will be explained by the following:

The regulatory (KWG) scope of consolidation of the HSH Nordbank is not identical to the IFRS scope of consolidation with regard to the relevant legal entities. The differences are documented in the consolidation matrix in accordance with note 63 and Table LI3 of EBA/GL/2016/11 in Section 2.2.

With regard to its structure and content the disclosure within Table LI1 is generally based on the balance sheet of the HSH Nordbank sub-group at the reporting date. The carrying values of the balance sheet items in column (a) are identical with the accounting scope of consolidation and are thereby identical with the Annual Report. Column (b) contains the carrying values according to the regulatory scope of consolidation, which correspond with the balance sheet items. Column (c) to (g) show how the balance sheet items are allocated to the regulatory risk categories. Reference point to the carrying values under the scope of regulatory consolidation is set out in column (b).

Generally, the amount of column (b) is equal to the sum of columns (c), (d), (e) and (g), whereas market risks are set out in addition in column (f). Exceptions are for example securities financing transactions (SFTs), which in certain cases can be allocated to different risk categories. Securities from financial assets that are transferred under repurchase agreements within securities financing transaction contain credit risk. Due to the repurchase agreements counterparty credit risk is also considered. Additional disclosure in the context of market risk occurs if the receivables are in foreign currency or assigned to the trading book.

Table LI1 does not include securitisation transactions under Sunrise and Horizon as they are set out separately with its related guarantees in LI2. Furthermore, derivative transactions and SFTs are set out under Counterparty Credit Risk. A special position is the positive loan loss provision. This is a result of the guarantee issued by the Free and Hanseatic City of Hamburg and the federal state of Schleswig-Holstein that is shown as a compensation item in column (g).

#### Difference between sub-group and holding

A separate description for the holding is set out in Table 4 LI1 [HLD]. Thereby, there are no differences between the balance sheet structure of the sub-group and holding.

Main differences from the holding to the sub-group are set out by assets revealing from a separate account held by Deutsche Bundesbank (balance sheet item "Cash reserve"), the current business account (balance sheet item "Loans and advances to banks") and a bonded loan (balance sheet item "Loans and advances to customers"). The sum of the mentioned assets is € 204 million. The differences between the exposures of "Loan loss provisions" and "Credit derivative second loss guarantee" result from the differing valuations due to the sunrise-transaction. In addition to the differences of own funds there are also differences in the balance sheet item of liabilities regarding "other liabilities" that result from the guarantee obligations of the sunrise-transaction.

#### 2.1.2. DIFFERENCES BETWEEN REGULATORY EXPOSURE AMOUNTS AND CARRYING VALUES

The main sources of differences between the regulatory exposure amounts and the carrying values in the financial statement are shown in Table 5 LI2.

The template for the disclosure of the regulatory risk categories in Table LI1 and Table LI1 [HLD] shows that there are not any differences between the sub-group and holding with regard to counterparty credit risk, securitisation exposures and market risk. The difference in credit risk amounting to € 204 million results from the above mentioned exposures of the holding. Due to the mentioned slight differences, an additional table with regard to the holding is not disclosed.

According to Table LIA (b) of EBA/GL/2016/11 the main differences between carrying values and regulatory exposure values shown in LI2 will be described within the following:

#### LI2 row 1 to 3: balance sheet items

Row 1 and 2, column (b) to (e) take the total assets and total liabilities out of Table LI1 column (c) to (f). Basically, column (a) is the total amount of column (b) to (d). The difference of row 1 and 2 is set out in row 3. As a basis for the regulatory relevant exposure values in row 12 and 14 only the assets in row 1 are used.

#### LI2 row 4 and 5: off-balance sheet amounts and differences due to credit conversion factors

The off-balance-sheet original exposures are set out in row 4, column (a) of Table LI2 prior to the use of a conversion factor (CCF) while the exposure amount for each risk category in column (b) to (e) apply the relevant conversion factors in accordance with EBA/GL/2016/11.

The differences due to the credit conversion factor are set out in row 5 column (a).

#### **LI2 row 6: differences in valuation**

In this row different valuation approaches result from regulatory and accounting requirements are shown. This includes additional valuation adjustments according to Article 34 in conjunction with Article 105 CRR, different treatment of selected transactions with regard to accounting and regulatory requirements as well as potential future credit exposure with derivatives transactions regarding regulatory requirements only.

#### **LI2 row 7: differences due to different netting rules**

The effects of netting according to regulatory requirements for counterparty credit risk are shown in column (c). HSH Nordbank only uses nettings with regard to Article 298 CRR. Netting under supervisory law is not used for SFT's. The netting is not relevant for other risk categories.

#### **LI2 row 8: differences due to consideration of provisions**

Row 8 presents the description of the differences between the carrying value amounts (FINREP) and the exposure amounts used for regulatory purposes (COREP) under the regulatory scope of consolidation.

Row 1 and 3 show carrying amounts net of specific credit risk adjustments whereas in row 12 and 14 credit risk exposures consider both the net amount (CRSA-approach) and gross amount (IRBA-approach). Therefore, loan loss provisions need to be added for each risk category for exposures under the IRBA approach in order to receive the gross amount and consequently to determine the regulatory exposure value.

#### **LI2 row 9: differences due to prudential filters**

Differences due to prudential filters are not relevant for HSH Nordbank.

#### **LI2 row 10: state and other guarantees**

Row 10 illustrates the effects arising from the securitisation transactions Sunrise and Horizon and the associated state guarantee (Sunrise) and the other guarantee (Horizon). As there are different treatments resulting e.g. from off-balance sheet items, securitised portfolios in foreign currency and re-securitised receivables, outflows of the credit risk are not inflows to the same extent in the securitisation exposures.

#### **LI2 row 11: other differences**

This row considers additional effects that are not integrated in the above rows. In particular:

- Cash collaterals under the balance sheet item "Receivables payable on demand to credit institutes" are used for credit risk mitigation for derivatives. In LI2 this exposure is included in the risk category credit risk exposures. Therefore, they have to be deducted in credit risk. In counterparty credit risk they will be considered and are already included in LI2 in row 6.
- Valuation adjustments and consolidation-effects that are not used for regulatory purposes
- Only regulatory relevant exposures arising from specific products

#### **LI2 row 12: exposure amounts before credit risk mitigation**

Exposures are calculated as the sum of row 1 and 4 to 11.

#### **LI2 row 13: credit risk mitigation**

Hereby, financial CRSA-collaterals and guarantees arising from the securitisation transaction Sunrise and Horizon are considered.

#### **LI2 row 14: credit risk exposures after credit risk mitigation**

Exposures are calculated as the sum of row 12 and 13. Thereby, the values correspond with the values in the COREP.



**[TAB. 3] LI1: DIFFERENCES BETWEEN ACCOUNTING AND REGULATORY SCOPES OF CONSOLIDATION AND MAPPING OF FINANCIAL STATEMENT CATEGORIES WITH REGULATORY RISK CATEGORIES IN € M**

	a	b	c	d	e	f	g	
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation			Carrying values of items			
			Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital	
<b>Assets</b>								
Cash reserve	6,625	6,625	6,625	-	-	37	-	
Loans and advances to banks	3,838	3,830	3,079	750	-	80	-	
Loans and advances to customers	39,174	39,375	39,258	-	117	10,449	-	
Loan loss provisions	687	557	- 4,608	-	- 16	- 2,886	5,181	
Credit derivative second loss guarantee	1,014	1,014	-	-	-	-	1,014	
Positive fair values of hedging derivatives	264	264	-	264	-	260	-	
Positive adjustment item from portfolio fair value hedges	255	255	12	-	-	1	243	
Trading assets	3,641	3,656	221	3,392	43	3,656	-	
Financial investments	13,647	13,905	13,747	1,253	158	126	-	
Financial investments accounted for under the equity method	-	0	0	-	-	-	-	
Intangible assets	10	10	-	-	-	-	10	
Property, plant and equipment	232	232	232	-	-	-	-	
Investment property	13	4	4	-	-	-	-	
Non-current assets held for sale and disposal groups	139	110	110	-	-	8	-	
Current tax assets	46	46	46	-	-	2	-	
Deferred tax assets	723	708	499	-	-	-	209	
Other assets	74	50	50	-	-	14	-	
<b>Total assets</b>	<b>70,382</b>	<b>70,641</b>	<b>59,276</b>	<b>5,659</b>	<b>303</b>	<b>11,747</b>	<b>6,657</b>	

	a	b	c	d	e	f	g
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items				
			Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
<b>Liabilities</b>							
Liabilities to banks	8,271	8,271	-	2,416	-	1,056	5,854
Liabilities to customers	36,205	36,512	-	-	-	2,754	36,512
Securitised liabilities	12,444	12,446	-	-	-	572	12,446
Negative fair values of hedging derivatives	163	163	-	163	-	124	-
Negative adjustment item from portfolio fair value hedge	553	553	-	-	-	15	553
Trading liabilities	3,875	3,874	-	3,874	-	3,874	-
Provisions	1,438	1,430	67	-	-	34	1,364
Liabilities relating to disposal groups	47	3	-	-	-	-	3
Current tax liabilities	103	103	-	-	-	-	104
Deferred tax liabilities	0	0	-	-	-	-	0
Other liabilities	658	655	-	-	-	56	655
Subordinated capital	2,252	2,252	-	-	-	443	2,252
Equity	4,373	4,379	-	-	-	-	4,379
<b>Total equity and liabilities</b>	<b>70,382</b>	<b>70,641</b>	<b>67</b>	<b>6,454</b>	<b>-</b>	<b>8,928</b>	<b>64,121</b>

**[TAB. 4] LI1 [HLD]: DIFFERENCES BETWEEN ACCOUNTING AND REGULATORY SCOPES OF CONSOLIDATION AND MAPPING OF FINANCIAL STATEMENT CATEGORIES WITH REGULATORY RISK CATEGORIES IN € M**

	a	b	c	d	e	f	g
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items				
			Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
<b>Assets</b>							
Cash reserve	6,629	6,629	6,629	-	-	37	-
Loans and advances to banks	3,838	3,830	3,079	750	-	80	-
Loans and advances to customers	39,374	39,575	39,458	-	117	10,449	-
Loan loss provisions	- 804	- 933	- 4,608	-	- 16	- 2,886	3,690
Credit derivative second loss guarantee	1,007	1,007	-	-	-	-	1,007
Positive fair values of hedging derivatives	264	264	-	264	-	260	-
Positive adjustment item from portfolio fair value hedges	255	255	12	-	-	1	243
Trading assets	3,641	3,656	221	3,392	43	3,656	-
Financial investments	13,647	13,905	13,747	1,253	158	126	-
Financial investments accounted for under the equity method	-	0	0	-	-	-	-
Intangible assets	10	10	-	-	-	-	10
Property, plant and equipment	232	232	232	-	-	-	-
Investment property	13	4	4	-	-	-	-
Non-current assets held for sale and disposal groups	139	110	110	-	-	8	-
Current tax assets	46	46	46	-	-	2	-
Deferred tax assets	723	708	499	-	-	-	209
Other assets	74	50	50	-	-	14	-
<b>Total assets</b>	<b>69,088</b>	<b>69,348</b>	<b>59,480</b>	<b>5,659</b>	<b>303</b>	<b>11,747</b>	<b>5,160</b>

	a	b	c	d	e	f	g
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items				
			Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
<b>Liabilities</b>							
Liabilities to banks	8,271	8,271	-	2,416	-	1,056	5,854
Liabilities to customers	36,205	36,512	-	-	-	2,754	36,512
Securitised liabilities	12,444	12,446	-	-	-	572	12,446
Negative fair values of hedging derivatives	163	163	-	163	-	124	-
Negative adjustment item from portfolio fair value hedge	553	553	-	-	-	15	553
Trading liabilities	3,875	3,874	-	3,874	-	3,874	-
Provisions	1,438	1,430	67	-	-	34	1,364
Liabilities relating to disposal groups	47	3	-	-	-	-	3
Current tax liabilities	103	103	-	-	-	-	104
Deferred tax liabilities	0	0	-	-	-	-	0
Other liabilities	1,091	1,088	-	-	-	56	1,088
Subordinated capital	2,252	2,252	-	-	-	443	2,252
Equity	2,646	2,653	-	-	-	-	2,653
<b>Total liabilities</b>	<b>69,088</b>	<b>69,348</b>	<b>67</b>	<b>6,454</b>	<b>-</b>	<b>8,928</b>	<b>62,828</b>

**[TAB. 5] LI2: MAIN SOURCES OF DIFFERENCES BETWEEN REGULATORY EXPOSURE AMOUNTS AND CARRYING VALUES IN FINANCIAL STATEMENTS IN € M**

	a	b	c	d	e
	Total	Items subject to			
		Credit risk framework	CCR framework	Securitisation framework	Market risk framework
1 Assets carrying value amount under the regulatory scope of consolidation (as per template LI1)	65,237	59,276	5,659	303	11,747
2 Liabilities carrying value amount under the regulatory scope of consolidation (as per template LI1)	6,521	67	6,454	0	8,928
3 Total net amount under the regulatory scope of consolidation	58,716	59,209	-796	303	2,819
4 Off-balance-sheet amounts	12,287	5,152	0	50	0
5 Differences due to CCF	-7,085				
6 Differences in valuation	3,202	-21	3,081	142	-8,792
7 Differences due to different netting rules, other than those already included in row 2	-2,737	-	-2,737	-	-
8 Differences due to consideration of provisions	4,241	4,239	-	2	-
9 Differences due to prudential filters					
10 State and other guarantees	966	-17,168	-1	18,135	
11 Other differences	-1,655	-1,655	-	0	
12 Exposure amounts before credit risk mitigation	74,457	49,823	6,001	18,632	2,955
13 Credit risk mitigation	-3,136	2,788	-2,810	-3,114	
<b>14 Exposure amounts considered for regulatory purposes</b>	<b>71,320</b>	<b>52,612</b>	<b>3,191</b>	<b>15,518</b>	<b>2,955</b>

## 2.2. CONSOLIDATION MATRIX

[TAB. 6] LI3: OUTLINE OF THE DIFFERENCES IN THE SCOPES OF CONSOLIDATION (ENTITY BY ENTITY)

Type of company / company	Treatment under supervisory law				Consolidation under IFRS	
	Consolidation		Deduction method	Risk-weighted (equity holding/SPV)	full	at-equity
	full	proportional				
FI HSH Beteiligungs Management GmbH	X					
CI HSH Nordbank Securities S.A.	X				X	
FI 4Wheels Management GmbH				X		
FI Asian Capital Investment Opportunities Limited	X					
FI Avia Management S.à.r.l.				X	X	
FI BINNENALSTER-Beteiligungsgesellschaft mbH	X				X	
FI BRINKHOF Holding Deutschland GmbH	X					
FI Bu Wi Beteiligungsholding GmbH	X				X	
FI CAPCELLENCE Dritte Fondsbeteiligung GmbH	X				X	
FI CAPCELLENCE Erste Fondsbeteiligung GmbH	X				X	
FI Capcellence Holding GmbH & Co. KG	X				X	
FI Capcellence Vintage Year 06/07 Beteiligungen GmbH & Co. KG	X				X	
FI Capcellence Vintage Year 07/08 Beteiligungen GmbH & Co. KG	X				X	
FI Capcellence Vintage Year 11 Beteiligungen GmbH & Co. KG	X				X	
FI CAPCELLENCE Vintage Year 13 Beteiligungen GmbH & Co.KG	X				X	
FI CAPCELLENCEVintage Year 16 Beteiligungen GmbH & Co. KG	X				X	
FI CAPCELLENCE Zweite Fondsbeteiligung GmbH	X				X	
FI European Capital Investment Opportunities Limited	X					
FI FSL Holdings Pte. Ltd.	X				X	
FI GmbH Altstadt Grundstücksgesellschaft	X				X	
FI GODAN GmbH	X				X	
FI HSH Auffang- und Holdinggesellschaft mbH & Co. KG	X				X	
FI HSH N Finance (Guernsey) Limited	X				X	
FI HSH N Funding II	X				X	
FI HSH Private Equity GmbH	X				X	
FI Ilex Integra GmbH	X				X	
FI Lyceum Capital Fund 2000 (Number Five) GmbH & Co. KG				X		
FI Neptune Finance Partner S.à.r.l.	X				X	
FI Neptune Finance Partner II S.à.r.l.	X				X	
FI RESPARCS Funding Limited Partnership I	X				X	
FI RESPARCS Funding II Limited Partnership	X				X	
IU HSH N Residual Value Ltd.			X	X	X	
ASU FSL Asset Management Pte. Ltd.	X				X	
ASU FSL Trust Management Pte. Ltd.	X				X	
ASU HSH Facility Management GmbH	X				X	
Oth 2200 Victory LLC				X	X	
Oth Adessa Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs-KG				X	X	
Oth Amentum Aircraft Leasing No. Five Limited				X	X	
Oth Amentum Aircraft Leasing No. Seven Limited				X	X	
Oth Amentum Aircraft Leasing No. Six Limited				X	X	
Oth Castellum ABF S.A.				X	X	
Oth Chasms Navigation Limited				X	X	
Oth Cregneash Navigation Limited				X	X	

Type of company / company	Treatment under supervisory law				Consolidation under IFRS	
	Consolidation				full	at-equity
	full	proportional	Deduction method	Risk-weighted (equity holding/SPV)		
Oth Curragh Navigation Limited				X	X	
Oth FSP CAPCELLENCE Beteiligungs GmbH				X		
Oth FSP Fluid System Partners Holding AG				X		
Oth HSH Care+Clean GmbH				X	X	
Oth HSH Gastro+Event GmbH				X	X	
Oth HSH Move+More GmbH				X	X	
Oth ISM Agency, LLC				X	X	
Oth Life Insurance Fund Elite LLC				X	X	
Oth Life Insurance Fund Elite Trust				X	X	
Oth Mooragh Navigation Limited				X	X	
Oth Next Generation Aircraft Finance 2 S.à.r.l.				X	X	
Oth Next Generation Aircraft Finance 3 S.à.r.l.				X	X	
Oth OCEAN Funding 2013 GmbH				X	X	
Oth RDM Limited				X	X	
Oth Senior Assured Investment S.A.				X	X	
Oth Senior Preferred Investments S.A.				X	X	
Oth Soderick Navigation Limited				X	X	
Oth Stratus ABF S.A.				X	X	

**Abbreviations:**

CI: Credit institution in accordance with Article 4 (1) point (1) CRR

FI: Financial institution in accordance with Article 4 (1) point (26) CRR

IU: Insurance undertaking in accordance with Article 4 (1) point (5) CRR

ASU: Ancillary services undertaking in accordance with Article 4 (1) point (18) CRR

Oth: Other company

### 2.3. PRUDENT AND RELIABLE VALUATION OF FINANCIAL INSTRUMENTS

In accordance with Part Two, Title I, Chapter 2, Article 34 and Part 3, Title I, Chapter 3, Article 105, with reference to Article 455 point (c) CRR, (and also the Commission Delegated Regulation 2016/101) institutions should describe systems and controls for the prudent and reliable valuation of financial instruments. The following points are considered according to note 66 and Table LIA point (c) of EBA/GL/2016/11:

- Valuation methodologies, including an explanation of how mark-to-market and mark-to-model methodologies are used;
- Description of the independent price verification process;
- Procedures for valuation adjustments of reserves (including a description of the process and the methodology for valuating trading positions by type of instrument)

These points are described in the following.

#### Summary of the valuation processes and Independent Price Verification (IPV) controls

The valuation processes of the HSH Nordbank differentiate between: a valuation using liquid market prices, a valuation using illiquid market prices and a valuation using models. Valuation using liquid market prices means that liquid prices from an active market are used. Valuation using illiquid market prices means that indication prices from various sources or similar transactions conforming to the valuation hierarchy of the bank are used. Valuation using models means that mathematical financial models are used to calculate the price.

According to the valuation levels in IFRS 13 a valuation using market prices is always preferred to a valuation using models and a valuation using liquid market prices is always preferred to a valuation using illiquid market prices.

The following IPV-controls are implemented to ensure adequate valuations:

- Quality control of market data
- Plausibility checks for market prices (using a valuation hierarchy)
- Validation of models (including their parameters)

All market prices and input market data, used for valuation models, are subjected to daily quality controls. The plausibility checks for market prices depend on the type of instrument and will be specified in more detail below. Valuation models are regularly validated. A basis validation of all models is carried out each year. Furthermore, more thorough validations of valuation models are made regularly according to prescribed criteria.

### Valuation processes by type of instrument

The valuation and IPV-processes differentiate between the following types of instrument.

- Equity instruments (shares, equities)
- Derivatives (and other OTC-transactions)
- Debt instruments (bonds and securitisations)

The differentiation is complete and exclusive.

#### Equity instruments (shares, equities)

Exchange traded shares and equities are valued using market prices, for which the market data management team delivers daily quality-controlled market (exchange) prices.

Other equity instruments are valued at cost according to IAS 39.46 (c) when the variation in possible fair values is significant and the probability of each of the estimates occurring cannot be adequately measured (see IAS 39.AG 81).

#### Derivatives (and other OTC-transactions)

Traded derivatives, for which the market data management team delivers daily quality-controlled market prices, are valued using those prices.

Derivatives, for which no daily quality-controlled prices are delivered, are valued using models. The market data for the input parameters of the models are also subjected to daily quality controls. Furthermore, the models and their parameters are regularly validated in the model validation process.

Money-market and repo/lending trades are handled similarly. As these are OTC-trades, there are no liquid market prices for these instruments. The valuation is therefore on the basis of models.

#### Debt instruments (bonds and securities)

The valuation procedure for bonds and securities is dependent on the liquidity, availability and quality of market prices for these assets. Therefore any of the three valuation processes above could be relevant. The processes differentiate between the following debt instruments:

- Securitisations and illiquid complex structured securities
- Other securities
- HSH Nordbank issued bonds

The prices for securitisations and illiquid complex structured securities are determined and validated monthly according to a “waterfall” process.

For the valuation of other securities, preference is given to daily quality-controlled market prices, as long as they are available. Otherwise, if indication prices or prices of similar transactions are available, the assets are valued using the so-called “add-on” process. In this process an “add-on” spread is calibrated so that a computation with suitable interest rate curves and spread curves results in the indicated price. Finally, certain bonds with structured components are valued using models, if a valuation using market prices or indication prices is not possible.

Bonds issued by the HSH Nordbank are also valued using daily quality-controlled market prices, as long as they are available. Other plain vanilla HSH Nordbank bonds are valued using the discounted cash-flow method with an issuer-specific spread curve for the HSH Nordbank. The quality of this spread curve is also controlled daily. Structured HSH Nordbank bonds without market prices are valued using models.

#### Fair Value Adjustments

According to IFRS 13 fair value adjustments must be made in certain valuation procedures. The following paragraphs contain a short description of these adjustments.

#### Credit and Debt Valuation Adjustments

Market risks are accounted for in the valuation models of OTC-derivatives, but default risks of the counterparty are not. Credit and debt valuation adjustments (CVA and DVA) are computed to compensate this valuation gap.

#### Funding Value Adjustments

When a non-collateralised (client-) derivative is hedged with a collateralised (inter-bank-) derivative, collateral funding costs and benefits result. They are corrected using funding value adjustments, which are applied to the non-collateralised derivatives.

#### Model Adjustments

These adjustments consider either known deficits in valuation models or uncertainties in complex models that typically result from the use of non-observable parameters in IFRS Level III products. As part of the model validation process it is regularly reviewed whether model adjustments are necessary for each model.

#### Bid-Ask Adjustments

According to IFRS 13.70 the price inside the bid-ask interval must be used which best determines the fair value. The HSH Nordbank values



securities at bid-prices (assets) and at ask-prices (liabilities). In IFRS 13.70 and Article 105 (5) CRR it is made clear, that this valuation is permitted. In particular, for model-valued assets and liabilities for which mid-prices for the model parameters are used, it is necessary to make an adjustment to the appropriate bid or ask price. For open interest rate positions and exchange rate positions bid-ask adjustments are also computed considering the costs needed to close-out the position.

### Day-One P&L Adjustments

On the date of a transaction it is possible, in particular for IFRS Level III products, that the model valuation differs from the actual transaction price. These differences are not booked directly as profits or losses but are adjusted so that the difference is amortised over the remaining lifetime of the trade.

### Additional Valuation Adjustments

According to Article 105 (10) CRR financial institutes must make the following so-called additional valuation adjustments (AVA): unearned credit spreads, close-out costs, operational risks, market price uncertainty, early termination, investing and funding costs, future administrative costs and possibly model risks. Furthermore, according to Article 105 (11) CRR adjustments for concentrated positions should be made. The regulatory technical standards for the computation of AVAs are given in the Commission Delegated Regulation (EU) 2016/101. In accordance with note 4 of the Delegated Regulation (EU) 2016/101 AVAs are only used for the purpose of calculating necessary adjustments to Common Equity Tier 1 capital and not for the determination of the own funds requirements according to Article 92 of Regulation (EU) No 575/2013. According to Article 4 (1) of the Delegated Regulation (EU) 2016/101 institutes may apply the simplified approach if the sum of the absolute value of the fair-valued assets and liabilities, as stated in the institution's financial statements under the applicable accounting framework, is less than EUR 15 billion. Since the HSH Nordbank has fair-valued assets and liabilities above this threshold, AVAs are computed according to the Delegated Regulation (EU) 2016/101 and considered within CET1.

A short description of the relevant AVAs follows in the next paragraphs.

### Market Price Uncertainty

Market price uncertainties in the sense of prudent valuation (see Delegated Regulation (EU) 2016/101 Article 9) arise from the non-uniqueness of observable parameters relevant to a valuation model. These include all used and observable inputs. For these inputs confidence intervals should be determined and the valuation should be adjusted, so that with 90% certainty a transaction at that price or better can be made.

### Close-out Costs

Close-out costs in the sense of prudent valuation (see Delegated Regulation (EU) 2016/101 Article 10) are prudent add-ons for the

expectable cost of closing-out of a given position. Similar to market price uncertainties, for every observable valuation input a confidence interval for the bid-ask interval should be determined and the valuation should be adjusted, so that with 90% certainty a transaction at that price or better can be made.

### Model risks

The regulations for the computation of model risks are given in Delegated Regulation (EU) 2016/101 Article 11. The computation of an adjustment is necessary, if in the choice of model or its calibration no unique market-standard exists, whereby with respect to the calibration only the uncertainty in non-observable parameters needs to be considered, because the uncertainty of observable parameters is already included in market price uncertainties.

### Unearned Credit Spreads

The regulations for the computation of unearned credit spreads are given in Delegated Regulation (EU) 2016/101 Article 12. Adjustments are calculated for the uncertainty in the computation of credit valuation adjustments (see above) according to the relevant accounting framework.

### Investing and Funding Costs

According to the directives in Delegated Regulation (EU) 2016/101 Article 13 the uncertainty in the computation of funding value adjustments (see above) in order to value derivatives has to be considered.

### Concentrated Positions

The regulations for the computation of concentrated positions are specified in Delegated Regulation (EU) 2016/101 Article 14. Adjustments are to be computed for all positions for which the current price cannot be achieved for the entire position held and the prudent time to close-out the position is more than ten days.

### Future Administrative Costs

The regulations for the computation of future administrative costs are specified in Delegated Regulation (EU) 2016/101 Article 15. These costs are to be computed for the expected maturity of those positions, for which the market price uncertainty and close out cost calculations do not imply a full exit from the exposure.

### Early Termination

According to the directives in Delegated Regulation (EU) 2016/101 Article 16 an adjustment should be made for potential losses resulting from the non-contractual early termination of client trades.

### Operational Risks

This valuation adjustment reflects the potential losses from operational risks in the valuation of financial instruments. The HSH Nordbank computes the adjustment according to Delegated Regulation (EU) 2016/101 Article 17 (3) as 10% of the sum of the aggregated adjustments for market price uncertainties and close-out costs.

## 3. OWN FUNDS AND CAPITAL REQUIREMENTS

### 3.1. OWN FUNDS

#### 3.1.1. STRUCTURE OF OWN FUNDS OF THE SUB-GROUP

For disclosures relating to own funds of the sub-group and the holding pursuant to Article 437 (1) point (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 CRR.

#### Disclosure of the nature and amounts of the specific components of own funds during the transitional period

The template for the disclosure of own funds during the transitional period contained in Annex VI of the Commission Implementing Regulation (EU) No. 1423/2013 will be used until 31 December 2017 for disclosures pursuant to Article 437 (1) point (d) and (e) CRR. Full disclosure of this information is made in Table 87 (Appendix, Section 13.1). In addition, the own funds structure as well as regulatory adjustments and capital ratios are shown in Table 7 and Table 8 in aggregated form.

The Common Equity Tier 1 capital ratio significantly improved as at 31 December 2017 to a solid level of 18.7 % (not same period). The CET1 capital ratio excluding the unburdening effect of the second loss guarantee (see Section "Management indicators of the IFRS Group" of the Annual Report, page 9 to 10 and page 29 of the Economic Report) amounts to 15.6 % (not same period).

The increase of CET1 in contrast to the previous year results primarily from the decrease of the deduction item for securitisation positions which qualify for a risk weight of 1250% (see line 20a of the above mentioned Table 87 and Chapter 10. Securitisations). The deduction of the loss of the current financial year 2017 partially offsets this increase of CET1.

The reduction of AT1 results predominately from the application of transitional provisions pursuant to Article 484 (4) CRR in connection with Article 486 (3) and (5) CRR as well as §31 SolvV. Due to the defined maximum in these Articles the chargeable silent partnerships decrease. Additionally, due to consisting transitional provisions part of the losses of the financial year are subtracted from the AT1.

[TAB. 7] STRUCTURE OF OWN FUNDS AND REGULATORY ADJUSTMENTS OF THE SUB-GROUP IN € M

Common Equity Tier 1 capital (CET1) before regulatory adjustments	4,903
Common Equity Tier 1 capital (CET1)	4,158
Additional Tier 1 capital (AT1) before regulatory adjustments	1,103
Additional Tier 1 capital (AT1)	996
Tier 1 capital (T1 = CET1 + AT1)	5,154
Tier 2 capital (T2) before regulatory adjustments	1,809
Tier 2 capital (T2)	1,809
Total capital (TC = T1 + T2)	6,963
Total regulatory adjustments to Tier 1 capital (CET1)	- 745
Total regulatory adjustments to Additional Tier 1 capital (AT1)	- 107
Total regulatory adjustments to Tier 2 capital (T2)	-

[TAB. 8] CAPITAL RATIOS OF THE SUB-GROUP

Common Equity Tier 1 capital (as a percentage of the total debt)	18.7 %
Tier 1 capital (as a percentage of the total debt)	23.2 %
Total capital ratio (as a percentage of the total debt)	31.4 %

#### Full reconciliation of components of own funds with the audited financial statements

A full reconciliation of components of own funds with the audited financial statements pursuant to Article 437 (1) point (a) CRR in conjunction with Article 2 of the Commission Implementing Regula-

tion (EU) no. 1423/2013 is shown in Table 88 (Appendix, Section 13.1).

The reconciliation is performed in three steps. In the first step, the consolidation group under commercial law is reconciled to the regula-

tory consolidation group as at 31 December 2016. The components of own funds of the consolidation group under commercial law correspond to the equity capital information originally published in HSH Nordbank's Annual Report as at 31 December 2016, as they form the basis for the regulatory own funds. In the second step, the components of own funds are extended and effects arising during the year are included. Lastly, the components of own funds are assigned to the own funds items in the regulatory report of the sub-group as at 31 December 2017.

A reconciliation of the changes in reported equity between 31 December 2016 and 31 December 2017 is not provided, as it is disclosed in detail in the Group Financial Statements (Group explanatory notes, Note 49 "Equity") in HSH Nordbank's Annual Report as at 31 December 2017.

#### **Description of the main features of own funds instruments issued**

The main features of the Common Equity Tier 1, Additional Tier 1 and Tier 2 capital instruments issued by HSH Nordbank are described in Table 91 (Appendix, Section 13.3) in accordance with Article 437 (1) point (b) CRR in conjunction with Article 3 of the Commission Implementing Regulation (EU) no. 1423/2013.

#### **Transitional provisions for disclosure of own funds**

Common Equity Tier 1 capital and Tier 1 capital exceed the requirements laid down in Article 92 CRR by € 3,160 million and € 3,823 million

Pursuant to Article 492 (4) CRR € 1,103 million and € 44 million are credited in the transitional period as Additional Tier 1 capital and Tier 2 capital, respectively, by virtue of applying Article 484 CRR.

#### **3.1.2. TERMS AND CONDITIONS OF OWN FUNDS INSTRUMENTS OF THE SUB-GROUP**

Pursuant to Article 437 (1) point (c) CRR the regulatory own funds instruments of HSH Nordbank as at the reporting date mainly comprise the following:

- The subscribed capital amounts to € 3,018 million.
- The reserves of € 1,910 million consist of capital reserves (€ 75 million), other retained earnings (€ 807 million) as well as Group retained earnings (€ 1,027 million).
- Silent partner contributions of € 1,103 million are credited to Additional Tier 1 capital during the transitional periods in accordance with Article 484 (4) CRR in conjunction with Article 486 (3) and (5) CRR and Section 31 SolvV, taking account of the ceilings mentioned therein. Moreover, € 702 million of these silent participations can be considered as Additional Tier 2 capital due to the exceedance of the previously named ceilings. Some of these silent partner contributions thereby meet the requirements of Article 63 CRR; the remaining silent participations are subject to the transitional provisions pursuant to Article 487 CRR. For the most part, the silent participations are for an indefinite period and cannot be terminated by the investors. HSH Nordbank regularly has the right to terminate after the expiry of an agreed minimum period of time that is subject to the approval of the ECB.
- The Tier 2 capital amounts to € 1,809 million and comprises long-term subordinated liabilities (€ 999 million), the above mentioned contribution to the silent participations of € 702 million and a considerable eligible portion of the loan loss provision excess for IRBA positions in accordance with Article 62 (1) point (d) CRR in the amount of € 108 million.
- Subordinated liabilities were issued in the form of loan notes, registered or bearer bonds and are denominated in euro and US dollar. The original maturities range from 15 to 40 years. The interest rates payable range between 0.0% p.a. and 6.5% p.a.

More detailed information on the terms and conditions on the allocable components of own funds are set out in Table 9.

**[TAB. 9] TERMS AND CONDITIONS OF OWN FUNDS INSTRUMENTS**

	Allocable total amount in € m			Remaining maturity < 5 years in € m	Remaining maturity >= 5 years in € m	Avg. remaining maturity in years	Avg. interest rate in % <sup>1)</sup>
	of which CET1	of which AT1	of which T2				
Ordinary shares of HSH Nordbank AG	3,018	-	-	-	-	-	-
Allocable share capital of other entities included in the regulatory scope of consolidation	-	-	-	-	-	-	-
Silent participations with limited allocability, subject to transitional rules, indefinite and without payment triggers	-	1,082	685	-	-	-	-
Silent participations with limited allocability, subject to transitional rules, limited or with payment triggers	-	21	17	-	38	5	-
Profit participation certificates	-	-	-	-	-	-	-
Permanently eligible subordinated liabilities	-	-	999	87	911	15	1.3
Subordinated liabilities subject to a transitional rule	-	-	-	-	-	-	-

<sup>1)</sup> Information on interest rates relates to interest payments actually made

### 3.1.3. STRUCTURE OF OWN FUNDS OF THE HOLDING

The holding meets the same regulatory requirements as set out for the sub-group.

The Common Equity Tier 1 capital - in comparison to the sub-group - is much lower. This result from consolidation-effects and the consideration of guarantee obligations of the HSH Beteiligungs Management GmbH on the holding level as a consequence of the EU decision.

The principal owner of HSH Nordbank AG is HSH Beteiligungs Management GmbH with a shareholding of 94.9 %. Private investors advised by J.C. Flowers & Co. LLC also have a shareholding of 5.1 %. Pursuant to CRR this is a minority shareholding of private investors which can only partly be recognised in the Common Equity Tier 1 capital on holding-level.

In addition due to the minority shareholding own funds of the Additional tier 1 capital and the tier 2 capital is just partly eligible. Therefore these parts of own funds are significantly reduced.

Common Equity Tier 1 capital ratio of 10.2 % has improved significantly as at 31 December 2017. The Common Equity Tier 1 capital of the holding which is calculated excluding the regulatory relief effect of the second loss guarantee amounts to 8,4 % (not same period).

The increase of CET1 in contrast to the previous year results primarily from the decrease of the deduction item for securitisation positions, which qualify for a risk weight of 1250% and from taking into account earnings of the financial year 2016. The deduction of the loss of the current financial year 2017 partially offsets this increase of CET1.

The reduction of the AT1 results from the previously described reduction for the sub-group and the application of transitional provisions pursuant to Article 480 CRR. Additionally, due to consisting transitional provisions part of the losses of the financial year are subtracted from the AT1.

Structure of own funds and regulatory adjustments as well as capital ratios are shown in table 10 and 11. More detailed information is set out in table 89 (chapter 13.2).

**[TAB. 10] STRUCTURE OF OWN FUNDS AND REGULATORY ADJUSTMENTS OF THE HOLDING IN € M**

Common Equity Tier 1 capital (CET1) before regulatory adjustments	3,131
Common Equity Tier 1 capital (CET1)	2,206
Additional Tier 1 capital (AT1) before regulatory adjustments	584
Additional Tier 1 capital (AT1)	468
Tier 1 capital (T1 = CET1 + AT1)	2,674
Tier 2 capital (T2) before regulatory adjustments	891
Tier 2 capital (T2)	891
Total capital (TC = T1 + T2)	3,565
Total regulatory adjustments to Tier 1 capital (CET1)	- 925
Total regulatory adjustments to Additional Tier 1 capital (AT1)†	- 116
Total regulatory adjustments to Tier 2 capital (T2)	-

**[TAB. 11] CAPITAL RATIOS OF THE HOLDING**

Common Equity Tier 1 capital (as a percentage of the total debt)	10.2 %
Tier 1 capital (as a percentage of the total debt)	12.4 %
Total capital ratio (as a percentage of the total debt)	16.6 %

### Full reconciliation of components of own funds with the audited financial statements

A full reconciliation of components of own funds with the audited financial statements pursuant to Article 437 (1) point (a) CRR in conjunction with Article 2 of the Commission Implementing Regulation (EU) no. 1423/2013 is shown in Table 90 (Appendix, Section 13.2).

The reconciliation is performed in three steps. In the first step, the consolidation group under commercial law is reconciled to the regulatory consolidation group as at 31 December 2016. In the second step, the components of own funds are extended and effects arising during the year are included. Lastly, the components of own funds are assigned to the own funds items in the regulatory report of the holding as at 31 December 2017.

### Description of the main features of own funds instruments issued

Beside the ordinary share capital the holding has no own funds instruments issued. The capital instruments issued by HSH Nordbank (sub-group) are described in Table 91 (Appendix, Section 13.3).

### Transitional provisions for disclosure of own funds

Common Equity Tier 1 capital exceeds the requirements laid down in Article 92 CRR by € 1,237 million and Tier 1 capital by €1,382 million.

Pursuant to Article 492 (3) point (b) CRR € 29 million, € 130 million and € 229 million are credited in the transitional period as Common Equity Tier 1 capital, Additional Tier 1 capital and Tier 2 capital, respectively, by virtue of applying Article 480 CRR.

### 3.1.4. TERMS AND CONDITIONS OF OWN FUNDS INSTRUMENTS

Pursuant to Article 437 (1) point (c) CRR the regulatory own funds instruments of the holding as at the reporting date mainly comprise the following:

- The subscribed capital amounts to € 0.1 million.
- The reserves of € 3,021 million consist of capital reserves (€ 71 million), other retained earnings (€ 985 million) as well as Group retained earnings (€ 1,965 million).
- The minority shareholding as part of the CET1 capital amounts to € 134 million.
- The eligible AT1 capital during the transitional period (see Section 3.1.2.) adds up to € 584 million.
- The supplementary capital amounts to € 891 million consisting of the eligible supplementary capital (€ 786 million) as well as an eligible loan loss provision for exposures under the Advanced Internal Rating Based Approach (€ 106 million) according to Article 62 (1) point (d) CRR.

## 3.2. CAPITAL REQUIREMENTS

### 3.2.1. CAPITAL REQUIREMENTS OF THE SUB-GROUP

The capital requirements relevant for HSH Nordbank pursuant to Article 438 point (c) to (f) CRR are explained below and disclosed in Table 12. Additionally, further description according to note 69 of EBA/GL/2016/11 is shown in Table 13 OV1.

#### Credit risk and counterparty 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 8.5.1). Consequently, the risk-weighted exposure amounts for credit risk are generally calculated using the IRB approach in accordance with Part 3 Title II Chapter 3 CRR.

However, as part of the temporary or permanent partial use, the Standardised Approach for credit risk pursuant to Part 3 Title II Chapter 2 CRR is applied to individual exposures and companies to be consolidated. 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 since 1 January 2014, 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 and counterparty credit risk as at the reporting date amount to € 1,489 million. The

decrease of the capital requirements compared to the previous year can mainly be referred to the ongoing wind-down strategy for portfolios, expiring transactions and shift effects of RWA as a measure for unexpected losses to expected losses (EL) within the agreed portfolio transactions. Furthermore, the decrease is to some extent explained by a positive development of risk-parameters and currency effects.

Further details on business performance are presented in the Group Management Report (Economic report, Business performance) in HSH Nordbank's Annual Report.

#### Market risk

HSH Nordbank uses standardised methods for determining capital requirements for market risk in accordance with Part 3 Title IV Chapters 2 to 4 CRR.

The increase of capital requirement for market risk of € 157 million as of the reporting date results mainly from portfolio transactions within the context of privatisation of HSH Nordbank (see Section 11.1).

#### 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 sub-group of € 107 million (see Section 12).

#### 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 since 1 January 2014 in accordance with Part 3 Title VI CRR. The capital requirements for this risk amount to € 21 million. There were no capital requirements for settlement risk pursuant to Part 3 Title VI CRR as at the reporting date.

This results in total capital requirements of € 1,774 million as of the reporting date.

**[TAB. 12] CAPITAL REQUIREMENTS OF THE SUBGROUP IN € M**

<b>Credit risk</b>	
<b>Standardised Approach (CRSA)</b>	
Central governments or central banks	–
Regional governments or local authorities	0
Public sector entities	0
Multilateral development banks	–
International organisations	–
Institutions	3
Corporates	28
Retail exposures	0
Exposures secured by mortgages on immovable property	0
Exposures in default	2
Exposures associated with particularly high risk	0
Covered bonds	–
Securitisations	5
Exposures to institutions and corporates with a short-term credit assessment	–
Shares in collective investment undertakings	–
Equity holdings based on the continued use of the old methodology/grandfathering (CRSA)	6
Equity holdings excluded from the IRBA on a permanent basis or for a limited period (CRSA)	–
Other items	–
<b>Advanced Internal Rating Based Approach (IRBA)</b>	
Central governments and central banks	20
Institutions	56
Corporates	938
Retail exposures	–
Significant equity holdings in a financial sector entity (250%)	0
Equity holdings using the simple risk weight approach	9
Of which: private equity exposures in sufficiently diversified portfolio (190%)	6
Of which: Exchange traded equity exposures (290%)	3
Of which: Other equity exposures (370%)	1
Equity holdings using the PD-LGD approach (IRBA)	1
Equity holdings using internal models	–
Securitisations	300
Other non credit-obligation assets	120
<b>Risk arising from default fund contributions to a central counterparty</b>	<b>0</b>
<b>Subtotal capital requirements for credit risks<sup>1</sup></b>	<b>1,489</b>
<b>Market risk in accordance with the Standardised Approach</b>	<b>157</b>
<b>Operational risk in accordance with the Standardised Approach</b>	<b>107</b>
<b>Credit valuation adjustment risk</b>	<b>21</b>
<b>Settlement risk</b>	<b>0</b>
<b>Total</b>	<b>1,774</b>

1) incl. CCR and securitisations

**[TAB. 13] OV1: OVERVIEW OF RISK WEIGHTED ASSETS (RWA) OF THE SUB-GROUP IN € M**

		a	b	c	
			RWAs	Minimum capital requirements	
		31.12.2017	30.09.2017	31.12.2017	
	1	Credit risk (excluding CCR)	13,756	14,758	1,101
Art. 438 (c)(d)	2	Of which the standardised approach	429	475	34
Art. 438 (c)(d)	3	Of which the foundation IRB (FIRB) approach	-	-	-
Art. 438 (c)(d)	4	Of which the advanced IRB (AIRB) approach	13,213	14,158	1,057
Art. 438 (d)	5	Of which equity IRB under the simple risk-weighted approach or the IMA	115	125	9
Art. 107 Art. 438 (c)(d)	6	CCR	1,314	1,489	105
Art. 438 (c)(d)	7	Of which mark to market	1,045	1,201	84
Art. 438 (c)(d)	8	Of which original exposure	-	-	-
	9	Of which the standardised approach	-	-	-
	10	Of which internal model method (IMM)	-	-	-
Art. 438 (c)(d)	11	Of which risk exposure amount for contributions to the default fund of a CCP	1	1	0
Art. 438 (c)(d)	12	Of which CVA	268	286	21
Art. 438 (e)	13	Settlement risk	0	0	0
Art. 449 (o)(i)	14	Securitisation exposures in the banking book (after the cap)	3,811	4,462	305
	15	Of which IRB approach	3,755	4,377	300
	16	Of which IRB supervisory formula approach (SFA)	3,532	4,120	283
	17	Of which internal assessment approach (IAA)	-	-	-
	18	Of which standardised approach	56	85	5
Art. 438 (e)	19	Market risk	1,957	1,770	157
	20	Of which the standardised approach	1,957	1,770	157
	21	Of which IMA	-	-	-
Art. 438 (e)	22	Large exposures	-	-	-
Art. 438 (f)	23	Operational risk	1,341	1,341	107
	24	Of which basic indicator approach	-	-	-
	25	Of which standardised approach	1,341	1,341	107
	26	Of which advanced measurement approach	-	-	-
Art. 437 (2), Art. 48, Art. 60	27	Amounts below the thresholds for deduction (subject to 250% risk weight)	0	0	0
Art. 500	28	Floor adjustment	-	-	-
	<b>29</b>	<b>Total</b>	<b>22,180</b>	<b>23,820</b>	<b>1,774</b>



### 3.2.2. CAPITAL REQUIREMENTS OF THE HOLDING

The capital requirements relevant for the holding pursuant to Article 438 point (c) to (f) CRR are explained below and disclosed in Table 14. Additionally, further explanation according to note 69 in EBA/GL/2016/11 is shown in Table 15 OV1 [Holding].

#### Credit risk and counterparty credit risk

The lower RWA for credit risk in the holding results from lower deferred tax. The lower own funds implicate a lower threshold for the deduction of deferred tax. This leads to a higher amount to be deducted directly from the CET1 and a lower RWA requirement (other assets without credit obligations).

In total, the capital requirements for credit risk and counterparty credit risk add up to € 1,453 million.

#### Market risk

The capital requirements for market risk are identical for holding and sub-group and amount to € 157 million (see Section 11.1).

#### 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 holding of € 91 million which is less compared to the sub-group (see Section 11.3).

#### Overall capital requirements

According to part 3 Title VI CRR, the CVA risk amounts to € 21 million. There were no capital requirements for settlement risk pursuant to Part 3 Title VI CRR as at the reporting date.

This results in total capital requirements of € 1,722 million as of the reporting date.

[TAB. 14] CAPITAL REQUIREMENTS OF THE HOLDING IN € M

<b>Credit risk</b>	
<b>Standardised Approach (CRSA)</b>	
Central governments or central banks	–
Regional governments or local authorities	0
Public sector entities	0
Multilateral development banks	–
International organisations	–
Institutions	3
Corporates	28
Retail exposures	0
Exposures secured by mortgages on immovable property	0
Exposures in default	2
Exposures associated with particularly high risk	0
Covered bonds	–
Securitisations	5
Exposures to institutions and corporates with a short-term credit assessment	–
Shares in collective investment undertakings	–
Equity holdings based on the continued use of the old methodology/grandfathering (CRSA)	6
Equity holdings excluded from the IRBA on a permanent basis or for a limited period (CRSA)	–
Other items	–
<b>Advanced Internal Rating Based Approach (IRBA)</b>	
Central governments and central banks	20
Institutions	56
Corporates	938
Retail exposures	–
Significant equity holdings in a financial sector entity (250%)	0
Equity holdings using the simple risk weight approach	9
of which: private equity exposures in sufficiently diversified portfolio (190%)	6
of which: Exchange traded equity exposures (290%)	3
of which: Other equity exposures (370%)	1
Equity holdings using the PD-LGD approach (IRBA)	1
Equity holdings using internal models	–
Securitisations	300
Other non credit-obligation assets	84
<b>Risk arising from default fund contributions to a central counterparty</b>	<b>0</b>
<b>Subtotal capital requirements for credit risks<sup>1</sup></b>	<b>1,453</b>
<b>Market risk in accordance with the Standardised Approach</b>	<b>157</b>
<b>Operational risk in accordance with the Standardised Approach</b>	<b>91</b>
<b>Credit valuation adjustment risk</b>	<b>21</b>
<b>Settlement risk</b>	<b>0</b>
<b>Total</b>	<b>1,722</b>

1) incl. CCR and securitisations

**[TAB. 15] OV1[HLD]: OVERVIEW OF RISK WEIGHTED ASSETS (RWA) OF THE HOLDING IN € M**

		a	b	c	
			RWAs	Minimum capital requirements	
		31.12.2017	30.09.2017	31.12.2017	
	1	Credit risk (excluding CCR)	13,304	14,274	1,064
Art. 438 (c)(d)	2	Of which the standardised approach	429	475	34
Art. 438 (c)(d)	3	Of which the foundation IRB (FIRB) approach	-	-	-
Art. 438 (c)(d)	4	Of which the advanced IRB (AIRB) approach	12,760	13,673	1,021
Art. 438 (d)	5	Of which equity IRB under the simple risk-weighted approach or the IMA	115	125	9
Art. 107 Art. 438 (c)(d)	6	CCR	1,314	1,489	105
Art. 438 (c)(d)	7	Of which mark to market	1,045	1,201	84
Art. 438 (c)(d)	8	Of which original exposure	-	-	-
	9	Of which the standardised approach	-	-	-
	10	Of which internal model method (IMM)	-	-	-
Art. 438 (c)(d)	11	Of which risk exposure amount for contributions to the default fund of a CCP	1	1	0
Art. 438 (c)(d)	12	Of which CVA	268	286	21
Art. 438 (e)	13	Settlement risk	0	0	0
Art. 449 (o)(i)	14	Securitisation exposures in the banking book (after the cap)	3,811	4,462	305
	15	Of which IRB approach	3,755	4,377	300
	16	Of which IRB supervisory formula approach (SFA)	3,532	4,120	283
	17	Of which internal assessment approach (IAA)	-	-	-
	18	Of which standardised approach	56	85	5
Art. 438 (e)	19	Market risk	1,957	1,770	157
	20	Of which the standardised approach	1,957	1,770	157
	21	Of which IMA	-	-	-
Art. 438 (e)	22	Large exposures	-	-	-
Art. 438 (f)	23	Operational risk	1,138	1,138	91
	24	Of which basic indicator approach	-	-	-
	25	Of which standardised approach	1,138	1,138	91
	26	Of which advanced measurement approach	-	-	-
Art. 437 (2), Art. 48, Art. 60	27	Amounts below the thresholds for deduction (subject to 250% risk weight)	0	0	0
Art. 500	28	Floor adjustment	-	-	-
	<b>29</b>	<b>Total</b>	<b>21,524</b>	<b>23,132</b>	<b>1,722</b>

## 4. COUNTERCYCLICAL CAPITAL BUFFER

### 4.1. GEOGRAPHICAL BREAKDOWN OF RELEVANT CREDIT EXPOSURES

Pursuant to Article 440 CRR the geographical breakdown of relevant credit exposures and the amount of the countercyclical capital buffer (CCB) are disclosed.

The disclosure of the geographical breakdown of credit exposures pursuant to Article 440 (1) point (a) CRR in connection with Article 2 of the Delegated Act (EU) 2015/1555 is shown in Table 16. The breakdown by countries is based on the jurisdiction of the business partners in the HSH Nordbank portfolio. The breakdown of the relevant exposure does not include the public sector or institutions according to Article 140 (4) CRD IV. This applies for both Standard- and IRB-Approach.

The exposure is disclosed in columns 010 to 065 divided into general credit exposure, trading book exposure and securitisation exposure. The corresponding own funds requirements are displayed in columns 070 to 100. In column 110 the own funds requirements weights are shown, which apply to every country specific ratio for the CCB. The

ratio results from the sum of own funds per country divided by the sum of all own funds requirements of the relevant credit exposures. In column 120 the CCB-rate of each country is shown. These have to be published by the countries themselves and apply for one year.

The CCB disclosure by HSH Nordbank differs from the table with additional explanations shown in annex 1 of delegated act (EU) 2015/1555:

- Column 040 is not disclosed, since HSH Nordbank does not use any internal models for market risk
- In order to achieve consistency of regulatory disclosure and regulatory reporting on the CCB, columns 065 and 095 for “other assets, without credit obligations” are added.

#### **Geographical breakdown of relevant credit exposures for the calculation of the CCB**

The geographical breakdown is identical for the sub-group and the holding.

**[TAB. 16] GEOGRAPHICAL BREAKDOWN OF RELEVANT CREDIT EXPOSURES FOR THE CALCULATION OF THE CCB IN € M**

breakdown by country n:	general credit exposures		trading book exposures	securitisation exposures		other	own funds requirements					total	own funds requireme nts weights	CCB rate
	general credit exposures (SA)	general credit exposures (RB)	Sum of long and short positions of trading book exposures	securitisation exposures (SA)	securitisation exposures (RB)	other assets, without credit obligations	general credit exposures	trading book exposures	securitisation exposures	other assets, without credit obligations				
	010	020	030	050	060	65	070	080	090	95	100			
(AD)	0	–	–	–	–	–	0	–	–	–	0	0.00	0.00%	
(AE)	–	2	–	–	–	–	0	–	–	–	0	0.00	0.00%	
(AT)	0	62	–	–	–	–	4	–	–	–	4	0.00	0.00%	
(AU)	–	–	–	–	–	–	–	–	–	–	–	–	0.00%	
(BB)	–	23	–	–	–	–	2	–	–	–	2	0.00	0.00%	
(BD)	–	–	–	–	–	–	–	–	–	–	–	–	0.00%	
(BE)	0	194	1	–	–	–	6	0	–	–	6	0.00	0.00%	
(BG)	–	–	–	–	–	–	–	–	–	–	–	–	0.00%	
(BH)	2	–	–	–	–	–	0	–	–	–	0	0.00	0.00%	
(BM)	0	31	–	–	–	–	1	–	–	–	1	0.00	0.00%	
(BR)	–	–	–	–	–	–	–	–	–	–	–	–	0.00%	
(BS)	0	11	–	–	–	–	1	–	–	–	1	0.00	0.00%	
(CA)	0	10	–	–	–	–	0	–	–	–	0	0.00	0.00%	
(CH)	0	312	–	–	–	–	18	–	–	–	18	0.01	0.00%	
(CN)	–	25	–	–	–	–	1	–	–	–	1	0.00	0.00%	
(CY)	0	135	–	–	–	–	6	–	–	–	6	0.00	0.00%	
(CZ)	–	0	–	–	–	–	0	–	–	–	0	0.00	0.50%	
(DE)	191	15,289	84	0	15,220	331	626	1	272	–	899	0.68	0.00%	
(DK)	0	192	0	–	–	–	5	0	–	–	5	0.00	0.00%	
(DZ)	–	–	–	–	–	–	–	–	–	–	–	–	0.00%	
(EE)	–	27	–	–	–	–	0	–	–	–	0	0.00	0.00%	
(EG)	0	–	–	–	–	–	0	–	–	–	0	0.00	0.00%	
(ES)	–	316	0	–	–	–	14	0	–	–	14	0.01	0.00%	
(FI)	–	405	1	–	–	–	12	0	–	–	12	0.01	0.00%	
(FR)	0	1,184	4	–	–	–	30	0	–	–	31	0.02	0.00%	
(GB)	60	524	5	6	–	–	16	0	1	–	17	0.01	0.00%	
(GG)	–	–	–	–	–	–	–	–	–	–	–	–	0.00%	
(GR)	–	574	–	–	–	–	20	–	–	–	20	0.01	0.00%	
(HK)	1	25	–	–	–	–	2	–	–	–	2	0.00	1.25%	
(HR)	–	59	–	–	–	–	5	–	–	–	5	0.00	0.00%	
(IE)	22	236	–	–	0	–	12	–	–	–	12	0.01	0.00%	
(IL)	–	28	–	–	–	–	1	–	–	–	1	0.00	0.00%	
(IM)	0	1	–	–	–	–	0	–	–	–	0	0.00	0.00%	
(IN)	–	33	–	–	–	–	1	–	–	–	1	0.00	0.00%	
(IR)	–	–	–	–	–	–	–	–	–	–	–	–	0.00%	
(IS)	–	–	–	–	–	–	–	–	–	–	–	–	1.25%	
(IT)	67	148	5	–	–	–	11	0	–	–	11	0.01	0.00%	
(JE)	0	269	–	–	–	–	10	–	–	–	10	0.01	0.00%	
(JP)	–	21	1	–	–	–	1	0	–	–	1	0.00	0.00%	
(KR)	–	2	–	–	–	–	0	–	–	–	0	0.00	0.00%	
(KW)	–	0	–	–	–	–	0	–	–	–	0	0.00	0.00%	
(KY)	45	19	–	–	–	–	8	–	–	–	8	0.01	0.00%	
(LR)	0	305	–	–	–	–	10	–	–	–	10	0.01	0.00%	

breakdown by country n:	general credit exposures		trading book exposures	securitisation exposures		other	own funds requirements			total	own funds requireme nts weights	CCB rate	
	general credit exposures (SA)	general credit exposures (R€B)	Sum of long and short positions of trading book exposures	securitisation on exposures (SA)	securitisation on exposures (R€B)	other assets, without credit obligations	general credit exposures	trading book exposures	securitisation on exposures				other assets, without credit obligations
(LU)	73	1,962	5	226	43	-	64	0	14	-	78	0.06	0.00%
(MA)	-	-	-	-	-	-	-	-	-	-	-	-	0.00%
(MH)	0	677	-	-	-	-	24	-	-	-	24	0.02	0.00%
(MT)	0	5	-	-	-	-	0	-	-	-	0	0.00	0.00%
(MY)	-	-	-	-	-	-	-	-	-	-	-	-	0.00%
(NG)	-	4	-	-	-	-	1	-	-	-	1	0.00	0.00%
(NL)	0	989	7	-	-	-	36	1	-	-	37	0.03	0.00%
(NO)	0	262	-	-	-	-	5	-	-	-	5	0.00	2.00%
(NZ)	-	5	-	-	-	-	0	-	-	-	0	0.00	0.00%
(PA)	0	7	-	-	-	-	0	-	-	-	0	0.00	0.00%
(PH)	-	-	-	-	-	-	-	-	-	-	-	-	0.00%
(PL)	-	3	-	-	-	-	0	-	-	-	0	0.00	0.00%
(PT)	-	139	-	-	-	-	3	-	-	-	3	0.00	0.00%
(QA)	-	15	-	-	20	-	1	-	18	-	18	0.01	0.00%
(RU)	-	34	-	-	-	-	0	-	-	-	0	0.00	0.00%
(SA)	-	-	-	-	-	-	-	-	-	-	-	-	0.00%
(SE)	0	153	3	-	-	-	8	0	-	-	8	0.01	2.00%
(SG)	0	486	-	-	-	-	19	-	-	-	19	0.01	0.00%
(TH)	0	-	-	-	-	-	0	-	-	-	0	0.00	0.00%
(TN)	0	-	-	-	-	-	0	-	-	-	0	0.00	0.00%
(TR)	0	316	-	-	-	-	18	-	-	-	18	0.01	0.00%
(TW)	-	0	-	-	-	-	-	-	-	-	-	-	0.00%
(US)	7	210	7	-	2	51	5	1	0	-	6	0.00	0.00%
(VC)	-	-	-	-	-	-	-	-	-	-	-	-	0.00%
(VG)	0	5	-	-	-	-	0	-	-	-	0	0.00	0.00%
(VN)	-	-	-	-	-	-	-	-	-	-	-	-	0.00%
(ZA)	-	125	-	-	-	-	3	-	-	-	3	0.00	0.00%
Other	-	-	3	-	-	79	6	-	-	-	6	0.00	0.00%
<b>Sum</b>	<b>469</b>	<b>25,857</b>	<b>125</b>	<b>232</b>	<b>15,286</b>	<b>461</b>	<b>1,018</b>	<b>3</b>	<b>305</b>	<b>-</b>	<b>1,326</b>	<b>1.00</b>	<b>-</b>

## 4.2. AMOUNT OF COUNTERCYCLICAL CAPITAL BUFFER

The following tables show the CCB for the sub-group and the holding.

**[TAB. 17] CCB FOR THE SUB-GROUP**

Total risk exposure amount (€ million)	22,180.0
Institution specific countercyclical capital buffer rate	0.020
Institution specific countercyclical capital buffer requirement (€ million)	4.5

**[TAB. 18] CCB FOR THE HOLDING**

Total risk exposure amount (€ million)	21,524.3
Institution specific countercyclical capital buffer rate	0.020
Institution specific countercyclical capital buffer requirement (€ million)	4.3

## 5. LEVERAGE RATIO

### Definition

According to Article 451 CRR in connection with Title VII no. 23 point (c) and no. 26 point (b) of the guideline on disclosure frequency (EBA/GL/2014/14), information on the leverage ratio is to be disclosed. The calculation of the leverage ratio is performed in accordance with Article 429, 429a and 429b CRR in connection with the commission implementing regulation (EU) 2016/200 of 15 February 2016 laying down implementing technical standards regarding the disclosure of the leverage ratio for institutions according to the Regulation (EU) No. 575/2013 of the European Parliament and of the Council.

In the frame of the Basel III framework (CRR/CRD IV), the leverage ratio complements the risk based capital requirements as a non-risk based ratio. The leverage ratio is the quotient of the Tier 1 capital and the total exposure measure and is indicated as a percentage. The total exposure measure consists of the assets and off-balance sheet items

under special consideration of relevant valuation approaches especially for leverage ratio. At the present time, the leverage ratio is an observation parameter. As a reference value, the Basel Committee of Banking Regulation determined a minimum leverage ratio of 3% in the Basel III leverage ratio framework and disclosure requirements of January 2014. Likely from 2022 onwards the leverage ratio will be implemented as an additional minimum capital ratio.

Below, the leverage ratio is derived separately for the sub-group and the holding. Thereby, the option in Article 499 (2) CRR was utilised to disclose the Tier 1 capital pursuant to Article 499 (1) point (b) CRR only, thus in consideration of the Basel III transitional provisions.

### Information on the level of leverage ratio for the sub-group

As at the reporting date, the leverage ratio of the sub-group amounts to 7.7%.

**[TAB. 19] LRSUM: SUMMARY RECONCILIATION OF ACCOUNTING ASSETS AND LEVERAGE RATIO EXPOSURES IN € M FOR THE SUB-GROUP**

	Applicable Amounts
1	70,382
2	260
3	-
4	- 1,344
5	- 987
6	4,523
EU-6a	-
EU-6b	-
7	- 5,815
<b>8</b>	<b>67,019</b>

**[TAB. 20] LRCOM: LEVERAGE RATIO COMMON DISCLOSURE IN € M FOR THE SUB-GROUP**

	CRR leverage ratio exposures	
	On-balance sheet exposures (excluding derivatives and SFTs)	
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	59,949
2	(Asset amounts deducted in determining Tier 1 capital)	– 857
<b>3</b>	<b>Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)</b>	<b>59,092</b>
	Derivative exposures	
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	1,661
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	777
EU-5a	Exposure determined under Original Exposure Method	–
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	–
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	– 140
8	(Exempted CCP leg of client-cleared trade exposures)	–
9	Adjusted effective notional amount of written credit derivatives	58
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	–
<b>11</b>	<b>Total derivatives exposures (sum of lines 4 to 10)</b>	<b>2,356</b>
	Securities financing transaction exposures	
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	899
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	–
14	Counterparty credit risk exposure for SFT assets	149
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No 575/2013 Articles 429b(4) and 222 of Regulation (EU) No 575/2013	–
15	Agent transaction exposures	–
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	–
<b>16</b>	<b>Total securities financing transaction exposures (sum of lines 12 to 15a)</b>	<b>1,048</b>
	Other off-balance sheet exposures	
17	Off-balance sheet exposures at gross notional amount	11,986
18	(Adjustments for conversion to credit equivalent amounts)	– 7,463
<b>19</b>	<b>Other off-balance sheet exposures (sum of lines 17 and 18)</b>	<b>4,523</b>
	Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)	
EU-19a	(Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	–
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	–
	Capital and total exposures	
20	Tier 1 capital	5,154
<b>21</b>	<b>Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)</b>	<b>67,019</b>
	Leverage ratio	
22	Leverage ratio	7.7%
	Choice on transitional arrangements and amount of derecognised fiduciary items	
EU-23	Choice on transitional arrangements for the definition of the capital measure	transitional
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) No 575/2013	–



**[TAB. 21] LRSPL: SPLIT-UP OF ON BALANCE SHEET EXPOSURES (EXCLUDING DERIVATIVES, SFTS AND EXEMPTED EXPOSURES) IN € M FOR THE SUB-GROUP**

		CRR leverage ratio exposures
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	57,404
EU-2	Trading book exposures	125
EU-3	Banking book exposures, of which:	57,279
EU-4	Covered bonds	4,379
EU-5	Exposures treated as sovereigns	20,354
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	262
EU-7	Institutions	756
EU-8	Secured by mortgages of immovable properties	8,059
EU-9	Retail exposures	34
EU-10	Corporate	16,788
EU-11	Exposures in default	2,932
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	3,715

**[TAB. 22] LRQUA: DISCLOSURE ON QUALITATIVE ITEMS FOR THE SUB-GROUP**

1	Description of processes used to manage the risk of excessive leverage	On the one hand, an ongoing supervision of the leverage ratio as at the reporting date (current state) and on the other hand, on a proactive perspective (forecast) is ensured. Moreover, in the frame of the stress tests, the development of the leverage ratio for various crisis scenarios is analysed. As a constraint, the compliance with the leverage ratio is considered in the annual corporate planning. The control of the leverage ratio can be adjusted inter alia with a balance limitation as required. The current amount of the leverage ratio, however, leads to expect that with the introduction of a compulsory leverage ratio that has to be met, there are no adjustments needed for the Tier 1 capital and total exposure measure.
2	Description of factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers	The leverage ratio amounts to 7.7 % and falls by 0.1 percentage points short of the value as of 30.06.2017 (7.6 %). The slight decrease can be referred to a reduction of the Tier 1 capital, which was higher than the decrease of the denominator of the leverage ratio. The denominator falls due to a portfolio reduction. For information on the numerator see section 3.1. Own funds. There existed no important external factors in connection with the economic and financial environment that had influence on the leverage ratio.

### Information on the level of leverage ratio for the holding

As at the reporting date, the leverage ratio of the holding amounts to 4.0%.

**[TAB. 23] LRSUM: SUMMARY RECONCILIATION OF ACCOUNTING ASSETS AND LEVERAGE RATIO EXPOSURES IN € M FOR THE HOLDING**

	Applicable Amounts	
1	Total assets as per published financial statements	69,089
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	260
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013 "CRR" framework but excluded from the leverage ratio exposure measure according to Article 429(11) of Regulation (EU) NO. 575/2013	-
4	Adjustments for derivative financial instruments	- 1,344
5	Adjustments for securities financing transactions "SFTs"	- 987
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	4,523
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013)	-
EU-6b	(Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013)	-
7	Other adjustments	- 4,506
<b>8</b>	<b>Total leverage ratio exposure</b>	<b>67,035</b>

**[TAB. 24] LRCOM: LEVERAGE RATIO COMMON DISCLOSURE IN € M FOR THE HOLDING**

	CRR leverage ratio exposures	
	On-balance sheet exposures (excluding derivatives and SFTs)	
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	60,154
2	(Asset amounts deducted in determining Tier 1 capital)	- 1,046
<b>3</b>	<b>Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)</b>	<b>59,108</b>
	Derivative exposures	
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	1,661
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	777
EU-5a	Exposure determined under Original Exposure Method	-
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	- 140
8	(Exempted CCP leg of client-cleared trade exposures)	-
9	Adjusted effective notional amount of written credit derivatives	58
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-
<b>11</b>	<b>Total derivatives exposures (sum of lines 4 to 10)</b>	<b>2,356</b>
	Securities financing transaction exposures	
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	899
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-
14	Counterparty credit risk exposure for SFT assets	149
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No 575/2013 Articles 429b(4) and 222 of Regulation (EU) No 575/2013	-
15	Agent transaction exposures	-
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	-
<b>16</b>	<b>Total securities financing transaction exposures (sum of lines 12 to 15a)</b>	<b>1,048</b>
	Other off-balance sheet exposures	
17	Off-balance sheet exposures at gross notional amount	11,986
18	(Adjustments for conversion to credit equivalent amounts)	- 7,463
<b>19</b>	<b>Other off-balance sheet exposures (sum of lines 17 and 18)</b>	<b>4,523</b>
	Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)	
EU-19a	(Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	-
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	-
	Capital and total exposures	
20	Tier 1 capital	2,674
<b>21</b>	<b>Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)</b>	<b>67,035</b>
	Leverage ratio	
22	Leverage ratio	4.0%
	Choice on transitional arrangements and amount of derecognised fiduciary items	
EU-23	Choice on transitional arrangements for the definition of the capital measure	transitional
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) No 575/2013	-

**[TAB. 25] LRSPL: SPLIT-UP OF ON BALANCE SHEET EXPOSURES (EXCLUDING DERIVATIVES, SFTS AND EXEMPTED EXPOSURES) IN € M FOR THE HOLDING**

		CRR leverage ratio exposures
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	57,609
EU-2	Trading book exposures	125
EU-3	Banking book exposures, of which:	57,484
EU-4	Covered bonds	4,379
EU-5	Exposures treated as sovereigns	20,554
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	262
EU-7	Institutions	761
EU-8	Secured by mortgages of immovable properties	8,059
EU-9	Retail exposures	34
EU-10	Corporate	16,788
EU-11	Exposures in default	2,932
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	3,715

**[TAB. 26] LRQUA: DISCLOSURE ON QUALITATIVE ITEMS FOR THE HOLDING**

1	Description of processes used to manage the risk of excessive leverage	On the one hand, an ongoing supervision of the leverage ratio as at the reporting date (current state) and on the other hand, on a proactive perspective (forecast) is ensured. Moreover, in the frame of the stress tests, the development of the leverage ratio for various crisis scenarios is analysed. As a constraint, the compliance with the leverage ratio is considered in the annual corporate planning. The control of the leverage ratio can be adjusted inter alia with a balance limitation as required.
2	Description of factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers	The leverage ratio was 4.0 %. This leverage ratio is less than the leverage ratio of the sub-group as the Tier 1 capital of the sub-group is higher. For information on the numerator see section 3.1. Own funds. There existed no important external factors in connection with the economic and financial environment that had influence on the leverage ratio.

## 6. UNENCUMBERED ASSETS

### Definition

HSH Nordbank follows the guidelines on disclosure of encumbered and unencumbered assets (EBA/GL/2014/03) dated 27 June 2014 and the circular regarding the implementation of the EBA guidelines on disclosure of encumbered and unencumbered assets (BA 06/2016) dated 30 August 2016 for the disclosure of unencumbered assets in accordance with Article 443 CRR. Furthermore, delegated act 2017/2295 Article 1 is implemented as well.

Pursuant to Article 100 CRR in conjunction with the Implementing Technical Standards on Asset Encumbrance Reporting (EBA/ITS/2013/04/rev1) dated 24 July 2014 HSH Nordbank is also required to report all forms of encumbrance of assets as part of COREP since 31 December 2014.

According to the EBA definition assets are considered to be encumbered or committed if they are not available to the institution for further fundraising. This is always the case if they are pledged or lent, i.e. are used to safeguard own loans and securities or collateralise potential obligations arising in the derivatives business (netting and collateral arrangements) as part of on- or off-balance sheet transactions.

The median of the encumbrance ratio is 34% for the regulatory Group within the reporting year. The figures for encumbered and unencumbered assets do not vary significantly between the sub-group and the holding. Therefore only the sub-group data will be shown in this chapter.

### Information on the level of encumbrance

The encumbrance ratio in accordance with Article 100 CRR fluctuates around its median during 2017 while assets decreased significantly. Most (approximately 80%) of the encumbered assets and collateral received result from issuing covered bonds (cover pool), development bank transactions and ABF transactions as well as the provision of collateral and netting agreements related to derivative transactions.

The other encumbered assets are distributed between the provision of collateral for payment transaction lines and collateral for repurchase agreements and securities lending transactions. As at 31 December 2017 the financial assets of derivatives in consideration of balance sheet netting with securities are regarded.

Over 88% of all encumbered assets at Group level are allotted to transactions of HSH Nordbank AG.

An overcollateralisation of covered bonds, ABF transactions und repurchase agreements concerning the refinancing exists on a considerable scale.

The provision and acceptance of collaterals is based essentially on standardised contracts of repo transactions and on collateralisation of future contracts. Moreover, the bank concludes individual collateral agreements within the framework of ABF transactions or within deals with state development banks.

HSH Nordbank provides different types of collateral for several business purposes. As at 31 December 2017, the majority consists of cash collaterals amounting to € 2.0 billion for the derivative and partly for the development bank business. Besides € 1.5 billion of (commercial) loans an additional € 0.1 billion of securities are pledged as collateral for payment transaction lines and trading lines. The cover pools and the rating-related surplus as well as the issuable free surplus are disclosed as encumbered assets as part of the Pfandbrief business (public sector Pfandbriefe register, mortgage and ship Pfandbriefe register).

Unencumbered other assets are disclosed in table 27 in addition to unencumbered debt and equity instruments.

Besides the Sunrise-compensation approximately 50 % of the receivables arising from derivative transactions are part of other unencumbered assets (median of approx. € 10 billion).

**[TAB. 27] ASSETS IN € M**

	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
	010	040	060	090
<b>010 Assets of the reporting institution</b>	<b>27,259</b>	<b>-</b>	<b>50,877</b>	<b>-</b>
030 Equity instruments	-	-	150	-
040 Debt securities	4,849	4,887	10,782	10,823
050 of which: covered bonds	490	490	3,881	3,882
060 of which: asset-backed securities	406	370	343	333
070 of which: issued by general governments	3,194	3,219	4,481	4,636
080 of which: issued by financial corporations	1,601	1,572	6,223	6,013
090 of which: issued by non-financial corporations	199	243	94	101
120 Other assets	22,073	-	39,945	-
121 of which: Loans on demand	1,829	-	7,339	-
122 of which: Loans and advances other than loans on demand	17,146	-	22,731	-

**[TAB. 28] COLLATERAL RECEIVED IN € M**

	Fair value of encumbered collateral received or own debt securities issued	Unencumbered Fair value of collateral received or own debt securities issued available for encumbrance
	010	040
<b>130 Collateral received by the reporting institution</b>	<b>159</b>	<b>70</b>
140 Loans on demand	-	-
150 Equity instruments	-	-
160 Debt securities	159	70
170 of which: covered bonds	52	29
180 of which: asset-backed securities	30	12
190 of which: issued by general governments	24	4
200 of which: issued by financial corporations	129	52
210 of which: issued by non-financial corporations	13	16
220 Loans and advances other than loans on demand	-	-
230 Other collateral received	-	-
<b>240 Own debt securities issued other than own covered bonds or asset-backed securities</b>	<b>-</b>	<b>1,653</b>
241 Own covered bonds and asset-backed securities issued and not yet pledged	-	608
250 TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED	27,418	-

**[TAB. 29] ENCUMBERED ASSETS/ COLLATERAL RECEIVED AND ASSOCIATED LIABILITIES IN € M**

	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
	010	030
<b>010 Carrying amount of selected financial liabilities</b>	<b>21,179</b>	<b>24,309</b>
011 of which: derivatives	4,679	4,620
012 of which: repurchase agreements	1,872	2,406
013 of which: collateralised deposits other than repurchase agreements	4,723	5,049
014 of which: debt securities issued	9,071	11,374
015 of which: nominal of loan commitments received	1,905	2,648

## 7. LIQUIDITY RISK

### Definition

HSH Nordbank divides its liquidity risk into risk of insolvency and liquidity maturity transformation risk.

The risk of insolvency refers to the risk that present or future payment obligations cannot be met in part or in full. This is referred to as liquidity risk in the narrower sense. The key driver of this liquidity risk is the cash flow structure in the liquidity maturity statement (LMS), which is determined by the assets (maturity/currency structure) and liabilities (funding structure by maturity/currency/investor). In this regard the market liquidity risk, i.e. the danger that transactions cannot be sold or only at unfavorable conditions because of a lack of market depth, is reflected in the liquidity maturity statement as a component of the insolvency risk. Another component of insolvency risk is the refinancing risk, i.e. the danger of not being able to obtain liquidity or not at the expected conditions if required. The refinancing risk is determined by the refinancing structure. Information on the refinancing structure can be found in Note 53 "Residual maturity breakdown of financial instruments" to the consolidated financial statements.

Liquidity maturity transformation risk refers to the risk that a loss will result from a mismatch in the contractual maturities of assets and liabilities, the so-called liquidity maturity transformation position, and that a loss will result from the change in the Bank's refinancing surcharge.

### 7.1. LIQUIDITY RISK MANAGEMENT

This chapter discloses the risk management objectives and policies for the liquidity risk pursuant to Article 435 (1) CRR in conjunction with Section 17 and the LIQA table of EBA/GL/2017/01.

#### 7.1.1. STRATEGIES AND PROCESSES IN THE MANAGEMENT OF THE LIQUIDITY RISK

The business strategy and the associated risk appetite of HSH Nordbank is taken as a basis in order to develop an appropriate risk strategy focus and risk management system (overall risk strategy), which together form the foundation for the Bank's risk culture. The liquidity risk strategy/tolerance, which gives appropriate consideration to the liquidity risks inherent in the business model, is developed and incorporated into the overall risk strategy.

The liquidity risk strategy forms part of the Strategic Risk Framework, which describes the risk strategy focus/overall risk strategy. Together with the Liquidity Management policy, this liquidity risk strategy (part of the Asset Liability Management Policy document) defines the HSH Nordbank Group's framework for handling liquidity and the associated risks. These overall conditions resulting from the above-mentioned strategies/policies are summarised in the ILAAP Framework document and set out in greater detail in some cases.

The corresponding risk appetite/risk tolerance is defined by the Group Bank Steering Committee or the Overall Management Board. Liquidity risk management is the responsibility of the units Bank Steering, Treasury & Markets and Group Risk Management.

The liquidity risk strategy sets out the details of the risk strategy of HSH Nordbank in respect of the question as to how the Group would like to structure its risk appetite with regard to liquidity risk, i.e. under which conditions and to which extent the Group may be prepared to enter into liquidity risk positions within the context of the regulatory requirements. The central question is how the Bank's earnings expectations and risk appetite can be reconciled.

In addition to risk-bearing capacity, assurance of the ability to meet Group payment obligations at all times is of primary importance to HSH Nordbank and is therefore the most important objective in managing liquidity risk. The principles underlying the risk controlling of liquidity as a resource are formulated in detail in the Strategic Risk Framework. The Strategic Risk Framework refers, in particular, to the following sub-processes of operational liquidity management: measurement, monitoring, limitation, stress testing and reporting of liquidity risk.

By contrast, the Liquidity Management Policy, as part of the ALM Policy, sets out the principles for the management of liquidity as a resource. The main objectives of liquidity management are to ensure liquidity at all times and manage liquidity subject to the proviso that the relevant regulatory figures are complied with.

A distinction has to be made between the following liquidity risk management processes:

- **Risk identification:** Risk identification involves identifying the main liquidity risks and their drivers. Based on this, the Management Board define risk tolerance levels for the main liquidity risks and, in doing so, sets the liquidity risk strategy of HSH Nordbank at the same time.
- **Risk measurement:** Risk measurement focuses on the adequate measurement of the main liquidity risks based on conservative assumptions (risk perspective). The main tools used as part of this process are liquidity maturity statements, which indicate the potential liquidity gaps over time. Risk measurement also involves stress testing, backtesting and the measurement of risk concentrations, as well as the calculation of regulatory figures.
- **Risk limitation and monitoring:** The relevant limits are derived directly from the risk tolerance (internal limits) or are set by regulatory figures (external limits). Limit monitoring/escalation also forms part of this process step.
- **Risk management:** The main task of risk management lies in the implementation of the liquidity risk strategy and the management of compliance with the internal and external (regulatory) limits. Tools used to manage the liquidity position mainly include the funding plan and the liquidity transfer pricing system. Safeguarding



solvency at all times is also one of the main tasks of risk management. Tools used in this regard mainly include the liquidity buffer and measures set out in the liquidity contingency plan.

- **Reporting:** Liquidity risk reporting involves reporting key internal and external ratios and their limit compliance.

### 7.1.2. STRUCTURE AND ORGANISATION OF THE LIQUIDITY RISK MANAGEMENT FUNCTION

Overall responsibility for measuring, monitoring and managing the main liquidity risks lies with the Overall Management Board. Within the context of the operationalisation of this risk management process within HSH Nordbank, tasks are allocated to downstream committees and organisational units with a clear separation of duties between liquidity management and risk monitoring. The organisational units and committees have the following tasks and responsibilities in respect of liquidity as a resource

#### Organisational units

**Group Risk Management (GRM):** Within the context of risk measurement and monitoring, GRM is responsible for all methods, procedures and technical implementation in liquidity risk controlling, meaning that it is also the central point of contact for internals and externals (e.g. supervisory authorities, auditors, rating agencies) who have any questions in this regard. When designing the systems for measuring risk, this unit takes the requirements for liquidity management into account to the greatest extent possible and, in doing so, assists in the efficient management of liquidity. It proposes the methods for the liquidity measurement system and the limits for the liquidity risk limit system, also for stress scenarios, and coordinates committee decisions within this context. It is then responsible for the regular monitoring and reporting of liquidity risks, limit utilisation, concentration risks and forecast LMSs to the Management Board. In addition, it monitors imminent changes in supervisory legislation and defines necessary measures in this regard, as well as implementing the requirements set out in supervisory law.

**Bank Steering:** Bank Steering acts as the Global Head for liquidity and, within the context of the risk limits and/or risk specifications of the Management Board, is responsible for the strategic management of liquidity within the HSH Nordbank Group. This involves balancing the liquidity position in order to adhere to the liquidity risk limits (risk of insolvency and liquidity maturity transformation risk) on the one hand and on the other includes responsibility for adhering to the supervisory requirements with regard to liquidity management. Moreover, Bank Management has ultimate authority over the funding strategy and the funding plan, including the development of objectives to avoid concentrations in the refinancing strategy, the liquidity transfer pricing system, the liquidity contingency plan, as well as the composition of the liquidity buffer.

**Treasury & Markets (T & M):** T & M is responsible for the operational implementation of the framework requirements defined in connection with strategic liquidity management and liquidity risk

measurement. As well as the role of acting within the Bank as an internal pool of liquidity for reducing and increasing liquidity internally, this includes access to central bank liquidity through open market transactions, daily dispositive management of liquidity and ensuring solvency with relation to the limits defined in liquidity risk measurement. In addition to this, responsibility for attracting funding and fulfilling the funding plans rests with T & M, which is also responsible for liquidity control/management on an intra-day basis.

#### Management bodies

**Overall Management Board:** The Overall Management Board determines the Bank's Business and Risk Strategy. Within Risk Strategy it is also responsible for measuring and managing liquidity risks. This responsibility is reflected in the adoption of the Liquidity Risk Strategy as part of the Strategic Risk Framework and, as a result, the determination of the risk tolerance and/or risk appetite appropriate to HSH Nordbank concerning liquidity risks. Also the Management Board is responsible for approving the liquidity and funding planning, the liquidity contingency planning and other overlying documents.

**Risk Committee of the Supervisory Board:** The Risk Committee is informed of the liquidity risk situation and other matters by the Chief Risk Officer on a quarterly basis.

**Group Bank Steering Committee (GBS Committee)** The GBS Committee is the body responsible for financial resource management and allocation within the context of risk limits and plan targets. The primary objective of the GBS Committee is the monitoring and management of the scarce resources of liquidity/funding, capital and the risks associated with these bottleneck factors (including risk concentration, credit, liquidity, FX and interest rate risks). In addition, Management Board decisions on these topics are prepared and pre-structured. GBS performs its activities on the basis of the GBS rules of procedure.

With regard to liquidity risk, it assesses the liquidity risk position, amongst other things, and makes decisions regarding methodological changes in liquidity risk controlling and limit changes and in the event of limit overdrafts. The GBS Committee also makes decisions on measures for managing liquidity and strategic liquidity maturity transformation (e.g. strategic adjustments to the liquidity cost calculating, defining funding targets and strategy).

**Preliminary Review Credit Committee (PRCC):** The PRCC is responsible for the operational management of the use of resources in the lending business at the level of material individual transactions. It decides independently on the allocation of these resources. This Committee is involved in the management of new business and prolongations. The aim is to approve business transactions that are in line with strategy and with liquidity outflows that can be funded within the context of liquidity planning.

### 7.1.3. SCOPE AND NATURE OF LIQUIDITY RISK REPORTING AND MEASUREMENT SYSTEMS

#### Liquidity risk reporting systems

In accordance with Regulation (EU) No 575/2013, HSH Nordbank is subject to a reporting obligation with regard to the LCR (in this case, in connection with Delegated Regulation (EU) 2015/61), NSFR and ALMM. HSH Nordbank meets these regulatory requirements and reports the required positions to the competent authorities on a monthly basis for the LCR and ALMM and on a quarterly basis for the NSFR.

In addition, HSH Nordbank prepares an approximation for the LCR on a daily basis for monitoring and control reasons. The Management Board is informed of this calculation in a weekly report. In addition, the Management Board receives monthly information on the level and development of LCR, NSFR and ALMM values reported under supervisory law as part of the Group Bank Steering Committee.

#### Liquidity risk measurement systems

The measurement of the liquidity risk is based on liquidity maturity statements. An LMS shows the liquidity position of the HSH Nordbank Group over time. The balances derived by aggregating the on and off-balance-sheet cash flows in the individual maturity bands are referred to as liquidity gaps. The liquidity inflows and outflows from the assets and liabilities and from off-balance-sheet positions are calculated using corresponding assumptions and models, taking into account the underlying scenarios. The assumptions, models and model parameters used are validated on a regular basis depending on the estimated model risk content.

The LMSs take certain cash flows into account (e.g. principal repayments) and uncertain cash flows (e.g. early terminations) together with existing and planned transactions. For this purpose, the distinction between "certain" and "uncertain" is based on whether the timing or the amount of the cash flows is known. If at least one of these two parameters is unknown, it is modelled.

In addition to the above-described liquidity maturity statement, which is prepared from a risk perspective (risk case) for the purposes of measuring risk for a period of up to 12 months, there is an expected case liquidity maturity statement which contains expected cash flows (expected case).

In accordance with the requirements set out in the Minimum Requirements for Risk Management (MaRisk), the measurement of risk under more severe and extreme market conditions forms a crucial part of the Bank's risk management. The risk measurement for more severe and extreme market conditions is performed for the intra-day and for the short-term and structural IR and the LMT risk.

The measurement of the intra-day risk of insolvency (IR) is based on the internal ratio for the adjusted account balance and the regulatory

ratios pursuant to BCBS 248 for the TARGET2 account with Deutsche Bundesbank. HSH Nordbank uses the Target2 account with Deutsche Bundesbank to execute the absolute majority of its interbank payment transactions, which is why the main intra-day liquidity risks can arise in the Target2 accounts. The amount of the intra-day liquidity buffer is determined on the basis of the ratio of the adjusted account balance.

HSH Nordbank measures its liquidity maturity transformation risk by means of a Value at Risk approach and finds the Liquidity Value at Risk (LVaR). The liquidity value at risk (LVaR) is calculated through historical simulation (confidence level 99.9%) of the liquidity spreads and their present value effect on the transactions which would theoretically be necessary in order to immediately close the current maturity transformation position without including new business. This entails including in the risk measurement the Base Case LMS without new business, available refinancing channels (e.g. residues of deposits, covered and uncovered refinancing) to close the LMS gaps and the change in the Bank's own refinancing curves. In doing so, it is assumed that these hypothetical close-out transactions could actually be effected in the market and that full funding would therefore be possible.

In addition, a portfolio trend LMS is prepared for a period extending beyond the current financial year which takes risk aspects such as the Base Case LMS into account. Unlike the Base Case LMS for the current financial year, however, it only takes the existing portfolio into account and does not include any new business.

In principle, the liquidity risk strategy sets out the objective of avoiding risk concentrations insofar as is possible as part of the business model. Any concentration risks on the asset side and liability side are regularly quantified using key indicators (e.g. investor, sector and maturity concentration for depositors, as well as the USD refinancing rate) and inverse stress tests (e.g. on the withdrawal of deposits and USD appreciation), and are monitored continuously. In addition, concentration risks are taken into account in the various liquidity maturity statement scenarios on a conservative basis by way of specially focused cash flow models, as well as by way of risk premiums/haircuts.

In addition, a separate USD LMS is prepared (only USD-denominated asset/liability business as well as off-balance sheet positions) and corresponding limits set. The limits are set by defining the maximum tolerable derivative requirement needed to close the USD gaps of up to 12 months. The limit takes into consideration the aim of not increasing the USD sensitivity of the collateral position, as well as the general ability to convert USD liquidity without using liquidity buffer.

Limits are applied to the intra-day and to the short-term and structural insolvency risk, which reflects the Management Board's risk tolerance. The stress LVaR, on the other hand, is to be considered an additional piece of management information.

#### 7.1.4. POLICIES FOR HEDGING AND MITIGATING THE LIQUIDITY RISK AND STRATEGIES AND PROCESSES FOR MONITORING THE CONTINUING EFFECTIVENESS OF HEDGES AND MITIGANTS

The liquidity risk is generally hedged and mitigated within the context of risk limitation, monitoring and liquidity management.

The risk limits are essentially derived from the risk tolerance levels and the regulatory requirements. A distinction is made between the risk tolerance levels for insolvency risk and for the liquidity maturity transformation risk.

The intra-day insolvency risk, the short-term insolvency risk and liquidity maturity transformation risk are monitored.

The main task of liquidity management lies in the implementation of the liquidity risk strategy and the management of compliance with the internal and external (regulatory) limits. This is done primarily by using the following tools:

- The intra-day liquidity risk is managed on the basis of intra-day liquidity available for payment transactions at Group level. Within this context, a cash management system is applied to the available liquidity, which comprises balances at, and collateral deposited with, central banks, payment transaction systems and nostro accounts at correspondent banks. There are plans to further develop the management system based on the ratios set out in BCBS 248.
- The tools used to ensure short-term solvency (hedge against the short-term insolvency risk) are the liquidity buffer and the measures set out in the liquidity contingency plan.
- The short-term risk of insolvency is managed, among other things, by defining management limits/guidelines. The aim is to comply with the limits with regard to LMS. The main tools used for management purposes are the funding plan and the liquidity transfer pricing system.
- The risk of falling short of the regulatory minimum liquidity in the future is quantified via the monthly forecast of the most severe stress scenario over a time horizon that matches the medium-term planning (36 months). The measure used in this regard is the net liquidity position NLP 2 in the first month (for 2018, the NLP 2 in third month is also used as a measure) in the most severe stress scenario. As part of the bank planning process, the future liquidity surplus is forecasted both for the expected business development and under adverse planning assumptions (downside planning). In addition, this tool is used for recovery planning and the inverse stress tests across risk types, which involves checking future compliance with the regulatory minimum liquidity in various stress scenarios.
- The LVaR, as a measure of risk for the liquidity maturity transformation risk, is an observation parameter for management purposes, albeit one that is not managed actively, but rather implicitly via the

funding plan, the liquidity transfer pricing system and adherence to the short-term limits.

- Compliance with regulatory limits forms a key basis of risk management. Measures must be taken to ensure that the regulatory requirements are met at all times. Management guidelines are defined for this purpose.

Strategies for hedging and mitigating the liquidity risk also include the application of a transfer pricing concept. If a transaction that is relevant from a liquidity perspective is executed, this transaction generates a corresponding liquidity flow in the LMS. As a result, a counter-position is entered into to prevent a breach of liquidity risk limits, which mitigates the corresponding liquidity position. Upon its conclusion, this counter-transaction results either in cost or income for the Bank which is/are also charged on to the originator of the counter-transaction. In the consistent inclusion of the liquidity cash flows associated with liquidity risk measurement in internal liquidity transfer pricing, all costs and income incurred by the Bank as a result of liquidity flows are passed on in full to the originator.

HSH Nordbank's liquidity transfer pricing system is based on the liquidity risk modelling of GRM. The aim is to transfer the LMS values (or loads) to a price transfer system in order to ensure consistent management.

#### 7.1.5. DECLARATION ON THE ADEQUACY OF LIQUIDITY RISK MANAGEMENT ARRANGEMENTS

The following declaration on the adequacy of liquidity resources was submitted by the Management Board to the ECB in connection with the fulfillment of the ILAAP requirements on 23 April 2018 (see item 5 of the LIQA table of EBA/GL/2017/01):

The short-term and long-term liquidity risks derived from the business model of HSH Nordbank are identified, measured, limited and managed as part of the liquidity risk measurement and management processes implemented within the context of the ILAAP. The Management Board believes that adequate liquidity resources are underpinned in particular by the following aspects:

##### **Robust governance to ensure the evaluation and supervision**

- The Management Board uses the risk limits and guidelines set out in the Strategic Risk Framework (SRF) to define the limits which, if exceeded or undercut, indicate that the liquidity resources are no longer adequate.
- The full integration of the Strategic Risk Framework into the relevant bank processes (e.g. objectives of the Overall Bank, strategy and planning process, target agreement process) ensures the effectiveness of liquidity management cycle. The integrated reporting system and the committee structure support the holistic and close management of liquidity resources by the Management Board.

- The intraday, short-term and long-term liquidity risk is measured, monitored and reported on a daily respectively monthly basis. There are appropriate methods and clearly defined processes.
- One focus of the risk measurement and monitoring is the simulation of stress scenarios for the analysis of the adequacy of the cash position also in the case of stress. For the most serious stress case a liquidity buffer is maintained. The amount and composition of the liquidity buffer is regularly reviewed.
- The processes for the management of the liquidity position are aimed at the adequacy of the liquidity resources. For the management of the short-termed and long-termed liquidity position a refinancing strategy is determined, whose implementation is closely monitored by means of the funding plan. In addition a fund transfer price system is used for the management, which allocates the direct and indirect liquidity costs and liquidity benefits.
- To assess the adequacy of the future liquidity resources and to get a forecast of the future liquidity surplus, an expected and an adverse course of business are implemented in the context of the Bank's planning process.

#### **Compliance with the internal liquidity risk limits**

- As at the reporting date (31 December 2017), all of the associated metrics and management indicators were within the corresponding limits.
- Compared to 2016 the liquidity situation improved, particularly by asset sales in the context of various market transactions.
- In the most severe stress scenario, the survival period amounted to more than twelve months. In the first month of this stress scenario, the NLP amounted to EUR 7.5 billion.
- The reduction in loans in 2017 (especially in USD) as part of further portfolio sales on the market and the accompanying closing out of currency swaps improved the liquidity situation and resulted in a significant reduction in USD concentration risks in 2017. Consequently the NLP-USD-sensitivity in the first month of the stress case went down from 117 million (2016) to 34 million EUR/USD-Cent.

#### **Compliance with the regulatory requirements**

- As at 31 December 2017, the actual values for the LCR and LiqV regulatory ratios came to 177% for the LCR and 1.79 for the LiqV, meaning that they were higher than the internal limit (LCR 100%, LiqV 1.20).
- As at 31 December 2017, the Net Stable Funding Ratio (NSFR) amounted to 116 %, which is above the internal level of ambition (85 % to 100 %).

#### **Future compliance with the liquidity risk limits within the framework of planning**

- To ensure a forward-looking assessment of adequacy, the liquidity position as of 31 December 2017 was calculated based on the most current planning. The strategic realignment of the Bank in the context of the privatisation process, implemented in the planning, has a substantial effect of the future development of the liquidity position.
- The metrics forecast for the planning period (e.g. NLP, LCR), which have been predicted within the framework of planning, are all expected to fall within the corresponding risk limits.

#### **7.1.6. STATEMENT DESCRIBING THE OVERALL LIQUIDITY RISK PROFILE ASSOCIATED WITH THE BUSINESS STRATEGY**

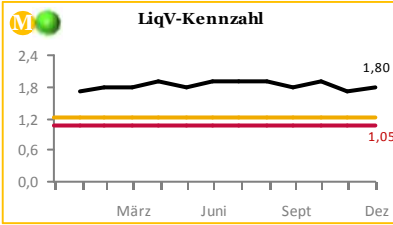
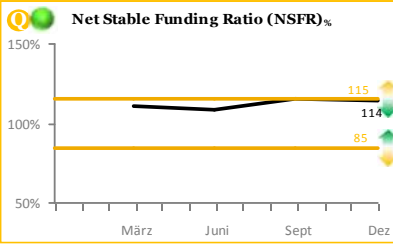
Pursuant to item six of the LIQA table of EBA/GL/2017/01, information is to be provided a concise liquidity risk statement approved by the management body succinctly describing the institution's overall liquidity risk profile associated with the business strategy. For this purpose, HSH Nordbank makes the following statement. The liquidity risk profile of HSH Nordbank includes short-term and long-term risks. The short-term liquidity risk for up to one year essentially refers to the intra-day and the short-term insolvency risk, as well as concentration risks. The long-term liquidity risk of HSH Nordbank mainly refers to the risk resulting from liquidity maturity transformation/the insolvency risk beyond one year.

The Strategic Risk Framework (SRF) describes, on the basis of HSH Nordbank's risk appetite, the risk strategy focus and risk management system, and provides the foundation for the Bank's risk culture. The SRF is approved by the Management Board and the Group Bank Steering Committee. All risk limits and risk guidelines derived from the risk appetite are also incorporated into the SRF. Differences arise with regard to the escalation process in the event that the requirements are breached: While hard escalation to the Management Board with mandatory proposals for countermeasures is required for risk limits, risk guidelines require a note in the HSH Management Report and a mandatory discussion of possible measures in the Group Bank Steering Committee, with information then being provided to the Management Board.

The following risk guidelines and risk limits and their utilisation levels describe the risk profile of HSH Nordbank and are approved by the Management Board as part of the SRF. They are derived from the Management Board's risk tolerance level. The following risk guidelines and risk limits and their utilisation levels describe the risk profile of HSH Nordbank and are approved by the Management Board as part of the SRF. They are derived from the Management Board's risk tolerance level.

[TAB. 30] LIQUIDITY RISK GUIDELINES AND LIMITS AND THEIR UTILISATION LEVELS

Characteristics of the liquidity risk profile	Indicators	Limit (risk limit (RL)/ risk guideline (RG))	Utilisation and development of the risk limits and risk guidelines
Risk of insolvency, stress case	Net liquidity position (NLP2) in stress case (SC) in the 1st month	> EUR 500 million over the 1-month maturity band, i.e. min. (NLP SC) 1-30 days > EUR 500 million (RL)	<p><b>NLP2 im Stress-Case<sub>Mrd. EUR</sub> im 1. Monat</b></p>
Risk of insolvency, stress case forecast	12-month forecast of NLP2 in stress case in the 1st month	> 0 (RLP)	<p><b>1 Jahr-Forecast-NLP2 im Stress-Case im 1. Monat<sub>Mio. EUR</sub></b></p>
Risk of insolvency, intra-day1	Adjusted intra-day account balance	Min. adjusted account balance in the course of the day > EUR - 1,500 million credit line (RL)	new since 2018, January 1st
Risk of insolvency, multi-year LMS1	NLP in the 12th – 60th month of the multi-year portfolio trend LMS	12 month > EUR 1.2 billion decreasing in a linear fashion for each maturity band up to 24 months to EUR 0 billion / 25-60 months = EUR 0 (RG)	new since 2018, January 1st
Risk concentration: USD concentration	USD refinancing ratio	> 60 % (RLP)	<p><b>USD-Refinanzierungsquote% im 1. Monat</b></p>
Risk concentration USD concentration	NLP USD sensitivity in the first month of the SC	< 160 Mio. € (RLP)	<p><b>USD-Sensitivität NLP2 im 1. Monat<sub>Mio. EUR</sub></b></p>
Liquidity maturity transformation risk (LVaR)	Economic capital utilisation: Liquidity risk LVaR	< 500 Mio. € (RLP)	<p><b>Ök. Kapitalverbrauch Liquiditätsrisiko-LVaR<sub>Mio. EUR</sub> im 1. Monat</b></p>

Regulatory (LiqV)	LiqV ratio	> 1,05 (RL)	
Regulatory (NSFR)	Net Stable Funding Ratio (NSFR)	85 % - 115 % (RLP)	
Regulatory (LCR)	Liquidity Coverage Ratio (LCR)	> 85 %	

## 7.2. LIQUIDITY RATIOS WITH EXPLANATORY INFORMATION

This chapter discloses and explains the quantitative information regarding the liquidity risk pursuant to Article 435 (1) CRR in conjunction with sections 13, 18, 26 and the LIQ1 table of EBA/GL/2017/01. The data of Table 31 LIQ1 is related to the sub-group. Since differences are only slight, a separate table with regard to the holding is not disclosed (cf. Section 2.1.1. for specific deviations between the sub-group and holding).

### 7.2.1. CONCENTRATION OF FUNDING AND LIQUIDITY SOURCES

The concentration of funding and liquidity sources is determined using the additional monitoring tools in connection with Article 415 (3) (b) of Regulation (EU) No 575/2013. As a result, the terms used in this sub-section are consistent with the definitions used in this article.

With regard to the concentration of funding by counterparty, there were six counterparties that accounted for more than 1% of total liabilities as at 31 December 2017. Their aggregate share accounted for almost 19% of total liabilities.

With regard to the concentration according to types of products and customer groups, only a small proportion of approximately 1% is

attributable to retail deposits. The vast majority is attributable to wholesale funding, four-fifths of which is unsecured and one-fifth of which is secured.

One-fifth of the counterparties for the unsecured part consist of financial customers and four-fifths of non-financial customers. Approximately 85% of the secured funding is based on the issuance of covered securities and only approximately 15% is based on repurchase agreements on the capital market.

In relation to the total liquidity coverage potential, more than 60% is attributable to the ten largest issuers/counterparties. By far the largest share at almost 40% is attributable to central bank reserves. The other issuers/counterparties in the TOP10 consist mainly of federal states and development banks with shares ranging from under 2% to approx. 5%.

### 7.2.2. DERIVATIVE EXPOSURES AND POTENTIAL COLLATERAL CALLS

Outflows and inflows of derivatives only account a very small proportion of the total cash flows in the LCR (less than 1%). The lion's share of the derivatives is concluded under framework agreements for financial derivative contracts with counterparties with which cash collateral is exchanged on a daily basis. This results in an immediate

outflow or inflow of cash in the event of market value changes, and in exclusion from the cash flows for the next 30 days in the LCR.

Potential collateral calls arise mainly due to the impact of unfavorable market conditions on derivatives and the related obligation to furnish cash collateral and, to a significant degree, due to outflows as a result of a deterioration of creditworthiness.

A historical review over a period of 24 months is performed for the impact of unfavorable market conditions on derivatives. The biggest fluctuation in the value of the collateral furnished and received over a 30-day period produces the value to be taken into account in the LCR. This value regularly accounts for 5-10% of the weighted net outflows. For HSH Nordbank AG, interest rate and currency swaps to hedge loans that have been granted account for the majority of derivatives.

Outflows as a result of a deterioration of the Bank's own creditworthiness usually account for less than 5% of the weighted net outflows in the LCR. These rating triggers arise in connection with selected financing agreements, with a small number relating to framework agreements for financial derivative transactions.

### 7.2.3. CURRENCY MISMATCH IN THE LCR

In accordance with Article 415 (2) of Regulation (EU) No 575/2013, there is only one currency, namely the US dollar, for which a separate liquidity coverage ratio is calculated for HSH Nordbank AG in addition to the main currency, the euro. Whereas the US dollar accounted for 6% of total liabilities as at 31 December 2017, this value came to less than 2% for all other currencies taken together.

The securities in the liquidity buffer portfolio are denominated exclusively in euros. Any currency mismatches between the outflows and inflows as well as the liquid assets are hedged with the help of currency swaps.

### 7.2.4. A DESCRIPTION OF THE DEGREE OF CENTRALISATION OF LIQUIDITY MANAGEMENT AND INTERACTION BETWEEN THE GROUP'S UNITS

The descriptions of the degree of centralisation of liquidity management are mainly included in the Internal Liquidity Adequacy Assessment (ILAAP) Framework. The ILAAP framework is prepared as part of the Supervisory Review and Evaluation Process (SREP) for the HSH Nordbank Group (HSH Nordbank AG, including the foreign branches, as well as for the group subsidiary, HSH Nordbank Securities S.A.). The inclusion of the relevant subsidiaries in liquidity risk measurement and management is reviewed as part of the group risk management process. Individual criteria are established for each risk type - default risk, market risk, operational risk and reputation risk -

on the basis of which it can be determined whether a business entity in the population makes a risk contribution to a risk type.

Special-purpose entities are also included in liquidity risk measurement and management. This means that the ILAAP scope of application is largely identical to the regulatory scope. The economic consolidation group for the two types of liquidity risk is defined as and when required, i.e. in the event of more pronounced changes in the HSH group structure that are relevant to liquidity risk/changes in business strategy with a clear impact on the liquidity position of the subsidiaries. If subsidiaries/equity holdings in non-affiliated companies are not consolidated (i.e. no look-through approach), they are still included in the LMS via the cash flows of the equity holdings in non-affiliated companies. The assessment of materiality is based on quantitative and qualitative criteria.

The definition of the liquidity risk, as well as the definition of responsibility for measuring, monitoring and reporting the liquidity risk, is managed centrally at head office in order to ensure a consistent approach across the Group.

The Group's liquidity maturity statement is prepared daily at head office and includes, among other things, the risk data for the Luxembourg and Singapore branches, as well as the subsidiary, HSH Nordbank Securities S.A. In addition to the inclusion of the subsidiaries in the Group's liquidity maturity statement, the liquidity position of the branches is also measured, and limits set, separately within the branches. They use the data and methods made available by head office for risk measurement purposes. The setting of management limits is the responsibility of BU Treasury & Markets at head office. On the basis of this data and these limits, the branches prepare a liquidity report and perform limit monitoring activities.

The internal liquidity transfer pricing system is applied consistently within the Group. The individual business units at head office stipulate the methods to be used for the subsidiaries and branches and are responsible for ensuring that regional and local requirements are implemented correctly. This Global Head principle ensures the appropriate and correct implementation of the system at head office and at the Singapore office.

### 7.2.5. OTHER ITEMS IN THE LCR CALCULATION THAT ARE NOT CAPTURED IN THE LCR DISCLOSURE TEMPLATE BUT THAT THE INSTITUTION CONSIDERS RELEVANT FOR ITS LIQUIDITY PROFILE

The main drivers that are relevant to the LCR calculation at HSH Nordbank AG are included in the LCR disclosure template.

**[TAB. 31] LIQ1: LCR DISCLOSURE TEMPLATE AND THE TEMPLATE ON A QUALITATIVE INFORMATION ON LCR**

Scope of consolidation	Total unweighted value				Total weighted value			
Currency and units: € M								
Quarter ending on:	31.03.2017	30.06.2017	30.09.2017	31.12.2017	31.03.2017	30.06.2017	30.09.2017	31.12.2017
Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
<b>HIGH-QUALITY LIQUID ASSETS</b>								
1 Total high-quality liquid assets (HQLA)					16,135	16,416	16,246	16,072
<b>CASH-OUTFLOWS</b>								
2 Retail deposits and deposits from small business customers, of which:								
3 Stable Deposits	1,844	1,892	1,909	1,730	294	299	299	269
4 Less stable Deposits	216	220	225	213	11	11	11	11
5 Unsecured Wholesale Funding	1,628	1,672	1,685	1,517	283	288	288	259
6 Operational deposits (all counterparties) and deposits in networks of cooperative banks	19,715	18,580	17,760	17,225	8,197	7,585	6,994	6,868
7 Non-operational deposits (all counterparties)	2,307	2,195	2,034	1,886	844	875	828	752
8 Unsecured debt	17,136	16,150	15,443	15,035	7,082	6,475	5,884	5,813
9 Secured Wholesale Funding	271	235	282	304	271	235	282	304
10 Additional requirements					84	82	97	98
11 Outflows related to derivative exposures and other collateral requirements	7,940	7,957	7,999	7,910	2,610	2,439	2,337	2,226
12 Outflows related to loss of funding on debt products	1,767	1,620	1,528	1,414	1,767	1,620	1,528	1,414
13 Credit and liquidity facilities	145	130	143	134	145	130	143	134
14 Other contractual funding obligations	6,029	6,207	6,328	6,362	698	689	666	678
15 Other contingent funding obligations	378	202	101	101	329	154	54	55
16 TOTAL CASH OUTFLOWS	6,307	6,169	6,020	5,821	0	0	0	0
<b>CASH-INFLOWS</b>					11,513	10,558	9,781	9,516
17 Secured lending (eg reverse repos)	42	63	54	108	42	63	54	108
18 Inflows from fully performing exposures	1,314	1,383	1,528	1,488	779	748	797	745
19 Other cash inflows	1,859	1,736	1,398	861	1,859	1,735	1,397	861
EU-19a (Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies.)					0	0	0	0
EU-19b (Excess inflows from a related specialised credit institution)					0	0	0	0
20 TOTAL CASH INFLOWS	3,215	3,181	2,979	2,457	2,680	2,545	2,248	1,713
EU-20a Fully Exempt Inflows	0	0	0	0	0	0	0	0
EU-20b Inflows subject to 90% Cap	0	0	0	0	0	0	0	0
EU-20c Inflows subject to 75% Cap	3,215	3,181	2,979	2,457	2,680	2,545	2,248	1,713
					TOTAL ADJUSTED VALUE			
21 LIQUIDITY BUFFER					16,135	16,416	16,246	16,072
22 TOTAL NET CASH OUTFLOWS					8,834	8,012	7,533	7,803
23 LIQUIDITY COVERAGE RATIO (%)					189%	208%	217%	207%



## 8. DEFAULT RISK

The tables in this section do not include counterparty credit risk and securitisations since they are separately disclosed (see Section 9 and 10). Exceptions are explicitly described. In this section “Other non credit-obligation assets” are listed excluding the values for deferred taxes.

As HSH Nordbank complies with the ceiling for the permanent use of the Internal Rating Based Approach, the CRSA-exposures are disclosed and combined to one exposure class as the CRSA-portfolio does not have an essential significance. Only Table CR4 and CR5 show a detailed overview of CRSA risk exposure classes according to EBA/GL/2016/11.

### Difference between sub-group and holding

All details concerning default risk are related to the sub-group. Relevant data with regard to the holding is similar to the sub-group and does only differ in the following positions:

A main difference in comparison to the sub-group is defined by lower RWA for credit exposures due to lower deferred taxes for RWA (see Section 3.2.2.). Furthermore, there are differences due to risk exposures of the holding revealing from a separate account held by Deutsche Bank, a bonded loan and the current business account. The three risk exposures mentioned above amount approx. to € 204 million, the RWA amounts approx. to € 0 million.

Due to slight differences there is no need for a separate default risk disclosure for the holding.

### Definition of Default Risk

HSH Nordbank breaks down its default risk into credit, settlement, country and equity holding risk.

In addition to classical credit risk, credit risk also includes counterparty (see Section 9) and issuer risk. Classical credit risk is the risk of

complete or partial loss in the lending business as a result of deterioration in the counterparty’s credit standing. Issuer risk denotes the risk that a loss is incurred on a financial transaction as a result of the default or deterioration in the creditworthiness of the issuer.

Settlement risk consists of clearing risk and advance performance risk. Clearing risk arises in the case of possible loss of value if delivery or acceptance claims pertaining to a transaction that is already due have not been met by both parties. Advance performance risk arises where HSH Nordbank has performed its contractual obligations but consideration from the contracting party is still outstanding.

HSH Nordbank understands country risk as the risk that agreed payments are not made or only made in part or delayed due to government-imposed restrictions on cross-border payments (transfer risk). The risk is not related to the debtor’s credit rating.

The equity holding risk is the danger of financial loss due to the impairment of equity holdings.

All elements of default risk are taken into account within the context of equity capital management. For risk concentrations and equity holding risks additional management measures are in place.

### Risk management objectives and policies

The risk management objectives and policies for default risk pursuant to Article 435 (1) CRR are described on the basis of Article 434 (2) CRR within the statements provided in the Group Management Report (Risk Report) in HSH Nordbank’s Annual Report according to the references of Table 32 CRA.

**[TAB. 32] CRA: GENERAL AND QUALITATIVE INFORMATION ABOUT CREDIT RISK**

Regulatory requirements of table CRA (EBA/GL/2016/11)	Reference CRR	Refer to HSH Nordbank Annual Report
a) Coherence between business model and credit risk profile	Article 435 paragraph 1 note (f)	Group Management Report (basis of the group) Page 6 ff. Group Management Report (Risk Report) Page 61 - 62
b) Criteria and concepts determining the policy of credit risk management and defining limits for credit risks	Article 435 paragraph 1 note (a) and (d)	Group Management Report (Risk Report) Page 62 - 64
c) Structure and organisation of credit risk management and monitoring function	Article 435 paragraph 1 note (b)	Group Management Report (Risk Report) Page 62 - 64 and 67 - 68
d) Relation between the credit risk management, risk control function, compliance and the internal audit	Article 435 paragraph 1 note (b)	Group Management Report (Risk Report) Page 62 - 65

## 8.1. CREDIT RISK ADJUSTMENTS

Total amounts and credit risk adjustments are broken down into exposure classes, geographic areas and economic sectors and disclosed in Table CR1-A to CR1-D in accordance with Article 442 (c), (g) and (h) CRR in conjunction with note 84 to 89 (EBA/GL2016/11).

The disclosure is based on the geographical and sectoral breakdown of the Group Management Report. Further extraneous details are not disclosed and left out. In addition, past due exposure is shown after overdue maturity bands.

**[TAB. 33] CR1-A: CREDIT QUALITY OF EXPOSURES BY EXPOSURE CLASS AND INSTRUMENT**

Exposure class	a		b	c	d	e	f	g
	Gross carrying values		Specific risk adjustments	General risk adjustments	Accumulated write-offs	Credit risk adjustment charges of the period	Net values	
	Defaulted exposures	Non-defaulted exposures						(a+b-c-d)
1 Central governments or central banks	0	18,699	0	-	-	0	18,700	
2 Institutions	-	5,646	2	-	-	- 2	5,644	
3 Corporates	1,586	29,013	790	-	103	54	29,810	
4 Of which: Specialised lending	1,033	18,263	452	-	100	15	18,843	
5 Of which: SMEs	152	630	95	-	2	11	688	
6 Retail	-	-	-	-	-	-	-	
14 Equities	12	46	7	-	7	0	52	
Other non credit-obligation assets	7	455	-	-	-	-	461	
<b>15 Total IRBA</b>	<b>1,606</b>	<b>53,859</b>	<b>799</b>	<b>-</b>	<b>110</b>	<b>53</b>	<b>54,667</b>	
<b>35 Total CRSA</b>	<b>128</b>	<b>810</b>	<b>99</b>	<b>-</b>	<b>38</b>	<b>- 6</b>	<b>838</b>	
<b>36 Total</b>	<b>1,734</b>	<b>54,669</b>	<b>898</b>	<b>-</b>	<b>148</b>	<b>46</b>	<b>55,505</b>	
37 Of which: Loans	1,581	29,254	841	-	79	80	29,994	
38 Of which: debt securities	36	13,283	7	-	62	0	13,312	
39 Of which: Off-balance-sheet exposures	104	11,684	50	-	0	- 34	11,738	

**[TAB. 34] CR1-B: CREDIT QUALITY OF EXPOSURES BY INDUSTRY OR COUNTERPARTY TYPES**

	a		b	c	d	e	f	g
	Gross carrying values		Specific risk adjustments	General risk adjustments	Accumulated write-offs	Credit risk adjustment charges of the period	Net values	
	Defaulted exposures	Non-defaulted exposures						(a+b-c-d)
<b>Main Branch</b>								
1	Credit institutions	-	7,722	3	-	0	-3	7,720
2	Other financial institutions	7	761	6	-	0	0	762
3	Public sector	0	17,265	2	-	-	-1	17,264
4	Private Households	36	169	31	-	0	-8	173
5	Properties and flats	287	8,940	134	-	-	32	9,094
6	Shipping	869	2,549	368	-	133	56	3,050
7	Industry	199	8,078	120	-	8	-33	8,157
8	Trade and transport	133	3,533	109	-	-	-1	3,557
9	Other services	204	5,230	124	-	6	5	5,310
10	Other	0	421	2	-	1	0	419
<b>11</b>	<b>Total</b>	<b>1,734</b>	<b>54,669</b>	<b>898</b>	<b>-</b>	<b>148</b>	<b>46</b>	<b>55,505</b>

**[TAB. 35] CR1-C: CREDIT QUALITY OF EXPOSURES BY GEOGRAPHY IN € M**

	a		b	c	d	e	f	g
	Gross carrying values		Specific risk adjustments	General risk adjustments	Accumulated write-offs	Credit risk adjustment charges of the period	Net values	
	Defaulted exposures	Non-defaulted exposures						(a+b-c-d)
<b>Main region</b>								
1	Germany	617	40,245	430	-	31	-70	40,432
2	Western Europe (without Germany)	711	11,464	304	-	22	64	11,871
3	Central and Eastern Europe	37	401	5	-	-	-12	434
4	North America	48	225	2	-	3	-2	271
5	Latin America	16	93	14	-	19	13	95
6	Asia Pacific Region	182	1,216	79	-	72	28	1,319
7	Middle East	46	1	30	-	-	-10	16
8	African countries	77	215	35	-	0	34	258
9	International organisations	-	731	-	-	-	-	731
10	Other	-	79	-	-	-	-	79
<b>11</b>	<b>Total</b>	<b>1,734</b>	<b>54,669</b>	<b>898</b>	<b>-</b>	<b>148</b>	<b>46</b>	<b>55,505</b>

**[TAB. 36] CR1-D: AGEING OF PAST-DUE EXPOSURES IN € M**

	a	b	c	d	e	f	
	Gross carrying values						
	≤ 30 days	> 30 days ≤ 60 days	> 60 days ≤ 90 days	> 90 day ≤ 180 days	> 180 day ≤ 1 year	> 1 year	
1	Loans	207	40	6	52	24	216
2	Debt securities	-	-	-	-	-	-
<b>3</b>	<b>Total</b>	<b>207</b>	<b>40</b>	<b>6</b>	<b>52</b>	<b>24</b>	<b>216</b>

Table CR1-E shows non-performing and forborne exposures in accordance with Article 442 (g) and (i) CRR in conjunction with note 90 (EBA/GL/2016/11). Thereby, HSH Nordbank follows the example of the FINREP forms F18.00 and F19.00 of EBA/GL/2016/11. Due to

the different description for securitisation positions and different considerations of credit risk adjustment the data cannot be compared with Table CR1-A to CR1-D as they are based on the regulatory reporting (COREP).

**[TAB. 37] CR1-E: NON-PERFORMING AND FORBORNE EXPOSURES IN € M**

	a	b	c	d	e	f	g	h	i	j	k	l	m
	Gross carrying amount of performing and non-performing amounts							Accumulated impairment and provisions and negative fair value adjustments due to credit risk				Collaterals and financial guarantees received	
		Of which performing but past due > 30 days and ≤ 90 days	Of which performing forborne	Of which non-performing				On performing exposures	On non-performing exposures	On non-performing exposures	Of which forborne	On non-performing exposures	Of which forborne exposures
				Of which defaulted	Of which impaired	Of which forborne		Of which forborne		Of which forborne			
Debt securities	13,931	-	-	23	23	4	-	- 4	-	- 18	-	-	-
Loans and advances	49,744	426	1,706	7,425	7,425	7,073	4,176	- 103	- 38	- 4,492	- 3,960	2,020	2,307
Off-balance-sheet exposures	11,903	-	89	241	241	-	77	8	-	59	-	30	13

Table CR2-A provides information concerning the changes in the stock of general and specific credit risk adjustments and debt securitizations according to Article 442 note (i) CRR in conjunction with note 91 of EBA/GL/2016/11. Except for exchange rate effects HSH Nordbank uses the filling on the bases of the FINREP form F12.00. Due to the different description for securitisation positions and different considerations of credit risk adjustment the data cannot be compared with Table CR1-A to CR1-D as they are based on the regulatory reporting (COREP). The amount of credit risk adjustments which is directly recognised in the income statement according to Article 442 last part CRR is shown on page 22 in the Financial Report (Economic Report) of the HSH Nordbank Group Management Report.

**[TAB. 38] CR2-A: CHANGES IN THE STOCK OF GENERAL AND SPECIFIC CREDIT RISK ADJUSTMENTS IN € M**

	a	b
	Accumulated specific credit risk adjustments	Accumulated general credit risk adjustments
<b>1 Opening balance 30.06.2017</b>	<b>6,270</b>	
2 Increases due to amounts set aside for estimated loan losses during the period	+ 1,661	
3 Decreases due to amounts reversed for estimated loan losses during the period	- 556	
4 Decreases due to amounts taken against accumulated credit risk adjustments	- 2,631	
5 Transfers between credit risk adjustments	-	
6 Impact of exchange rate differences	- 194	
7 Business combinations, including acquisitions and disposals of subsidiaries	+ 55	
8 Other adjustments	- 34	
<b>9 Closing balance 31.12.2017</b>	<b>4,572</b>	
10 Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	-78	
11 Specific credit risk adjustments directly recorded to the statement of profit or loss	27	

In addition to Table CR2-A, further information concerning a reconciliation of exposures in default is provided in Table CR2-B according to Article 442 (i) CRR in conjunction with note 92 of EBA/GL/2016/11. All default exposures and debt securities are listed in the table regardless of whether there is an objective evidence of impairment or not. Further adjustments result from exchange rate effects and changes in stock due to restructuring measures.

**[TAB. 39] CR2-B: CHANGES IN THE STOCK OF DEFAULTED AND IMPAIRED LOANS AND DEBT SECURITIES IN € M**

	a
	Gross carrying value defaulted exposures
<b>1 Opening balance 30.06.2017</b>	<b>1,579</b>
2 Loans and debt securities that have defaulted or impaired since the last reporting period	+ 411
3 Returned to non-defaulted status	- 0
4 Amount written off	- 79
5 Other changes	- 293
<b>6 Closing balance 31.12.2017</b>	<b>1,617</b>

### 8.1.1. DEFINITION OF "PAST DUE" AND "IMPAIRED" FOR THE PURPOSE OF ACCOUNTING

The disclosure is made in accordance with Article 442 (a) CCR with regard to note 76 and table CRB-A in EBA/GL/2016/11. For accounting purposes an impairment test is to be performed for financial instruments held in the Loans and Receivables category in accordance with IAS 39, as soon as there is objective evidence of impairment.

The value adjustment required, which is recognised as an individual valuation allowance, is calculated as the difference between the present value of the cash flows still expected to be received from the loan, discounted using the original effective interest rate of the loan, and the current carrying amount. Provisions are also recognised for imminent draw downs under irrevocable commitments made to customers in default. The loans are then divided into the following categories depending on the creditworthiness of the borrower:

**[TAB. 40] CATEGORISED IMPAIRED OR PAST RECEIVABLES**

No individual valuation allowances or reserves created	Loans without identifiable default risks. As at the reporting date these loans do not show any risk; no individual valuation allowances or reserves are created for these credits, only portfolio valuation allowances.	
	A loan is past due when the counterparty has not made a contractually agreed-upon payment. For this purpose, even a single day past due is taken into account.	past due
Creation of individual valuation allowances, reserves or direct write-offs	Impaired On the basis of objective criteria, for these loans (partial) default is expected; hence the creation of an adequate individual valuation allowances or provision is required. No (additional) portfolio valuation allowances are created for these loans.	impaired
	Non-recoverable loans Such receivables can no longer be collected. No recoverable collateral available. These loans need to be written-off.	

Thereby, HSH Nordbank does not use any own definition with regard to restructuring of a risk exposure which differs from Annex V of the Commission Implementing Regulation (EU) No. 680/2014.

The scope of exposures that are overdue by more than 90 days and which are not impaired is as at reporting date € 70 million. Thereby,

compared to other tables in this paragraph exposures securitised by Sunrise are not listed. A general overview is shown in the HSH Nordbank Group Management Report (Note 57 Credit Risk Analysis of Financial Assets). There is no need for value adjustments as there are adequate securitisations and anticipated cash flows that fulfill the repayment (despite the delay).

**8.1.2. DESCRIPTION OF THE APPROACHES AND METHODS ADOPTED FOR DETERMINING SPECIFIC AND GENERAL CREDIT RISK ADJUSTMENTS**

HSH Nordbank pays the utmost attention to default risk in the risk management process. Impairment losses incurred on a loan commitment are covered by the recognition of individual valuation allowances for loans and advances and provisions for contingent liabilities in the amount of the potential default in accordance with uniform Group-wide standards. HSH Nordbank also recognises portfolio valuation allowances for latent default risks, which have already materialised but have not yet been identified by the Bank.

The approaches and methods adopted for determining specific and general credit risk adjustments in accordance with Article 442 point (b) CRR in conjunction with note 76 and Table CRB-A of EBA/GL/2016/11 are set out in the information provided in the Group Management Report and Group Financial Statements (Group explanatory notes, Note 7 "Accounting Policies") in HSH Nordbank's Annual Report.

On the basis of Article 442 point (c) CRR in conjunction with note 77 (EBA/GL/2016/11) the exposures are shown in Table CRB-B as well as the average exposures which are calculated taking the averages of all four quarters of the fiscal year.

**[TAB. 41] CRB-B: TOTAL AND AVERAGE NET AMOUNT OF EXPOSURES IN € M**

Exposure class	a	b
	Net values	Average net exposure over the period
1 Central government or central banks	18,700	19,130
2 Institutions	5,644	5,792
3 Corporates	29,810	30,410
4 Of which: Specialised lending	18,843	18,903
5 Of which: SMEs	688	845
6 Retail	-	-
14 Equities	52	104
Other non credit-obligation assets	461	442
<b>15 Total IRBA</b>	<b>54,667</b>	<b>55,878</b>
<b>35 Total CRSA</b>	<b>838</b>	<b>901</b>
<b>36 Total</b>	<b>55,505</b>	<b>56,779</b>

Table CRB-C discloses geographical breakdown exposures in accordance with Article 442 (d) CRR in conjunction with note 78 (EBA/GL/2016/11). The disclosure is based on the geographical and sectoral breakdown of the Annual Report. Further extraneous details are not disclosed and left out.

**[TAB. 42] CRB-C: GEOGRAPHICAL BREAKDOWN OF EXPOSURES IN € M**

Exposure class	Net value										Total
	Germany	Western Europe (without Germany)	Central and Eastern Europe	North America	Latin America	Asia Pacific Region	Middle East	African countries	International organisations	Other	
Central governments or central banks	17,376	696	-	37	-	69	-	-	521	-	18,700
Institutions	2,970	2,616	6	2	-	49	0	1	-	-	5,644
Corporates	19,371	8,337	428	173	43	1,185	15	257	-	-	29,810
Of which: Specialised lending	11,760	6,109	198	14	10	548	1	203	-	-	18,843
Of which: SMEs	494	37	10	31	-	67	-	49	-	-	688
Retail	-	-	-	-	-	-	-	-	-	-	-
Equities	15	16	-	0	8	12	0	-	-	-	52
Other non credit-obligation assets	331	-	-	51	-	-	-	-	-	79	461
<b>Total IRBA</b>	<b>40,064</b>	<b>11,665</b>	<b>434</b>	<b>264</b>	<b>51</b>	<b>1,316</b>	<b>15</b>	<b>258</b>	<b>521</b>	<b>79</b>	<b>54,667</b>
<b>Total CRSA</b>	<b>367</b>	<b>206</b>	<b>0</b>	<b>7</b>	<b>44</b>	<b>3</b>	<b>2</b>	<b>0</b>	<b>210</b>	<b>-</b>	<b>838</b>
<b>Total</b>	<b>40,432</b>	<b>11,871</b>	<b>434</b>	<b>271</b>	<b>95</b>	<b>1,319</b>	<b>16</b>	<b>258</b>	<b>731</b>	<b>79</b>	<b>55,505</b>

Table CRB-D discloses exposures with regard to the exposure classes in accordance with Article 442 point (e) CRR in conjunction with note 79 to 81 (EBA/GL/2016/11). The disclosure is based on the

sectoral breakdown of the Annual Report. Further extraneous details are not disclosed and left out.

**[TAB. 43] CRB-D: CONCENTRATION OF EXPOSURES BY INDUSTRY OR COUNTERPARTY TYPES IN € M**

Exposure class	Net value										Total
	Credit institutions	Other financial institutions	Public sector	Private households	Properties and flats	Shipping	Industry	Trade and transport	Other services	Other	
Central governments or central banks	2,122	-	16,577	-	-	-	-	-	-	-	18,700
Institutions	5,420	73	11	-	25	-	31	84	-	-	5,644
Corporates	81	468	360	151	9,012	3,029	8,027	3,457	5,038	187	29,810
Of which: Specialised lending	-	132	71	101	8,849	2,101	5,892	687	824	187	18,843
Of which: SMEs	-	45	14	11	52	147	125	167	127	-	688
Retail	-	-	-	-	-	-	-	-	-	-	-
Equities	-	17	-	0	11	12	0	-	12	1	52
Other non credit-obligation assets	1	42	-	10	0	-	10	7	159	232	461
<b>Total IRBA</b>	<b>7,625</b>	<b>600</b>	<b>16,948</b>	<b>161</b>	<b>9,048</b>	<b>3,042</b>	<b>8,068</b>	<b>3,548</b>	<b>5,208</b>	<b>419</b>	<b>54,667</b>
<b>Total CRSA</b>	<b>95</b>	<b>161</b>	<b>316</b>	<b>12</b>	<b>45</b>	<b>8</b>	<b>90</b>	<b>9</b>	<b>101</b>	<b>0</b>	<b>838</b>
<b>Total</b>	<b>7,720</b>	<b>762</b>	<b>17,264</b>	<b>173</b>	<b>9,094</b>	<b>3,050</b>	<b>8,157</b>	<b>3,557</b>	<b>5,310</b>	<b>419</b>	<b>55,505</b>

Table CRB-E discloses the maturity of exposures in accordance with Article 442 point (f) CRR in conjunction with note 82 and 83 (EBA/GL/2016/11).

**[TAB. 44] CRB-E: MATURITY OF EXPOSURES IN € M**

Exposure class	a	b	c	d	e	f
	Net value					Total
	On demand	≤ 1 year	> 1 year ≤ 5 years	> 5 years	No stated maturity	
Central governments or central banks	6,658	2,687	5,310	4,045	-	18,700
Institutions	180	709	2,561	2,195	-	5,644
Corporates	1,143	3,596	12,433	12,638	-	29,810
Of which: Specialised lending	323	2,132	8,180	8,208	-	18,843
Of which: SMEs	49	137	233	268	-	688
Retail	-	-	-	-	-	-
Equities	-	-	-	-	52	52
Other non credit-obligation assets	4	-	7	-	450	461
<b>Total IRBA</b>	<b>7,985</b>	<b>6,991</b>	<b>20,310</b>	<b>18,878</b>	<b>502</b>	<b>54,667</b>
<b>Total CRSA</b>	<b>36</b>	<b>297</b>	<b>153</b>	<b>352</b>	<b>-</b>	<b>838</b>
<b>Total</b>	<b>8,022</b>	<b>7,288</b>	<b>20,463</b>	<b>19,230</b>	<b>502</b>	<b>55,505</b>



## 8.2. USE OF CREDIT RISK MITIGATION TECHNIQUES

The disclosure of qualitative information concerning credit risk mitigation is based on Article 453 point (a) to (e) CRR in conjunction with note 93 and Table CRC (EBA/GL/2016/11) as well as on Article 452 point (b) (iii) CRR.

### 8.2.1. POLICIES AND PROCESSES AS WELL AS THE EXTENT OF ON- AND OFF-BALANCE SHEET NETTING

Banks are able to utilise netting agreements when determining their required equity capital which lead to a reduction in the evaluation basis and hence the equity capital required. Policies, processes for and the extent of on- and off-balance sheet netting are to be disclosed in accordance with Article 453 point (a) CRR.

In contrast to balance sheet netting which is not used by HSH Nordbank, off-balance sheet netting within the framework of netting agreements for derivatives is applied (see Section 9.1.2). The market assessment method is used to determine the required net assessment basis. As at the reporting date HSH Nordbank recorded a counterparty risk exposure to the amount of approximately € 2,540 million (see Table 67 CCR4).

### 8.2.2. PROCESS FOR MANAGING AND RECOGNISING CREDIT RISK MITIGATION

The Collateral Guideline incl. Valuation Guideline as well as the LGD method issued by the Management Board defines the collateral approved by HSH Nordbank as recoverable and hence minimising default risk as well as the qualitative requirements for such collateral. Hence, it also defines the benchmarks for managing credit risk mitigation at HSH Nordbank. Disclosure is made in accordance with Article 452 point (b) (iii) CRR. The guidelines are supplemented by detailed instructions in the process regulations for the lending business in order to ensure comprehensive collateral management. The CRR requirements are an integral part of the Collateral Guideline.

Qualitative requirements for collaterals are, first and foremost, legal enforceability (especially for foreign collateral), an adequate consideration of a correlation between the creditworthiness of the borrower and the value of the collateral, matching maturities of loan and collateral agreement and the existence of an objective market value.

For these collaterals, the Bank has identified collateral-specific recovery rates based on historical recovery cases, which are used with recognised collateral in calculating the LGD (see Section 8.5.1.). The collateral guidelines establish what assets (e.g. real estate, moveable assets, receivables) and which collateral instruments (e.g. mortgage, land charge, assignment) are recognised. In addition, the responsible back office processing and control department must ensure on a case by case basis that the individual collateral and associated collateral agreement meet requirements in terms of enforceability and recovera-

bility. In the risk-relevant lending business, the recoverability of the individual collateral is reviewed for plausibility as part of the loan decision process.

The decision whether a new asset or new collateral instrument can be recognised as minimizing risk is taken by a team of specialists from the divisions Credit Risk Management, Group Risk Management and Legal department.

### 8.2.3. POLICIES AND PROCESSES FOR COLLATERAL VALUATION AND MANAGEMENT

Valuation and administration of collateral is integrated into the process of managing and recognizing credit risk reduction techniques in accordance with Article 453 point (b) CRR. As the CRR is the basis for the collateral guidelines, collateral is only treated as reducing risk for the purpose of calculating capital requirements if all CRR requirements are satisfied.

For each item of collateral to be offset against risk, an objective market value is determined. This is done on the basis of HSH Nordbank's Valuation Guideline through experts or entities that are independent of the Market departments of the Bank. The recoverability of an item of collateral is ensured by recognizing it as reducing risk only up to the specific recovery rate for that collateral. The legal validity and enforceability of the collateral is ensured in the loan and collateral agreements. There is a standard instruction on regular monitoring and revaluation of collateral. Besides the annual review of collateral, there is a reevaluation of the market value of the individual items of collateral every three years. The results of the annual monitoring can lead to a direct revaluation of the individual collateral in individual cases or for a segment. For individual collateral objects, there is an annual monitoring and reevaluation of the value (e.g. ships). Recognised collateral is documented and maintained in a central collateral system. This enables regular reporting to monitor and evaluate collateral. The recoverability of and options for realising an item of collateral are regularly reviewed as part of the regular credit monitoring process, and more frequently in the event of wide fluctuations in market value.

In the event of permanent impairment of collateral rights, e.g. impairment in value or a change in the legal position, additional collateral is sought and/or a monitoring file may be opened in accordance with the guidelines for exposure monitoring in order to initiate the necessary measures. In the event of a borrower's default, all collateral and possibly further collateral of a group of connected clients involved are revalued. All relevant information on an item of collateral is documented and updated in the IT system. Only collateral which is recognised as compliant with the guidelines and accordingly maintained is used in the steering systems of HSH Nordbank.

Back office specialists are available for prompt and competent realization of security in the event of a borrower's default. Experience with

realizing security is incorporated into optimising collateral management.

#### 8.2.4. MAIN TYPES OF COLLATERAL AS WELL AS INFORMATION ABOUT MARKET OR CREDIT RISK CONCENTRATIONS WITHIN THE CREDIT MITIGATION TAKEN

In principle, HSH Nordbank takes into account all collateral listed in the CRR (financial collateral, guarantees, physical collateral, other IRBA collateral) and netting agreements. Due to the portfolio and customer structure, HSH Nordbank essentially assumes the following types of collateral within the meaning of Article 453 point (c) CRR:

- Real estate and movable assets, e.g. ships, aircraft, railway wagons
- Receivables and rights
- Guarantees.

In addition, securities, shareholder rights, gold and some credit derivatives serve as collateral.

In the above-mentioned collateral types there are concentrations within the context of credit risk mitigation as described below in accordance with Article 453 point (e) CRR as well as instruments for managing these risks.

The proportion of real estate and ships to total collateral amounts just over two thirds. About a third accounts for the remaining collateral types. Commercial properties in turn account for about four fifths of the real estate collateral. Ship collateral is dominated by container ships and bulker which each account for one third. Other collateral is composed primarily of cash collateral and guarantees.

Management of cluster risks from eligible collaterals is done for portfolios at the level of the Bank as a whole, e.g. by reporting and monitoring these risks in the MaRisk report to the Risk Committee. In addition, it is integrated into strategic planning and limiting by adding a further limit on the collateral typically associated with the business areas involved to the planning and limiting for typical business area related collateral (specifically tangible assets e.g. ships).

Collateral can only be taken into account in calculating LGD if its risk-reducing effect has not been taken into account in establishing a rating (PD). This means, for example, that a guarantee or assigned receivable which has already been taken into account in a rating tool or through the rating of the guarantor as the bearer of economic risk or third party debtor cannot in addition be netted against risk as collateral.

#### 8.2.5. GUARANTORS AND CREDIT DERIVATIVE COUNTERPARTY AND THEIR CREDITWORTHINESS

For a guarantee (or credit derivative) to be recognised as reducing risk there must be a current internal rating for the guarantor comparable with at least a Fitch or S & P BB- or Moody's Ba3.

Within HSH Nordbank, the main types of guarantors within the meaning of Article 453 point (d) CRR are guarantees by central governments, German local and regional administrative authorities, banks and parent companies with first class ratings. The main counterparties for credit derivatives are internationally active banks.

#### 8.2.6. COLLATERALISED EXPOSURE VALUES

The two following tables in accordance with Article 453 point (f) and (g) CRR show the credit risk reduction techniques for the Standard Approach for credit risk and Advanced IRBA, broken down by exposure class.

In the case of the Standard Approach for credit risk, both financial and tangible security and guarantees are taken into account. Under advanced IRBA financial, tangible and other collateral is included in LGD calculation. Guarantees and credit derivatives can be taken into account either in LGD calculation or through PD substitution. Here, the secured part of the receivables is given the guarantors' PD. Life insurance is accounted for in accordance with Article 232 CRR. However, collateral taken into account in calculating the PD is not shown here.

An overview with regard to the scope of credit risk mitigation for total loans and debt securities according to note 94 (EBA/GL/2016/11) is given in Table CR3. Thereby, unsecured and collateralised exposures are disclosed.

**[TAB. 45] CR3: CRM TECHNIQUES – OVERVIEW IN € M**

	a	b	c	d	e
	Exposures unsecured - Carrying amount	Exposures to be secured	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
1 Total loans	17,687	12,307	9,513	619	-
2 Total debt securities	13,230	82	22	47	-
<b>3 Total exposures</b>	<b>30,917</b>	<b>12,389</b>	<b>9,536</b>	<b>666</b>	<b>-</b>
4 Of which defaulted	201	659	610	41	-

In addition to Table CR3, the following table shows the credit risk reduction techniques that are broken down by exposure class in accordance with Article 453 point (f) and (g) CRR and respectively with regard to the equity exposure approach under Article 155. Within this table limitation that occur under EBA/GL/2016/11 in Table

CR3 are not applicable for Table 453G so that off-balance sheet exposures as well as counterparty credit risk exposures are disclosed. Securitisations remain omitted. This table shows collateralised credit exposures, whereas Table CR3 discloses carrying amounts.

**[TAB. 46] 453G: TOTAL AMOUNT OF COLLATERALISED EXPOSURE VALUES (WITHOUT SECURITISATIONS) IN € M**

	Financial collateral	Other and physical collateral	Guarantees / credit derivatives
Central governments or central banks	-	-	-
Institutions	650	49	81
Corporates - Specialised lending	13	8,707	382
Corporates - SME	6	207	38
Corporates - Other	139	1,703	330
Retail	-	-	-
Equities	-	-	-
of which: Equities acc. to art. 155 (3) CRR	-	-	-
of which: Equities acc. to art. 155 (2) CRR	-	-	-
of which: Equities acc. to art. 155 (4) CRR	-	-	-
Other non credit-obligation assets	-	-	-
<b>Total IRBA</b>	<b>808</b>	<b>10,665</b>	<b>831</b>
<b>Total CRSA</b>	<b>2,901</b>	<b>7</b>	<b>32</b>
<b>Total</b>	<b>3,710</b>	<b>10,672</b>	<b>863</b>

### 8.3. USE OF EXTERNAL RATINGS AND STANDARD APPROACH

As mentioned before, CRSA-exposures are summarised to one exposure class within this section with exception of Table CR4 and CR5

#### 8.3.1. NAMES OF THE NOMINATED ECAI AND ECA

Under the Standardised Approach for credit risks the required risk weight for the calculation of own capital backing is stipulated by the supervisory authority. The risk weight depends on the type of receivable, its external rating and any collateral. HSH Nordbank uses external credit assessments provided by external credit assessment institutions (ECAI) recognised by the supervisory authorities for the determination of risk weights in accordance with Article 138 and 269 CRR. Different rating agencies (ECAI) or export insurance agencies (ECA) can be appointed for each category of receivables. The CRSA or IRBA exposure class Securitisations allows rating agencies to be appointed at the transaction level; for all other CRSA exposures they are appointed per receivables category related to credit assessment.

If an external credit assessment of a recognised rating agency is used, the assessment is to be transferred into a credit assessment according

according to EBA/GL/2016/11. There is a detailed overview of the CRSA-exposures listed in these tables. Again, the disclosure is made on the basis of the sub-group. Relevant data with regard to the holding is mainly similar to the sub-group and only differs for the positions that were mentioned before in Section 8.

to the rating master scale. It needs to be checked for each approved ECAI whether an external rating exists or not. If there is more than one external rating available, of the two ratings leading to the lowest CRSA risk weights, the rating with the higher CRSA risk weight is decisive. HSH Nordbank generally uses the issuer rating for exposures that are not part of the trading book, except for ABS transactions where the external rating for the transaction is used.

HSH Nordbank has admitted only the ECAIs listed in Table 47 to be used with respect to Article 444 point (a) CRR in conjunction with note 97 and Table CRD of EBA/GL/2016/11 and makes use of these for the exposure classes listed pursuant to Article 444 point (b) CRR. Export credit agencies are not used in this context. ECAIs are only nominated for the sovereign and securitisation receivables categories. Whilst only the Standardised Approach for credit risk is involved for sovereign receivables, external ratings are used for securitisation

positions under both the Standardised and IRB approaches. The external rating of the respective central government is relevant for transactions as defined in Articles 115 and 116 CRR as well as Article 119 in connection with Article 121 CRR and applied in determin-

ing the risk weight. Transactions assigned to the regional or local authority, public sector entity and institutions exposure classes are affected by this. These continue to be disclosed in the above-mentioned exposure classes.

**[TAB. 47] RATING AGENCIES BY RECEIVABLES CATEGORY**

Receivables category	Exposure class	Rating agency
States	Central governments and central banks	Fitch, Moody's, S & P
Securitisations	CRSA securitisation exposures IRBA securitisation exposures	Fitch, Moody's, S & P

### 8.3.2. TRANSFER OF CREDIT ASSESSMENTS OF ISSUER AND ISSUE

The process used by HSH Nordbank to transfer credit assessments of issuers and issues in accordance with Article 444 point (c) CRR in conjunction with note 97 and Table CRD of EBA/GL/2016/11 is described below.

Issuer credit assessments are necessary to determine the CRSA and IRBA risk weight for securitisations as well as the eligibility of collaterals for CRSA and IRBA exposures. HSH Nordbank uses issuer credit assessments provided by the rating agencies Fitch, Moody's and S & P. The listed rating agencies were designated to the regulatory authorities by HSH Nordbank.

The HSH Nordbank is connected to the financial database of "WM Datenservice". This database provides the HSH Nordbank with the confirmed issuer ratings needed for securities and will then be connected to each financial instrument. Finally, the confirmed issuer ratings are used for the calculation according to part 3 CRR (capital requirements), part 4 CRR (large exposures) and part 6 CRR (liquidity). Furthermore, it will be ensured that external ratings of securitisation satisfy the proper requirements as delineated in Article 268 CRR. Determining the LGD it will be tested whether conditions with regard to eligible collaterals is considered. Depending on the type of bond the CRR indicates a minimum level of creditworthiness that needs to be considered.

Issuer credit assessments are necessary to determine the CRSA risk weight for central governments. Thereby, HSH Nordbank uses the issuer assessments of the rating agencies Fitch, Moody's and S & P. The procurement of the data is used by the information provider "Bloomberg". The process will ensure that only confirmed issuer credit assessments are used on the one hand and on the other hand that the assessment is only used for central governments that are rated inter-

nally by the HSH Nordbank. Connecting the data to each central government, the issuer credit assessments will then be used for the calculation according to part 3 CRR (capital requirements) and part 4 CRR (large exposures).

### 8.3.3. THE ASSOCIATION OF THE EXTERNAL RATINGS WITH THE CREDIT QUALITY STEPS

The association of the external rating with the credit quality steps according to Article 444 point (d) CRR is not disclosed as HSH Nordbank uses the standard mapping of EBA according to Article 270 CRR.

### 8.3.4. CRSA EXPOSURE VALUES UNDER REGULATORY RISK WEIGHTS

In order to determine the capital requirements, both the Standardised Approach for credit risk and the Advanced IRB Approach require risk-weighted exposures (the product of risk weight and exposure value) to be created. For the Standardised Approach for credit risk the risk weights depending on exposure classes and the published standard assignments of external ratings in accordance with Article 270 CRR.

Tables CR4 shows the effect of credit risk reduction techniques for the Standard Approach for the calculation of capital requirements, broken down by exposure class in accordance with Article 453 point (f) and (g) CRR in conjunction with note 95, 98, and 99 of EBA/GL/2016/11.

Further details on the credit risk mitigation techniques that are used will be disclosed in Table CR3 or 453g respectively. The risk weight of the exposure class corporates which is higher compared to the template of Article 122 (2) CRR results from the application of the provision according to Article 234 CRR indicating exposures of the sunrise transaction that are not securitised (tranching cover).

**[TAB. 48] CR4: STANDARDISED APPROACH – CREDIT RISK EXPOSURE AND CRM EFFECTS IN € M**

Exposure class	a		b		c		d		e		f	
	Exposures before CCF and CRM				Exposures post CCF and CRM				RWAs and RWA density			
	On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	RWAs	RWA density	RWAs	RWA density	RWAs	RWA density
1 Central governments or central banks	15	-	15	-	15	-	0	-	0	-	0	-
2 Regional government or local authorities	0	-	0	-	0	-	0.1	20.0	0.1	20.0	0.1	20.0
3 Public sector entities	89	0	2	0	2	0	0	16.5	0	16.5	0	16.5
4 Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
5 International organisations	210	-	210	-	210	-	0	-	0	-	0	-
6 Institutions	89	0	89	0	89	0	18	20.0	18	20.0	18	20.0
7 Corporates	244	71	240	26	240	26	295	110.9	295	110.9	295	110.9
8 Retail	3	3	3	1	3	1	2	68.7	2	68.7	2	68.7
9 Secured by mortgages on immovable property	5	0	5	0	5	0	2	39.3	2	39.3	2	39.3
10 Exposures in default	28	2	28	0	28	0	30	107.8	30	107.8	30	107.8
11 Higher-risk categories	2	-	2	-	2	-	3	150.0	3	150.0	3	150.0
12 Covered bonds	-	-	-	-	-	-	-	-	-	-	-	-
13 Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-
14 Collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-	-
15 Equity	12	66	12	66	12	66	78	100.0	78	100.0	78	100.0
16 Other items	-	-	-	-	-	-	-	-	-	-	-	-
<b>17 Total</b>	<b>697</b>	<b>142</b>	<b>606</b>	<b>93</b>	<b>606</b>	<b>93</b>	<b>429</b>	<b>61.3</b>	<b>429</b>	<b>61.3</b>	<b>429</b>	<b>61.3</b>

Table CR5 shows the CRSA exposure values broken down by exposure class and risk weight in accordance with Article 444 point (e) CRR. Substitution effects mean that exposure values with risk

weights that were originally higher are replaced with those with a lower risk weight.

**[TAB. 49] CR5: STANDARDISED APPROACH – EXPOSURE VALUES IN € M**

Exposure class	Risk weight								
	0%	2%	4%	10%	20%	35%	50%	70%	75%
1 Central governments or central banks	15	-	-	-	-	-	-	-	-
2 Regional government or local authorities	-	-	-	-	0	-	-	-	-
3 Public sector entities	0	-	-	-	2	-	-	-	-
4 Multilateral development banks	-	-	-	-	-	-	-	-	-
5 International organisations	210	-	-	-	-	-	-	-	-
6 Institutions	0	-	-	-	89	-	0	-	-
7 Corporates	-	-	-	-	-	-	-	-	-
8 Retail	-	-	-	-	-	-	-	-	4
9 Secured by mortgages on immovable property	-	-	-	-	-	3	2	-	-
10 Exposures in default	-	-	-	-	-	-	-	-	-
11 Higher-risk categories	-	-	-	-	-	-	-	-	-
12 Covered bonds	-	-	-	-	-	-	-	-	-
13 Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-
14 Collective investment undertakings	-	-	-	-	-	-	-	-	-
15 Equity	-	-	-	-	-	-	-	-	-
16 Other items	-	-	-	-	-	-	-	-	-
<b>17 Total</b>	<b>225</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>91</b>	<b>3</b>	<b>2</b>	<b>-</b>	<b>4</b>

	Exposure class	Risk weight						Deducted	Total	of which unrated
		100%	150%	250%	370%	1250%	Others			
1	Central governments or central banks	-	-	-	-	-	-	-	15	15
2	Regional government or local authorities	-	-	-	-	-	-	-	0	0
3	Public sector entities	-	-	-	-	-	-	-	2	2
4	Multilateral development banks	-	-	-	-	-	-	-	-	-
5	International organisations	-	-	-	-	-	-	-	210	210
6	Institutions	-	-	-	-	-	-	-	89	89
7	Corporates	222	-	-	-	-	44	-	266	266
8	Retail	-	-	-	-	-	0	-	4	4
9	Secured by mortgages on immovable property	-	-	-	-	-	0	-	5	5
10	Exposures in default	24	4	-	-	-	0	-	28	28
11	Higher-risk categories	-	2	-	-	-	-	-	2	2
12	Covered bonds	-	-	-	-	-	-	-	-	-
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-
14	Collective investment undertakings	-	-	-	-	-	-	-	-	-
15	Equity	78	-	0	-	-	-	-	78	78
16	Other items	-	-	-	-	-	-	-	-	-
<b>17</b>	<b>Total</b>	<b>324</b>	<b>6</b>	<b>0</b>	<b>-</b>	<b>-</b>	<b>45</b>	<b>-</b>	<b>699</b>	<b>699</b>

## 8.4. EQUITY HOLDINGS IN THE BANKING BOOK

The regulatory authorities state that equity holdings must be consolidated deducted from equity or backed with equity capital in the exposure class Equity holdings. In this context regulatory law considers equity holding risk to be a sub-class of the counterparty credit risk.

A key objective of the Bank is to wind down the equity holdings not relevant to the core business. In the reporting year, the equity holding portfolio has been reduced. A further marginal decrease is to be expected in the financial year 2018.

The equity holdings from the banking book are explained below.

### 8.4.1. OBJECTIVES OF EQUITY HOLDINGS

The equity holding portfolio of the HSH Nordbank is divided essentially into five sub-portfolios. Each sub-portfolio has a different objective.

#### Strategic equity holdings

Strategic equity holdings are all those which have a strategic importance for the Group and/or promote the economic interests of the region.

#### Equity holdings to support business segments

Equity holdings to support business segments are oriented towards expanding existing customer relationships or creating new ones.

#### Wind-down equity holdings

Wind-down equity holdings are former strategic equity holdings and/or equity holdings which must be wound-down in light of the decision of the EU Commission.

#### Bail-out purchases

Bail-out purchases are equity exposures which are entered into as part of the restructuring of a loan.

#### Other equity holdings

In contrast to the financial accounting regulations all items that contain a subordinated residual claim to the assets or income of the issuer are classified as equity holding under supervisory law. Equity holdings which are considered as an equity holding under supervisory aspects (in accordance with CRR) but mostly are allocated to the item "Shares and other non-fixed-income securities" (in accordance with IFRS) do not therefore belong to the divisions described above and instead are treated as other equity holdings.

### Equity holdings contained in investment funds or funds-like certificates

HSH Nordbank did not have equity holdings contained in investment funds or funds-like certificates as at the end of the reporting year 2017.

### 8.4.2. ACCOUNTING POLICIES FOR EQUITY HOLDINGS

Regular business valuations represent an important instrument for monitoring and managing equity holding risks in the case of both strategic and business segment relevant and wind-down equity holdings and bail-out purchases. The processes have been designed to ensure that the recoverability of all HSH Nordbank's direct equity holdings and relevant indirect equity holding are assessed at least once a year. Significant equity holdings are subject to a detailed assessment using the relevant standards of the Institute of Public Auditors in Germany ("Institut der Wirtschaftsprüfer"). All other equity holdings undergo a risk-oriented assessment.

Equity holdings which are allocated to the sub-portfolio "Other equity holdings" also represent a long-term commitment due to their allocation to the Bank's investment portfolio.

Assets disclosed under the position financial investments are generally classified as AFS under IAS 39. Assets in the AFS category are generally measured initially at fair value. This also applies to the subsequent measurement of financial investments such as securities that are normally traded on an exchange. Equity instruments for which there is no active market and a fair value cannot be determined by other methods, are recognised at cost in the subsequent measurement by way of exception.

A permanent diminution in the value of the respective equity holding in terms of the difference between the carrying amount and fair value forms the basis for impairment.

### 8.4.3. OVERVIEW OF EQUITY HOLDINGS IN THE BANKING BOOK

The equity holding portfolio of the banking book of HSH Nordbank as defined by Article 447 point (b) and (c) CRR is shown in the following table.

[TAB. 50] VALUATION OF EQUITY HOLDING INSTRUMENTS IN € M

	Carrying amount	Fair value	Stock market value
<b>Strategic equity holdings</b>	<b>7</b>	<b>7</b>	<b>-</b>
Items traded on the stock exchange	-	-	-
Not listed on the stock exchange but belonging to a sufficiently diversified equity holding portfolio	-	-	-
Other equity holding exposures	7	7	-
<b>Business field-related equity holdings</b>	<b>1</b>	<b>1</b>	<b>-</b>
Items traded on the stock exchange	-	-	-
Not listed on the stock exchange but belonging to a sufficiently diversified equity holding portfolio	-	-	-
Other equity holding exposures	1	1	-
<b>Wind-down equity holdings</b>	<b>57</b>	<b>57</b>	<b>13</b>
Items traded on the stock exchange	13	13	13
Not listed on the stock exchange but belonging to a sufficiently diversified equity holding portfolio	44	44	-
Other equity holding exposures	-	-	-
<b>Bail-out purchases</b>	<b>0</b>	<b>0</b>	<b>0</b>
Items traded on the stock exchange	0	0	0
Not listed on the stock exchange but belonging to a sufficiently diversified equity holding portfolio	-	-	-
Other equity holding exposures	-	-	-
<b>Other equity holdings</b>	<b>71</b>	<b>71</b>	<b>26</b>
Items traded on the stock exchange	26	26	26
Not listed on the stock exchange but belonging to a sufficiently diversified equity holding portfolio	-	-	-
Other equity holding exposures	45	45	-
<b>Equity holding exposures contained in investment funds or funds-like certificates</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>136</b>	<b>136</b>	<b>39</b>



### 8.4.4. REALISED PROFITS AND LOSSES AND UNREALISED REVALUATION GAINS AND LOSSES FOR EQUITY HOLDINGS

In accordance with Article 447 point (d) CRR cumulative realised gains or losses arising from sales and liquidations in the reporting period are disclosed in the following table on the basis of IFRS accounting standards. They do not include any impairment losses on equity holdings still held in the portfolio. The amount of unrealised revaluation gains (or losses), which represent unrealised gains (or losses) that are recognised directly in equity but not through profit or

loss, is also shown in accordance with Article 447 point (e) CRR. It is also stated whether these are included in the regulatory Common Equity Tier 1 capital. Latent revaluation gains (or losses) are not disclosed, as HSH Nordbank applies IFRS accounting standards for determining capital adequacy and consequently also uses the IFRS accounting standards for disclosure purposes

**[TAB. 51] REALISED AND UNREALISED GAINS OR LOSSES FROM EQUITY HOLDING INSTRUMENTS IN € M**

	Realised gains or losses from sales and liquidations	Unrealised revaluation gains / losses	
		Overall	of which amounts included in Tier 1 or Tier 2 capital
Equity holding exposures	59	-12	-4
<b>Total</b>	<b>59</b>	<b>-12</b>	<b>-4</b>

## 8.5. IRB-APPROACH

### 8.5.1. STRUCTURE OF THE INTERNAL RATING SYSTEMS AND RELATIONSHIP BETWEEN INTERNAL AND EXTERNAL CREDIT ASSESSMENTS

The rating systems for the individual portfolio segments were developed early on in cooperation with nine Landesbanks (Landesbank project) based on scorecard and simulation approaches. This cooperation between the Landesbanks led to the founding of RSU Rating Service Unit GmbH & Co. KG (RSU) in 2003. Since 2004, this company has assumed responsibility for the methodological maintenance and development of the rating systems. The individual Landesbanks provide their expertise in the form of competence or support centers. Currently, 11 of the rating modules developed by the participating banks and provided by RSU are used in HSH Nordbank. In addition, RSU has integrated two rating modules from SR und Risikosysteme GmbH (SR), a subsidiary of Deutscher Sparkassen- und Giroverband (DSGV), into the central LB-Rating application. These rating modules are all rating systems recognised at HSH Nordbank for the purposes of reporting under CRR.

The structure of the internal rating systems and relationship between internal and external credit assessments pursuant to Article 452 point (b) (i) CRR are explained below.

#### Rating methods

The rating systems distinguish between scorecard and cash flow approaches. The scorecard approach identifies characteristics and factors that are able to differentiate between good and bad borrowers. Their validity is first verified with a single factor model. Subsequently, several characteristics, which each have high significance in a single factor model, are combined to create a multi-factor model. The scores determined using the multi-factor model are translated to default probabilities. A precondition for the application of a scorecard approach is that a sufficient number of relatively homogeneous borrowers are available.

The cash flow approach simulates cash flows of one asset in various scenarios. These vary depending on macro-economic and sector-based conditions. A simulation engine (SimEngine) is used to create numerous scenarios which differ according to macro-economic conditions. Additionally, sector-based models calculate scenarios for future changes in sector-related factors such as rents, vacancies or charter rates. The values are then fed into the calculation of scenarios for the cash flow of the corresponding asset. Subsequently scenarios are selected where the borrower must be considered to be defaulting. The default probability is calculated as a ratio from the number of scenarios where a default was recorded to the total number of scenarios.

Both the scorecard and the cash flow approaches include quantitative as well as qualitative factors. Once these factors have been taken into consideration, warning signals and the company background are examined. There are also override opportunities, allowing ratings to be moved up to a limited extent and down to an unlimited extent. The rating result, the local currency rating or LCR, is only finalised once all these aspects have been taken into consideration. As a result, an individual PD is obtained for each borrower, enabling assignment to a specific credit rating class. When measuring borrower risk, the risk of foreign currency transfer restrictions has to be considered, as well as default risk.

The rating result is calibrated on a standard rating master scale. This master scale is the DSGVO master scale from which HSH Nordbank implemented 22 live and 3 default categories. Each rating class on the rating master scale is assigned a one-year default probability. This standard rating scale allows for immediate comparison of exiting ratings separately from the portfolio segment. The scale also includes mapping of external ratings to the internal categories.

The rating modules and methods used at HSH Nordbank as at the reporting date for the purposes of reporting under CRR are shown in Table 24. Capital backing is calculated using the Advanced IRB Approach.

**[TAB. 52] RATING MODULES OF HSH NORDBANK APPROVED BY THE SUPERVISORY AUTHORITIES**

<b>Borrower, bearer of economic risk, asset or project</b>	<b>Rating module</b>	<b>Rating method</b>
Corporates	Corporates Sparkassen-Standard Rating	Scorecard
Real estate	Sparkassen-Immobilien­geschäftsRating (SIR) Internationale Immobilienfinanzierungen	Cash flow and scorecard
Ships	Ship financing	Cash flow
Banks, savings banks	Banks and DSGVO guarantee system	Scorecard
Insurance companies	Insurance companies	Scorecard
International regional authorities	International regional authorities	Scorecard
Leasing companies, real estate lessees	Leasing	Scorecard with cash flow component
Projects	Project financing	Cash flow
Single-airline-financing	Aircraft financing	Cash flow
LBO financing	Leveraged finance	Scorecard
Individuals, self-employed, craftsmen, corporate clients	Sparkassen-StandardRating or Sparkassen-Immobilien­geschäftsRating (SIR) (depending on the primary origin of capital)	Scorecard or cash flow
States, national authorities	Country and transfer risk	Scorecard

The Landesbanks participating in the further development of the RSU-rating systems are divided into competence and support centers and participants. The competence centre bank assumes a leading role in the development and maintenance of modules where it can offer special expertise. It is supported by experts from the support banks.

HSH Nordbank has the main responsibility for the rating modules ship financing and leveraged finance. HSH Nordbank is also co-

responsible for the modules international real estate financing and country and transfer risk.

In addition, during the year 2009 the LGD and CCF methodology developed by HSH Nordbank and approved by supervisory authorities was transferred to RSU. HSH Nordbank now plays the role of centre of competence for LGD-validation for all rating systems except aircraft- and project finance.

[TAB. 53] CONNECTION BETWEEN INTERNAL AND EXTERNAL CREDIT ASSESSMENTS

Rating classification per the master scale rating	Moody's	S & P	Fitch
1 (AAAA)	-	-	-
1 (AAA)	Aaa, Aa1	AAA, AA+	AAA
1 (AA+)	Aa2, Aa3	AA, AA-	AA+, AA
1 (AA)	A1	A+	AA-
1 (AA-)	-	-	-
1 (A+)	A2	A	A+
1 (A)	A3	A-	A
1 (A-)	-	-	-
2	Baa1	BBB+	A-
3	Baa2	BBB	BBB+
4	Baa3	-	BBB
5	-	BBB-	-
6	Ba1	BB+	BBB-
7	Ba2	BB	BB+
8	-	-	BB
9	Ba3	BB-	BB-
10	B1	B+	-
11	-	-	B+
12	B2	B	B
13	-	-	-
14	B3	B-	B-
15	Caa1 – Caa3	CCC+ - C	CCC+ - C
16 – 18	Default Rating	Default Rating	Default Rating

**LGD method**

Modelling is based on historical losses, which are collected together with other Landesbanks and analysed using statistical and econometric techniques.

The LGD calculation method was developed successively by HSH Nordbank for each rating segment, and is continuously reviewed and refined in the course of the annual validation process. Since the transition to the RSU association in 2009, validation has been done jointly with other Landesbanks. The result are estimation methods for the determination of the risk of secured and unsecured exposures under consideration of recovery rates regarding specific collateral and specific borrowers (proceeds of the assets in bankruptcy). The secured exposure is not totally free of risk and has a basic risk. LGD calculation takes into account the current data in the legacy systems.

When determining LGD (overall LGD) three possible default scenarios are considered. In addition to winding down, restructuring of the defaulted commitment is possible. In the best case scenario recovery is possible. LGD estimation is based on observation of the workout case. In order to draw up a forecast for the loss ratio, the proceeds of the sale of collateral (the product of the market value of the collateral asset and a recovery rate specific to that asset) and proceeds from the bank-

ruptcy estate (the product of non-collateralised exposure and a borrower-specific recovery rate) are used.

**Downturn-LGD method and calculation**

Generally, the calculation of a downturn parameter is only relevant to models that are influenced by a macroeconomic environment. Thereby, ratios resulting from years below the average (e.g. 25 %-quantile) will be undertaken in relation to the ratio calculated on the normal basis (e.g. 50 %-quantile). This is only reasonably possible for models for which sufficient data is available. An alternative procedure is the consideration of external studies, data or comparisons of other models.

Review and any updating processes of the downturn parameters are made periodically within the standard maintenance.

**CCF method**

In contrast to assets on the balance sheet, where future exposure can be calculated from the loan agreements, receivables from the classic off-balance-sheet business must have the exposure at default (EaD) calculated using a credit conversion factor (CCF). The CCF is assessed annually on a joint basis as part of the RSU association together with other Landesbanks.

CCF indicates the proportion of outstandings under open credit lines or amount of credits that can generally be taken into account which are actually utilised by the borrower at the time of default.

#### CCF-model classification

There are two steps of assigning transactions to CCF-models. Firstly, all transactions that are not relevant to CCF or not directly used in order of CCF calculation are identified. Such transactions are not assigned to any CCF-models. All other transactions are assigned to a CCF-model based on the type of credit within the second step.

#### Reference structure of the transaction and aggregated amount

It is possible to combine individual customer transactions within the loss data base. This is possible and even necessary when transactions (e.g. a loan) show the drawdown on a credit line of another transaction (e.g. commitment). Consequently, a reference structure always consists of a main transaction and one or more partial transactions.

The CCF to commitments describes the utilization of credit lines that are available one year before the year of default by the debtor (before default). Thereby, the delta of the drawdown is related to the open credit line.

#### CCF of sureties and letter of credit

With regard to sureties and letter of credits there is a higher risk of drawings by the borrower after the time of default as it is presumed that financial compensations (by a third-party) for the defaulted borrower cannot be able. Regarding sureties and letter of credit the CCF is generally calculated based on a ratio resulting from discounted drawdowns of the sureties or letter of credit after the year of default  $t_0$  and in the year of default  $IA \geq t_0$  as well as from sureties and letter of credit that exist at the time of forecast  $t-1$  (one year before default).

#### 8.5.2. USE OF INTERNAL ESTIMATES FOR PURPOSES OTHER THAN FOR CALCULATING THE RISK-WEIGHTED EXPOSURES UNDER THE IRB APPROACH

HSH Nordbank uses parameters determined internally within the meaning of Article 452 point (b) (ii) CRR in many areas of the Group. For example, all risk parameters EaD, PD, LGD and CCF are used actively for the overall management of the Bank. The risk parameters in particular are embedded into risk-adjusted pricing of loan applications, the procedure to create loan loss provisions as well as into the profit centre calculation. The rating systems are used with the corresponding risk parameters in the following steering systems of the Bank:

- loan approval procedures/determination of competences
- a priori and ex-post calculation of individual transactions
- limit setting
- reporting
- commitment monitoring
- intensified loan management/ restructuring

In addition, the parameters are used for on-going scenario calculations and in the planning and strategy process.

#### 8.5.3. 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 sub-paragraph (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, sub-group and holding level.

The following table shows the credit exposures broken down by IRB-exposure classes and IRB-rating modules. The data basis of this table differs due to methodical reasons from the other tables in Section Default Risk. Beside the credit risks the data basis consists also of counterparty credit risk and Sunrise and Horizon transactions including securitised receivables. The background to this is that the rating procedures are applied irrespective of the transactions. Therefore, credit risk limitations or consideration of securitisation effects are not appropriate.

**[TAB. 54] EXPOSURE VALUES BY IRBA-EXPOSURE CLASS AND IRBA-RATING MODULE IN € M**

Exposure class	Ratingmodul	exposure value
Central governments or central banks	Banking	2,270
	Corporates	53
	Internationale Gebietskörperschaften	249
	Sovereigns	17,620
	<b>Summe</b>	<b>20,192</b>
Institutions	Banken	6,045
	Corporates	76
	Sparkassen-ImmobiliengeschäftsRating (SIR)	49
	Internationale Gebietskörperschaften	101
	Projektfinanzierungen	23
	<b>Summe</b>	<b>6,295</b>
Corporates	Banken	802
	Schiffsfinanzierungen	6,659
	Corporates	11,245
	Sparkassen-StandardRating	152
	Sparkassen-ImmobiliengeschäftsRating (SIR)	12,177
	Leveraged Finance	518
	Leasinggesellschaften	19
	SPC-Immobilienleasing	590
	Versicherungen	56
	Internationale Immobilien	1,954
	Projektfinanzierungen	5,792
	Flugzeugfinanzierungen	168
	<b>Summe</b>	<b>40,133</b>
Equities <sup>1)</sup>	Schiffsfinanzierungen	0
	Corporates	15
	Sparkassen-ImmobiliengeschäftsRating (SIR)	2
	Leveraged Finance	0
	SPC-Immobilienleasing	1
	Internationale Immobilien	0
<b>Summe</b>	<b>17</b>	

1) Equities acc. to art. 155 (3) CRR (PD-LGD-approach)

#### 8.5.4. CONTROL MECHANISMS FOR RATING SYSTEMS

In accordance with Article 452 point (b) (iv) CRR in conjunction with note 103 and Table CRE (EBA/GL/2016/11) the control mechanisms for the rating systems are described below.

##### Description of the rating process

The rating process is divided into a creation process and determination process and is subject to the dual control principle. The determination of the rating is set by back office processing and control divisions.

The rating guidelines in the Credit Manual specify for all exposure amounts (except the retail portfolio and risks with total lending less than € 750,000 per group of connected clients or less than € 75,000 at business partner level) that internal rating systems recognised under supervisory law must be used. An individual credit assessment must be prepared,

- for borrowers, bearers of economic risk, rating issuers (this applies also to the purchase of receivables without recourse);
- for persons who act exclusively as support in the rating modules;
- as a precondition in order to include specific collateral (e.g. personal collateral) provided as a risk reduction to the benefit of HSH Nordbank.

Each borrower subject to rating is given only one rating for local currency rating (LCR) and, if need be, foreign currency rating (FCR). The LCR determines the counterparty default risk without considering a foreign currency transfer risk. The foreign currency transfer risk is incorporated when the FCR is determined.

The exact triggers for the rating are also specified in the Credit Manual. Each rating must be updated according to risk aspects (required for re-rating) – but at the latest within twelve months – and verified and confirmed by the back office department. Special risk aspects which require updating before the end of the 12 month period are specifically:

- significant expansion of the counterparty default risk
- knowledge of significant new risk-related information
- commitments where a currency transfer risk exists if the risk country migrates to rating class 9 or worse
- defaults and recoveries according default guidelines.

As long as the person or entity to be assessed is classified in a default class (rating level 16-18), regular re-rating is not necessary. The default reasons are however to be updated in the rating, if there is a change within the default rating classes based on new information received. This does not apply to the rating systems for ship, aviation and project financings, for which ratings – also in the case of default - are to be generally updated at least once within 12 months.

The guidelines in the Credit Manual explain the requirements for creating a rating unit. It sets out when the rating of the legal borrower is waived as part of the rating and the loan decision process and the rating of the bearer of economic risk and/or the rating donor is to be applied instead.

The rating process is regulated in the Credit Manual. In addition the respective specialised rating manuals are to be observed with the regard to the specific module requirements.

To ensure comprehensive rating for the exposure for which risk classification is required by CRR, the Bank has process quality controlling (PQC).

### Rating systems review

A validation of all rating modules and of the LGD and CCF models of HSH Nordbank is performed annually within the meaning of Article 144 (1) point (e) CRR and Article 185 CRR. Thereby, the management board will be informed annually about the validation results of the rating modules and its consequences.

The validation includes the following steps:

- analysis of portfolio and market performance (e.g. description of the portfolio according to region and relevant customer types)
- analysis of rating distributions

- backtesting (comparison with actual default rates) and/or benchmarking (comparison with external ratings)
- calibration (verification of the extent of allocated default probabilities)
- examination of selectivity (ability of the rating module to differentiate between good and bad borrowers)
- review of the model structure and design (e.g. significance and weighting of individual factors and partial models, inclusion of supporters, analysis of the frequency with which data were overwritten and the reasons for this, inclusion of the transfer risk)
- examination of the application of ratings (e.g. analysis of data quality, verification of standard application by carrying out duplicate analyses).

The process of validation involves two steps:

- The first step involves validation based on the pooled data of all Landesbanks and/or Landesbanks and savings banks under the lead management of RSU and/or SR. Data are pooled specifically to create the largest possible and hence statistically most significant database. In cooperation with the relevant competence centre and support centre, RSU performs the validation and, if necessary, the recalibration and further development of the modules on the basis of the pooled data. For the modules of SR, pooling is carried out on the basis of data from participating savings banks and participating Landesbanks. Updates are made by SR.
- As the validation is done on the basis of the pooled data, it is necessary to demonstrate that the results can also be applied to HSH Nordbank. This is done in a second step in cooperation with RSU and/or SR. In addition further internal analyses to complete the validation and proof that the rating modules are suitable for use at HSH Nordbank are performed.

The role of HSH Nordbank during the updating phase on the basis of the pooled data within the scope of the RSU depends on whether it has assumed one of the functions of competence and/or support centre in respect of the module in question. The validation and development of the rating procedure is reviewed for RSU, SR and for the HSH Nordbank by the respective internal audit (independent unit).

The LGD and CCF methods are also validated annually jointly with other Landesbanks, similar to validation of the rating modules.

Within the HSH Nordbank the unit credit risk control is responsible for the support, development and methodologies of the rating modules as well as LGD and CCF models.

The unit Model Validation was created to ensure independence between the development of models and validation. Beside the validation according to all types of risk within the unit Group Risk Management that are based on the models of the appropriate model inventory also the functional consistency is ensured. Additionally, con-

sistent and transparent model risk governance regarding the process of model risk management was created.

### IRBA-Risk Model Reporting

IRBA risk models are monthly reported to the Group Bank Steering Committee and executive board members of CRO and CFO. Thereby, validation results of each rating module including potential actions that might be required as well as assessments of effects for modules that need to be validated are submitted. Each report provides the following information regarding the rating module: EaD, pool validation decision, internal validation decision including potential measures, decision on calibration, selectivity, model adjustments, changes in capital adequacy and changes in EL. Furthermore, the GBS Committee will be provided with information concerning regulatory findings of the IRBA-modules on the basis of institutional and pool level.

Additionally, aspects regarding the concentration on default risks, development of EaD, EL, capital adequacy, PD and LGD are presented in different dimensions.

### Outlook

Since the beginning of 2018 HSH Nordbank has a two-step decision-making process according to changes in methodologies, policies and processes.

Beside the GBS Committee operating in the “designated committee” function with the participation of the board management (article 189 CRR) a model management committee (“Modellsteuerungskreis” MSK) was created. The MSK manages the interface between the GBS and the units that are responsible for the development, operating and validation of the models used by the risk management.

Considering the principle of proportionality, this process ensures an adequate depth of expert knowledge and a timely decision-making. In addition to the process of development and validation which is already separated at HSH Nordbank, there will also be an independent validity of maintenance and development of RSU and SR in the year 2018.

### 8.5.5. A DESCRIPTION OF THE INTERNAL RATINGS PROCESS BY EXPOSURE CLASSES

Positions which could not have been rated using a recognised IRBA rating system but have an internal expert rating are treated as Standardised Approach for credit risk (Section 3.2.1). The internal valuation methods are applied to exposure classes under the IRB Approach as laid down in Article 452 point (c) CRR in accordance with note 103 in EBA/GL/2016/11 and Table CRE. Table 54 shows the IRBA rating modules that are used for each exposure class.

#### IRBA Module of “Banks”

The context of the approach used for the rating model of banks is restricted to rating objects that are generally related to typical banking

transactions (material view on the definition of banks). Bank holdings, Bausparkassen (building society), public funding agencies and financial service provider can be rated within this module.

The development of the model was realised by RSU mainly following a statistical approach (comparison with internal default history and with external ratings) but also taking into account expert judgment based on the statistical results to ensure the economic plausibility of the outcomes.

#### IRBA-Module “DSGV Guarantee System” (Banken DHV)

The rating module “Banken DHV” is only used for the valuation of the DSGV Guarantee System. This module offers some special characteristics defined by no past defaults and insider information available for determining system parameters.

The simulation-based approach is very similar to the CreditMetrics credit portfolio model. Thereby, statistical analyses and expert judgment are used for parameterizing risk factors and for validation.

#### IRBA-Module “Corporates”

The corporate rating module presents a rating for corporate businesses whereby the rating method can generally be used cross-sectoral for all corporate businesses worldwide. A basic requirement for the usage of corporate modules is that the company has a business administrative management.

The development of the model was realised by RSU mainly following a statistical approach (comparison with internal default history and with external ratings) but also taking into account expert judgment based on the statistical results to ensure the economic plausibility of the outcomes

#### IRBA-Module “Real Estate Leasing”

The object of the rating module “SPC-Real Estate Leasing” is to value special purpose companies (SPC) in order to finance real estates. The lessee can be rated with other internal IRBA methods. A leased object is defined by national or international real estate for which its value is based on an expert valuation. Thereby, financing processes refer to the residual value (independent whether open or not), direct loans to the SPC or leasing receivables.

The development of the model was realised by RSU mainly following a statistical approach (comparison with internal default history and with external ratings) but also taking into account expert judgment based on the statistical results to ensure the economic plausibility of the outcomes.

#### IRBA-Module “International Commercial Real Estate (ICRE)”

The object of the rating module “ICRE” is to value commercial real estates. Thereby, the location of the property or the focus of the real

estate portfolio needs to be outside Germany. Thereby, the borrower can be domiciled in Germany or abroad. A condition to use this model is defined by the cash flows. Thereby generated cash flows such as rentals, lease payments and sales proceeds for which the loan will be applied with are directly assigned to the property portfolio.

The simulation approach aims at providing an economic model based on an analysis of cause-effect relationships. Cash flow numbers, object values and transaction characteristics are the main risk drivers used in the simulation. Simulation results are transformed, calibrated and adjusted by qualitative factors (specified by experts).

#### **IRBA-Module “International Regional Authorities”**

The module “International Regional Authorities” is used to assess the economic ability and willingness on an international government body outside Germany to meet its payment obligations full and punctually. The module covers regions and municipalities below the level of federal government, which perform public sector responsibilities for private households and companies within their administrative areas and can levy taxes and other charges.

The development of the model was realised by RSU mainly following a statistical approach (comparison with internal default history and with external ratings) but also taking into account expert judgment based on the statistical results to ensure the economic plausibility of the outcomes.

#### **IRBA-Module “Country and Transfer Risk”**

The module “Country and Transfer Risk” is used to calculate the probability of default of countries for obligations in both domestic and foreign currency as well as the probability of default of transferring transactions. Thereby, this module calculates the risk that a foreign debtor may be prevented from meeting its payment obligations in foreign currency by government imposed restrictions.

The development of the model was realised by RSU mainly following a statistical approach (comparison with internal default history and with external ratings) but also taking into account expert judgment based on the statistical results to ensure the economic plausibility of the outcomes.

#### **IRBA-Module “Leasing Companies”**

The module “Leasing Companies” is intended for rating leasing companies that apply German accounting standards (HGB).

The development of the model was realised by RSU mainly following a statistical approach (comparison internal default history) but also taking into account expert judgment to ensure the economic plausibility of the outcomes.

#### **IRBA-Module “Leveraged Finance”**

The module “Leveraged Finance” is intended for Leveraged Buyout transactions, comparable business acquisitions such as Management

Buyouts, Management Buyins etc. and strategic takeovers or acquisitions involving substantial borrowing.

The development of the Leveraged Finance model was realised on by RSU mainly following a statistical approach (comparison internal default history) but also taking into account expert judgment to ensure the economic plausibility of the outcomes.

#### **IRBA module of “Insurance Companies”**

The rating module “Insurance Companies” is designed for rating companies that are commonly classified as insurers or generate more than 50 % of their gross operating income from insurance business or all companies that can be classified as insurance businesses.

The development of the model was realised by RSU mainly following a statistical approach (comparison with internal default history and with external ratings) but also taking into account expert judgment based on the statistical results to ensure the economic plausibility of the outcomes.

#### **IRBA module of “Project financing”**

Generally, the module project financing (PRF) can be used for all types of project financings. Project financing correspond to projects that have normally limited timeframes. The expected cash flow for this financed project will be determined.

The development of the model was realised by the RSU. It is based on a simulation approach whose aim is to provide an economic model which is based on an analysis of cause-effect relationships. Cash flow numbers, project value and transaction characteristics are the main risk drivers used in the simulation. Simulation results are transformed, calibrated and adjusted by qualitative factors (specified by experts).

#### **IRBA module of “Ship Financing”**

This module calculates the probability of default (PD) and the loss given default (LGD) for object financing in the portfolio of ship financing. Thereby, the definition of object financing is based on the requirements of the Baseler Committee on Banking Supervision in the field of specialised lending (addressed in CRR).

The development of the model was realised by the RSU. It is based on a simulation approach whose aim is to provide an economic model which is based on an analysis of cause-effect relationships. Cash flow numbers, object values and transaction characteristics are the main risk drivers used in the simulation. Simulation results are transformed, calibrated and adjusted by qualitative factors (specified by experts).

#### **IRBA module of “Aviation Financing”**

The module “Aviation Financing” intends to estimate and calculate the probability of default of object financing in the portfolio of aviation financing. Thereby, the definition of object financing is based on the requirements of the Baseler Committee on Banking Supervision in the field of specialised lending



The development of the model was realised by the RSU. It is based on a simulation approach whose aim is to provide an economic model which is based on an analysis of cause-effect relationships. In the case of aircraft leasing finance cash flows are not the main source of risk. Object values, Airline PDs and transaction characteristics are used as the main risk drivers in the simulation.

### **IRBA module of "Sparkassen-Immobilien-geschäfts-Rating"**

The module "Sparkassen-Immobilien-geschäfts-Rating (SIR)" rates commercial real estate projects. A real estate is defined as commercial if the rentals, lease payments and sales proceeds are directly assigned to the property portfolio. The component "Object Rating" is used for real estate which are located in Germany. If a customer may have both -domestic and foreign property- the foreign real estate will then be valued within the solvency rating (in case SIR can be used). Process specific standards of RSU are used relating to the application of ICRE.

The development of the model was realised by the SR. It is based on a simulation approach whose aim is to provide an economic model which is based on an analysis of cause-effect relationships. Cash flow numbers, object values and transaction characteristics are the main risk drivers used in the simulation. Simulation results are transformed, calibrated and adjusted by qualitative factors (specified by experts).

### **IRBA module of "Sparkassen-Standard-Rating"**

The module "Sparkassen-Standard-Rating" is designed for the valuation of commercial customers, corporates, freelancers and entrepreneurs.

The scoring approach aims at providing an economic model based on an analysis of cause-effect relationships. Annual financial statements, behavioral analysis and qualitative information, that are measured by scoring, are the main factors deriving to the rating score.

### **Model Development**

Model development is realised internally by a collaboration of institutions and RSU. The internal development is based on the data pool of many different institutions. The data pool mainly consists of data from the institution's internal systems, e.g. input data and default experience over time. Analyses for the regular model review and validation on pool level are provided by RSU.

The classification of the exposure classes is separately based on a customer classification code that is defined by different characteristics of the business partner.

HSH Nordbank does not differ from the default definition used within the Standard Approach according Article 178 CRR.

### **Retail exposures**

For retail exposures HSH Nordbank only uses the Standardised Approach for credit risk.

### **Equity exposures**

For equity holdings covered by the grandfathering provisions of Article 495 (1) CRR, which are given a risk weight of 100% in Standardised Approach for credit risk, no rating was required under supervisory law before 31 December 2017. However, ratings are required for positions entered into since 1 January 2008. The rating systems are used for these default risks. If no rating module recognised under supervisory law can be used for an equity holding, the simple risk weighting method is used according to Article 155 (2) CRR

### **PD and default rates**

In average, there have been larger deviations between PD and default rates in certain rating modules within the period 2015 to 2017. Causes of the deviations will be explained as follows.

It could be observed increased default rates compared to the forecast within the rating module "ship financing". This is caused due to the persistently difficult market environment as well as to a large amount of defaults by the end of 2017 in connection with the portfolio transaction.

Default rates of the rating module "Corporates" are generally balanced with the exception of defaults in connection with the portfolio transaction (mainly included in shipping assets).

On the one hand there are currently only a few customers rated within the module of international real estate financing. On the other hand default rates were significantly influenced by special effects regarding the reduction of the portfolio in the last few years.

The increased default rates of the rating module "Aviation Finance" compared with the forecast result from the default of specific exposures at low stock. Accordingly, this development does not have a leverage effect on the bank's overall perspective.

In recent years only a few defaults compared to the forecast were observed with regard to the rating module sovereigns and institutions (countries, regional authorities, banks, insurance companies).

Table CR6 shows the exposure values in accordance with Article 452 point (e) and (g) CRR in conjunction with note 104 to 107 of EBA/GL/2016/11 allowing for credit risk mitigation techniques. As part of the credit risk mitigation the second loss piece is migrated into the IRBA central governments exposure class as a financial guarantee under the substitution principle. Therefore, the exposure value in this exposure class is larger than the total amount of exposures under CCF-approach.

Beside the exposure values parameters determining the capital requirements based on IRBA-models according to exposure class and rating ranged are disclosed. As HSH Nordbank does not calculate retail businesses under the IRB-approach and neither uses internal models according to Article 155 (4) CRR the rows for "retail remain

empty. HSH Nordbank uses only the advanced IRB-Approach (AIRB). (FIRB) is not disclosed.

Therefore, a separate table according to the Basis-IRB-Approach

**[TAB. 55] CR6: IRB APPROACH – CREDIT RISK EXPOSURES BY EXPOSURE CLASS AND PD RANGE IN € M**

Exposure class	PD scale	a	b	c	d	e	f	g	h	i	j	k	l
		Original on-balance - sheet gross exposures	Off-balance - sheet exposures pre-CCF	Ø CCF in %	EAD post CRM and post CCF	Ø PD in %	Number of obligors	Ø LGD in %	Ø Maturity in years	RWA	RWA density in %	EL	Value adjustments and provisions
<b>Central governments or central banks</b>													
	0,00 to < 0,15	18,644	2	37.3	21,524	0.0	29	22.4	2.7	89	0.4	0	
	0,15 to < 0,25	-	-	-	-	-	-	-	-	-	-	-	
	0,25 to < 0,50	-	-	-	-	-	2	-	-	-	-	-	
	0,50 to < 0,75	-	-	-	-	-	2	-	-	-	-	-	
	0,75 to < 2,50	-	-	-	-	-	3	-	-	-	-	-	
	2,50 to < 10,00	-	-	-	-	-	-	-	-	-	-	-	
	10,00 to < 100,00	53	-	-	53	15.0	1	50.0	5.0	157	293.2	4	
	100,00 (Default)	0	-	-	0	100.0	2	73.9	5.0	0	48.8	0	
	<b>Subtotal</b>	<b>18,698</b>	<b>2</b>	<b>37.3</b>	<b>21,578</b>	<b>0.0</b>	<b>39</b>	<b>22.4</b>	<b>2.7</b>	<b>245</b>	<b>1.1</b>	<b>4</b>	<b>19</b>
<b>Institutions</b>													
	0,00 to < 0,15	4,197	1,101	36.7	4,601	0.1	95	12.3	3.0	457	9.9	0	
	0,15 to < 0,25	-	3	20.0	1	0.2	7	63.5	5.0	1	124.6	0	
	0,25 to < 0,50	297	10	48.5	302	0.3	10	10.4	3.1	52	17.1	0	
	0,50 to < 0,75	3	10	20.0	5	0.6	4	55.7	2.6	5	115.6	0	
	0,75 to < 2,50	26	0	100.0	26	1.3	11	14.2	4.0	10	39.1	0	
	2,50 to < 10,00	-	-	-	-	-	-	-	-	-	-	-	
	10,00 to < 100,00	-	-	-	-	-	1	-	-	-	-	-	
	100,00 (Default)	-	-	-	-	-	-	-	-	-	-	-	
	<b>Subtotal</b>	<b>4,524</b>	<b>1,123</b>	<b>36.6</b>	<b>4,934</b>	<b>0.1</b>	<b>123</b>	<b>12.3</b>	<b>3.0</b>	<b>525</b>	<b>10.6</b>	<b>0</b>	<b>3</b>
<b>Corporates - Specialised lending</b>													
	0,00 to < 0,15	3,617	552	41.6	3,847	0.1	283	23.7	3.0	522	13.6	1	
	0,15 to < 0,25	1,029	294	41.9	1,152	0.2	93	27.1	3.0	304	26.4	1	
	0,25 to < 0,50	3,766	1,512	40.9	4,383	0.3	212	29.5	3.1	1,719	39.2	4	
	0,50 to < 0,75	1,595	1,528	41.3	2,226	0.6	122	31.6	2.9	1,185	53.3	4	
	0,75 to < 2,50	2,710	1,130	40.2	3,164	1.3	236	25.9	2.5	1,682	53.2	10	
	2,50 to < 10,00	333	6	37.0	336	4.5	57	21.1	2.4	193	57.6	3	
	10,00 to < 100,00	168	24	40.3	177	14.5	64	20.6	3.1	161	91.1	5	
	100,00 (Default)	1,014	19	38.9	1,021	100.0	259	36.4	2.0	427	41.8	338	
	<b>Subtotal</b>	<b>14,231</b>	<b>5,064</b>	<b>41.0</b>	<b>16,306</b>	<b>7.0</b>	<b>1,326</b>	<b>27.7</b>	<b>2.9</b>	<b>6,194</b>	<b>38.0</b>	<b>367</b>	<b>452</b>

Exposure class	PD scale	a	b	c	d	e	f	g	h	i	j	k	l
		Original on-balance - sheet gross exposures	Off-balance - sheet exposures pre-CCF	Ø CCF in %	EAD post CRM and post CCF	Ø PD in %	Number of obligors	Ø LGD in %	Ø Maturity in years	RWA	RWA density in %	EL	Value adjustments and provisions
<b>Corporates - SME</b>													
	0,00 to < 0,15	2	7	37.2	5	0.1	7	34.8	2.5	1	15.4	0	
	0,15 to < 0,25	33	30	38.3	45	0.2	15	38.5	3.3	18	41.0	0	
	0,25 to < 0,50	51	95	40.9	90	0.3	34	37.4	2.5	38	42.7	0	
	0,50 to < 0,75	43	43	39.4	60	0.6	20	35.3	2.8	35	57.9	0	
	0,75 to < 2,50	140	130	45.8	199	1.2	54	34.5	2.4	132	66.3	1	
	2,50 to < 10,00	12	13	47.2	18	4.6	10	36.3	2.4	19	106.3	0	
	10,00 to < 100,00	26	6	49.5	29	11.8	10	36.4	2.7	39	136.1	1	
	100,00 (Default)	147	6	48.6	149	100.0	35	40.1	2.2	93	62.1	52	
	<b>Subtotal</b>	<b>453</b>	<b>329</b>	<b>42.8</b>	<b>594</b>	<b>26.4</b>	<b>185</b>	<b>36.9</b>	<b>2.5</b>	<b>375</b>	<b>63.1</b>	<b>55</b>	<b>95</b>
<b>Corporates - Other</b>													
	0,00 to < 0,15	1,572	1,548	42.8	2,234	0.1	131	35.4	3.0	554	24.8	1	
	0,15 to < 0,25	476	830	41.9	824	0.2	79	46.9	3.1	416	50.6	1	
	0,25 to < 0,50	1,091	1,237	41.5	1,605	0.3	147	39.3	2.7	851	53.0	2	
	0,50 to < 0,75	488	517	40.9	700	0.6	57	39.3	2.9	507	72.5	2	
	0,75 to < 2,50	1,046	824	41.0	1,384	1.3	117	39.2	3.0	1,336	96.5	7	
	2,50 to < 10,00	350	61	41.0	375	4.5	42	29.6	2.1	373	99.4	5	
	10,00 to < 100,00	47	33	57.8	66	12.1	14	31.2	2.4	93	140.2	2	
	100,00 (Default)	324	77	42.3	356	100.0	63	52.4	2.3	222	62.3	169	
	<b>Subtotal</b>	<b>5,394</b>	<b>5,127</b>	<b>41.9</b>	<b>7,544</b>	<b>5.5</b>	<b>647</b>	<b>39.0</b>	<b>2.9</b>	<b>4,353</b>	<b>57.7</b>	<b>188</b>	<b>243</b>
<b>Retail</b>													
<b>Equities acc. to art. 155 (3) CRR</b>													
	0,00 to < 0,15	-	-	-	-	-	-	-	-	-	-	-	-
	0,15 to < 0,25	-	-	-	-	-	-	-	-	-	-	-	-
	0,25 to < 0,50	-	-	-	-	-	-	-	-	-	-	-	-
	0,50 to < 0,75	-	-	-	-	-	-	-	-	-	-	-	-
	0,75 to < 2,50	2	-	-	2	1.3	3	65.0	5.0	4	201.6	0	
	2,50 to < 10,00	3	-	-	3	4.4	3	90.0	5.0	12	369.5	0	
	10,00 to < 100,00	-	-	-	-	-	-	-	-	-	-	-	-
	100,00 (Default)	0	0	100.0	0	100.0	12	93.9	5.0	0	48.8	0	
	<b>Subtotal</b>	<b>6</b>	<b>0</b>	<b>100.0</b>	<b>6</b>	<b>11.0</b>	<b>18</b>	<b>81.0</b>	<b>5.0</b>	<b>16</b>	<b>281.3</b>	<b>1</b>	<b>5</b>
<b>Equities acc. to art. 155 (2) CRR</b>													
	<b>Subtotal</b>	<b>52</b>	<b>1</b>	<b>100.0</b>	<b>53</b>		<b>39</b>		<b>-</b>	<b>115</b>	<b>218.7</b>	<b>0</b>	<b>1</b>
<b>Equities acc. to art. 155 (4) CRR</b>													
	<b>Subtotal</b>												
<b>Other non credit-obligation assets</b>													
	<b>Subtotal</b>	<b>461</b>	<b>-</b>		<b>461</b>		<b>11</b>		<b>4.9</b>	<b>412</b>	<b>89.3</b>		<b>-</b>
	<b>Total</b>	<b>43,820</b>	<b>11,646</b>	<b>41.0</b>	<b>51,476</b>	<b>3.4</b>	<b>2,375</b>	<b>25.8</b>	<b>2.8</b>	<b>12,236</b>	<b>23.8</b>	<b>615</b>	<b>818</b>

### 8.5.6. AVERAGE LGD AND PD BY GEOGRAPHICAL LOCATION

The exposure-weighted average LGD and PD are shown in Table 56 for each geographical area in accordance with Article 452 point (j) (i) CRR.

Information is provided in accordance with the definition in Article 452 (3) CRR for the EU Member States Germany, Greece and Luxembourg, as well as the third countries USA and Singapore. This relates on the one hand to the countries of domicile of the debtors included and on the other hand takes into account that HSH Nordbank is either licensed in these countries or conducts its business activities there through a branch or subsidiary.

As part of the focusing of its business activities HSH Nordbank has significantly reduced its international network of locations over the past years and closed a number of branches abroad. Therefore, the New York branch is not listed in this context. There was no transaction in the branch of Athen as at reporting day. This table shows no significant changes as at reporting day.

[TAB. 56] 452J: AVERAGE LGD AND PD BY GEOGRAPHICAL LOCATION ACCORDING TO ARTICLE 452 (J) CRR

Exposure class	Avg.PD in %	Avg.LGD in %
<b>Germany</b>		
Central governments or central banks	0.0	22.4
Institutions	0.1	11.6
Corporates	6.5	31.7
Equities under PD/LGD approach - art. 155(3) CRR	11.0	81.0
<b>Subtotal</b>	<b>3.1</b>	<b>25.8</b>
<b>Greece</b>		
Central governments or central banks	-	-
Institutions	-	-
Corporates	-	-
Equities under PD/LGD approach - art. 155(3) CRR	-	-
<b>Subtotal</b>	<b>-</b>	<b>-</b>
<b>Luxemburg</b>		
Central governments or central banks	0.2	20.1
Institutions	0.1	34.7
Corporates	82.3	42.5
Equities under PD/LGD approach - art. 155(3) CRR	100.0	92.7
<b>Subtotal</b>	<b>11.1</b>	<b>30.7</b>
<b>Singapore</b>		
Central governments or central banks	0.0	27.0
Institutions	0.1	33.0
Corporates	23.3	19.5
Equities under PD/LGD approach - art. 155(3) CRR	-	-
<b>Subtotal</b>	<b>19.6</b>	<b>20.7</b>
<b>Total</b>	<b>3.4</b>	<b>25.8</b>

Table CR7 shows the effect of credit derivatives purchased for collateralising the loan portfolio on the capital requirements according to Article 453 point (g) CRR in conjunction with note 108 (EBA/GL/2016/11).

Collateralisation with regard to credit risk mitigation only occurs with cash collaterals resulting from Credit Linked Notes. According to article 218 CRR collaterals resulting from credit linked notes are not treated as credit derivatives but as cash collaterals. Therefore, credit derivatives have currently no impact on the capital requirements.

HSH Nordbank uses only the advanced IRB-Approach (AIRB). Therefore, a separate table according to the Basis-IRB-Approach (FIRB) is irrelevant and accordingly not disclosed. Rows 13 to 17 are summarised as there are generally no retail businesses under the IRB-approach.

**[TAB. 57] CR7: IRB APPROACH – EFFECT ON THE RWAS OF CREDIT DERIVATIVES USED AS CRM TECHNIQUES IN € M**

	a	b
	Pre-credit derivatives RWAs	Actual RWAs
7	Exposures under AIRB	
8	Central government or central banks	245
9	Institutions	525
10	Corporates - SME	375
11	Corporates- Specialised lending	6,194
12	Corporates - Other	4,353
13-17	Retail	-
18	Equities	131
19	Other non credit-obligation assets	412
<b>20</b>	<b>Total</b>	<b>12,236</b>

**8.5.7. RWA FLOW STATEMENTS**

According to Article 92 (3) point (a) and Article 438 point (d) CRR in conjunction with note 109 of EBA/GL/2016/11, Table CR8 shows the flow statements showing adjustments on the RWA calculated under the IRB Approach and accordingly the required capital requirements

with regard to the credit risk. Table CR8 does not include securitisations, counterparty credit risk and other assets excluding loan commitments according to Article 147 (2) point (g) CRR. Table CR8 is disclosed quarterly. In this context the end of the previous reporting period is defined by the last month of the previous quarter.

**[TAB. 58] CR8: RWA FLOW STATEMENTS OF CREDIT RISK EXPOSURES UNDER THE IRB APPROACH IN € M**

	a	b
	RWA amounts	Capital requirements
<b>1</b>	<b>RWAs as at the end of the previous reporting period 30.09.2017</b>	<b>1,015</b>
2	Asset size	- 15
3	Asset quality	- 56
4	Model updates	5
5	Methodology and policy	-
6	Acquisitions and disposals	-
7	Foreign exchange movements	- 2
8	Other	1
<b>9</b>	<b>RWAs as at the end of the reporting period 31.12.2017</b>	<b>946</b>

Main adjustments of the RWA flow statements as at the reporting day as well as key drivers will be described as follows as required by EBA/GL/2016/11.

The effect on net assets is defined by the reduction of the wind down portfolio and the expiration of transactions. Details on the business

performance are set out in “Economic Report” in the HSH Nordbank Annual Report.

With regard to the asset quality the RWA reduction results from the improved average PD and LGD as well as from the reduction of the average maturity of non-default transactions. Due to the adjusted LGD values the asset quality does also include adjusted collaterals as well as the valuation of collaterals. Apart from that, there are also € 458 million resulting from RWA reduction due to higher expected loss. This amount is caused by defaulted transactions within the portfolio transaction and consequently by the lower risk weight according to Article 153 (a) point (ii) CRR.

The following model adjustments are relevant for the fourth quarter of 2017: There were adjustments for the CCF parameters within the CCF-maintenance of 2017 referring to the off-balance part of the RWA (RWA adjustments – 0.3 %) as well as adjustments with regard to the maintenance of the rating processes “Ship Finance” (increase of PD 52 %), “Sparkassen-StandardRating” (increase of PD 3.5 %), “Leveraged Finance” (increase of PD 8.4 %) and “SPC Real Estate Leasing” (PD adjustments -0.83 %). CCF maintenance adjustments have a one-time-impact on the bank’s portfolio whereas methodological adjustments are based on maintenance projects on rating processes that aims to assess the effects over the period of three quarters. Therefore, after each 1/3 quarter actual adjustments taking effects are distributed.

There were no regulatory adjustments with regard to the RWA flow statement in the reporting period as well as any further acquisitions and disposals of equity holdings that are relevant within this context.

The exchange rate effect mainly results from the falling USD rate (1.1806 EUR/USD to 1.1993 EUR/USD). The position “other” includes exposure changing from the Standard-Approach to the advanced IRB-Approach (and vice versa) due to adjusted rating conditions.

#### 8.5.8. SIMPLE RISK WEIGHT APPROACH

The IRB Approach always calculates the risk weights using parameters assessed internally. The IRBA exposure class Equity exposure and IRBA Special Financing positions are exceptions. In these cases it is possible to determine risk weight using the “simple risk weight” methodology. Risk weighting is set by the supervisory authorities depending on fixed criteria. However, HSH Nordbank currently only partially uses the simple risk weight approach for equity exposures. Depending on whether the equity exposure is not quoted on the stock exchange but is diversified sufficiently, or represents a quoted or another equity exposure, a risk weight of 190 %, 290 % and/or 370 % in accordance with Article 155 (2) CRR is allocated.

Table CR10 shows quantitative information concerning equity holdings according to Article 438 (2) CRR in conjunction with note 70 of EBA/GL/2016/11 for which the simple risk weight method is used. Significant equity holdings in a financial sector entity receive a risk weight of 250 % subject to Article 155 (1) CRR in conjunction with Article 48 (4) CRR. These exposures are not disclosed in Table CR10.

There is no information concerning specialised lending in this table as HSH Nordbank does not calculate the exposures under the requirements of Article 153 (5) CRR.

[TAB. 59] CR10: IRB EQUITIES UNDER THE SIMPLE RISK WEIGHT METHOD IN € M

Categories	On-balance - sheet amount	Off-balance- sheet amount	Risk weight	Exposure amount	RWAs	Capital requirements
Private equity exposures	39	-	190%	39	74	6
Exchange-traded equity exposures	12	-	290%	12	35	3
other equity exposures	1	1	370%	2	6	1
<b>Total</b>	<b>52</b>	<b>1</b>		<b>53</b>	<b>115</b>	<b>9</b>

## 8.6. IRB BACKTESTING

Information with regard to backtesting of IRB model parameters are disclosed according to Article 452 point (i) CCR in conjunction with notes 110 and 111 of EBA/GL/2016/11. The probability of default (PD) is given in Table CR9 with regard to EBA/GL/2016/11. Other parameters are given within the bank specific tables HSH-LGD, HSH-CCF and HSH-EL.

The data basis for the table in this section differs as from methodological reason from other tables within Section 8. Firstly, in addition to credit risk this table considers also counterparty credit risk. A limitation to credit risk is not appropriate as the backtesting of the IRB model parameters is based on a customer level that is independent of the type of concluded transactions. Secondly, the backtesting process also considers transactions of customers that are fully or partly securitised under Horizon or Sunrise. This prevents model parameters from being distorted by securitisation effects. Therefore, the actual losses that are used in the backtesting do not comply with the carrying value amounts and neither to the exposure amounts used for regulatory purposes as they might probably be compensated by securitisation- and guarantee effects.

The values considering the actual LGD are cumulative and cover all defaults from 1990 to the time that they are concluded. Non-defaults are not considered. The relation of the losses resulting from defaulted

customers to the outstanding amount at the report date is shown. Thereby, the actual loss of the bank is assessed (final depreciation amount on completion of the processing). All revenues which have been flowed to the bank by this point are considered.

Actual losses are calculated similar to the actual LGD. Hereby, defaults that are not concluded and might already have accumulated losses are not considered. In contrary to the calculation of LGD the actual loss is based on defaults that occurred over a three year period. Therefore, the actual losses from 2013 to 2015, 2014 to 2016 and 2015 to 2017 are shown. As the backtesting is based on this three year window, a comparison to accounting losses based on the reporting period is not possible.

The significance for the comparative values that are disclosed is limited due to different reporting periods for the estimated losses (actual year) compared to the actual losses (year of default = year of completing the processing). The actual losses that are shown are however periodically included within the recalibration of the IRB parameters. The same applies to the estimated and actual LGD.

Since 1990 the actual CCF are also cumulatively assessed. In contrast to LGD and losses, the CCF is assessed on the basis of the year of default and open credit lines one year before default and open credit lines at default as there is no methodological reason to wait for the end of the processing.

**[TAB. 60] CR9: IRB APPROACH – BACKTESTING OF PD PER EXPOSURE CLASS**

a	b	d	e	f	f	g	h	i
Exposure class	PD range	Weighted average PD	Arithmetic average PD by obligors	Number of obligors End of previous year	Number of obligors End of the year	Defaulted obligors in the year	Of which new obligors	Average historical annual default rate
Central governments or central banks	0,00 to < 0,15	0.0	0.0	31	28	-	-	-
	0,15 to < 0,25	0.2	0.2	1	-	-	-	-
	0,25 to < 0,50	0.3	0.3	2	2	-	-	-
	0,50 to < 0,75	0.6	0.6	1	2	-	-	-
	0,75 to < 2,50	0.9	1.3	5	3	-	-	-
	2,50 to < 10,00	6.7	6.7	1	-	-	-	-
	10,00 to < 100,00	-	-	-	-	1	-	-
<b>Subtotal</b>		<b>0.0</b>	<b>0.4</b>	<b>41</b>	<b>36</b>	<b>-</b>	<b>-</b>	<b>0.5</b>
Institutions	0,00 to < 0,15	0.1	0.1	112	113	-	-	-
	0,15 to < 0,25	0.2	0.2	14	7	-	-	-
	0,25 to < 0,50	0.3	0.3	11	10	-	-	-
	0,50 to < 0,75	0.6	0.6	7	5	-	-	-
	0,75 to < 2,50	1.4	1.1	12	12	-	-	-
	2,50 to < 10,00	-	-	-	-	-	-	-
10,00 to < 100,00	-	-	-	-	1	-	-	-
<b>Subtotal</b>		<b>0.1</b>	<b>0.2</b>	<b>152</b>	<b>143</b>	<b>-</b>	<b>-</b>	<b>-</b>
Corporates - Specialised lending	0,00 to < 0,15	0.1	0.1	312	292	-	-	-
	0,15 to < 0,25	0.2	0.2	104	97	1	-	0.6
	0,25 to < 0,50	0.3	0.3	229	217	1	-	0.5
	0,50 to < 0,75	0.6	0.6	116	123	1	-	0.5
	0,75 to < 2,50	1.3	1.3	257	248	4	-	1.9
	2,50 to < 10,00	4.5	4.5	75	58	8	-	11.3
	10,00 to < 100,00	16.3	16.9	172	65	57	4	27.9
<b>Subtotal</b>		<b>2.6</b>	<b>3.0</b>	<b>1,265</b>	<b>1,099</b>	<b>72</b>	<b>4</b>	<b>4.1</b>
Corporates - SME	0,00 to < 0,15	0.1	0.1	15	8	-	-	-
	0,15 to < 0,25	0.2	0.2	12	17	-	-	-
	0,25 to < 0,50	0.4	0.3	50	38	-	-	-
	0,50 to < 0,75	0.6	0.6	30	21	-	-	0.8
	0,75 to < 2,50	1.3	1.4	75	61	2	1	0.6
	2,50 to < 10,00	4.8	4.7	17	13	3	-	4.2
	10,00 to < 100,00	16.9	15.7	15	10	4	1	16.0
<b>Subtotal</b>		<b>4.2</b>	<b>2.1</b>	<b>214</b>	<b>168</b>	<b>9</b>	<b>2</b>	<b>1.6</b>
Corporates - Other	0,00 to < 0,15	0.1	0.1	147	151	-	-	-
	0,15 to < 0,25	0.2	0.2	96	85	2	-	0.5
	0,25 to < 0,50	0.3	0.3	186	165	2	1	0.5
	0,50 to < 0,75	0.6	0.6	66	59	1	-	0.6
	0,75 to < 2,50	1.3	1.3	131	125	5	-	1.6
	2,50 to < 10,00	4.3	4.3	48	46	2	-	1.7
	10,00 to < 100,00	12.6	14.8	25	17	4	1	8.8
<b>Subtotal</b>		<b>1.1</b>	<b>1.3</b>	<b>696</b>	<b>645</b>	<b>15</b>	<b>1</b>	<b>1.2</b>



Equities acc. to art. 155 (3) CRR	0,00 to < 0,15	-	-	-	-	-	-	-
	0,15 to < 0,25	-	-	-	-	-	-	-
	0,25 to < 0,50	-	-	-	-	-	-	-
	0,50 to < 0,75	-	-	-	-	-	-	-
	0,75 to < 2,50	1.3	1.3	3	3	-	-	-
	2,50 to < 10,00	4.4	3.5	3	3	-	-	7.7
	10,00 to < 100,00	20.0	20.0	3	-	2	-	27.3
	<b>Subtotal</b>	<b>1.7</b>	<b>8.2</b>	<b>9</b>	<b>6</b>	<b>2</b>	<b>-</b>	<b>7.1</b>

External rating equivalents are not disclosed in Table CR9 (column c master scale to the external assessment of creditworthiness of HSH EBA-template) as HSH Nordbank does not estimate the PD on the Nordbank. basis of Article 180 (1) point (f) CRR. Table 53 compares the rating

**[TAB. 61] LGD: IRB-APPROACH - BACKTESTING OF LGD PER EXPOSURE CLASS**

Exposure class	2017				
	Actual LGD in % by 31.12.2017	Estimated LGD in % as of 31.12.2016		Number of obligors as of 31.12.2016	
	Defaulted	Defaulted obligors	Non-defaulted obligors	Defaulted obligors	Non-defaulted obligors
Central governments or central banks	33.4	73.9	23.2	2	41
Institutions	51.5	-	17.9	0	152
Corporates - Specialised lending	18.4	42.6	27.7	457	1,265
Corporates - SME	16.1	53.3	36.9	42	214
Corporates - Other	23.8	45.7	35.2	85	696
<b>Total</b>	<b>20.3</b>	<b>43.4</b>	<b>27.2</b>	<b>586</b>	<b>2,368</b>

Exposure class	2016				
	Actual LGD in % by 31.12.2016	Estimated LGD in % as of 31.12.2015		Number of obligors as of 31.12.2015	
	Defaulted	Defaulted obligors	Non-defaulted obligors	Defaulted obligors	Non-defaulted obligors
Central governments or central banks	33.4	73.8	23.7	2	45
Institutions	53.0	100.0	19.5	2	183
Corporates - Specialised lending	16.9	42.2	26.6	535	1,447
Corporates - SME	11.9	51.0	29.8	44	202
Corporates - Other	23.3	42.6	31.3	106	783
<b>Total</b>	<b>19.0</b>	<b>42.5</b>	<b>26.2</b>	<b>689</b>	<b>2,660</b>

Exposure class	2015				
	Actual LGD in % by 31.12.2015	Estimated LGD in % as of 31.12.2014		Number of obligors as of 31.12.2014	
	Defaulted	Defaulted obligors	Non-defaulted obligors	Defaulted obligors	Non-defaulted obligors
Central governments or central banks	33.4	81.2	27.3	2	48
Institutions	59.7	37.3	23.8	4	218
Corporates - Specialised lending	13.0	41.8	23.4	218	766
Corporates - SME	5.2	41.5	28.7	527	1,090
Corporates - Other	23.4	43.5	33.3	129	843
<b>Total</b>	<b>16.5</b>	<b>41.9</b>	<b>27.7</b>	<b>877</b>	<b>2,955</b>

[TAB. 62] CCF: IRB-APPROACH – BACKTESTING OF CCF PER EXPOSURE CLASS

Exposure class	2017				
	Actual CCF in % by 31.12.2017	Estimated CCF in % as of 31.12.2016		Number of obligors as of 31.12.2016	
	Defaulted	Defaulted obligors	Non-defaulted obligors	Defaulted obligors	Non-defaulted obligors
Central governments or central banks	-	100.0	98.9	2	41
Institutions	-	-	38.7	0	152
Corporates - Specialised lending	23.3	41.7	42.2	457	1,265
Corporates - SME	40.2	73.9	48.6	42	214
Corporates - Other	11.3	66.4	48.4	85	696
<b>Total</b>	<b>20.3</b>	<b>51.9</b>	<b>45.5</b>	<b>586</b>	<b>2,368</b>

Exposure class	2016				
	Actual CCF in % by 31.12.2016	Estimated CCF in % as of 31.12.2015		Number of obligors as of 31.12.2015	
	Defaulted	Defaulted obligors	Non-defaulted obligors	Defaulted obligors	Non-defaulted obligors
Central governments or central banks	-	100.0	99.7	2	45
Institutions	-	-	44.5	2	183
Corporates - Specialised lending	23.4	44.0	42.8	535	1,447
Corporates - SME	40.2	73.6	43.2	44	202
Corporates - Other	11.3	52.2	49.1	106	783
<b>Total</b>	<b>20.3</b>	<b>60.0</b>	<b>47.5</b>	<b>689</b>	<b>2,660</b>

Exposure class	2015				
	Actual CCF in % by 31.12.2015	Estimated CCF in % as of 31.12.2014		Number of obligors as of 31.12.2014	
	Defaulted	Defaulted obligors	Non-defaulted obligors	Defaulted obligors	Non-defaulted obligors
Central governments or central banks	-	100.0	95.6	2	48
Institutions	-	-	65.5	4	218
Corporates - Specialised lending	23.0	44.3	36.9	218	766
Corporates - SME	40.2	58.4	45.7	527	1,090
Corporates - Other	11.4	41.0	40.6	129	843
<b>Total</b>	<b>20.1</b>	<b>52.6</b>	<b>48.6</b>	<b>877</b>	<b>2,955</b>

**[TAB. 63] HSH-EL: IRB-APPROACH – BACKTESTING OF EXPECTED LOSS (EL) PER EXPOSURE CLASS**

Exposure class	2017				
	Actual Loss in € M by 31.12.2017	Estimated Loss (EL) in € m as of 31.12.2016		Number of obligors as of 31.12.2016	
	Defaulted	Defaulted obligors	Non-defaulted obligors	Defaulted obligors	Non-defaulted obligors
Central governments or central banks	-	1	3	2	41
Institutions	80	-	1	-	152
Corporates - Specialised lending	2,965	4,400	186	457	1,265
Corporates - SME	217	172	18	42	214
Corporates - Other	594	824	63	85	696
<b>Total</b>	<b>3,860</b>	<b>5,397</b>	<b>272</b>	<b>586</b>	<b>2,368</b>

Exposure class	2016				
	Actual Loss in € M by 31.12.2016	Estimated Loss (EL) in € m as of 31.12.2015		Number of obligors as of 31.12.2015	
	Defaulted	Defaulted obligors	Non-defaulted obligors	Defaulted obligors	Non-defaulted obligors
Central governments or central banks	-	2	4	2	45
Institutions	142	13	3	2	183
Corporates - Specialised lending	2,643	5,660	191	535	1,447
Corporates - SME	184	175	5	44	202
Corporates - Other	372	816	72	106	783
<b>Total</b>	<b>3,342</b>	<b>6,665</b>	<b>275</b>	<b>689</b>	<b>2,660</b>

Exposure class	2015				
	Actual Loss in € M by 31.12.2015	Estimated Loss (EL) in € m as of 31.12.2014		Number of obligors as of 31.12.2014	
	Defaulted	Defaulted obligors	Non-defaulted obligors	Defaulted obligors	Non-defaulted obligors
Central governments or central banks	-	7	5	2	48
Institutions	106	5	3	4	218
Corporates - Specialised lending	1,327	2,726	88	218	766
Corporates - SME	11	3,081	159	527	1,090
Corporates - Other	419	862	83	129	843
<b>Total</b>	<b>1,864</b>	<b>6,681</b>	<b>338</b>	<b>877</b>	<b>2,955</b>

## 9. COUNTERPARTY CREDIT RISK

Counterparty credit risk (CCR) arises from the business activities in derivatives and securities financing transactions (SFT). The counterparty credit risk describes the risk that the counterparty to a transaction may default before completing the satisfactory settlement of the transaction and therefore causes replacement risk.

The following details considering counterparty credit risk are identical for the sub-group and holding. Securitizations are not considered within the following description for counterparty credit risk as securitizations are addressed separately in Section 10.

### 9.1. QUALITATIVE DISCLOSURE FOR COUNTERPARTY CREDIT RISK

Qualitative information related to counterparty credit risk (CCR) should be disclosed in accordance with Article 435 paragraph 1 point a CRR and Article 439 points (a) to (d) in conjunction with note 53 of EBA/GL/2016/11. Additionally, all necessary information of points (a) to (e) in table CCRA in EBA/GL/2016/11 will be described within the following.

#### 9.1.1. METHODOLOGY UNDER WHICH INTERNAL CAPITAL AND CEILINGS FOR COUNTERPARTY CREDIT RISK EXPOSURES ARE ASSIGNED

The usual credit approval procedures must be complied with when creating counterparty credit risk exposures within the meaning of Part 3 Title II Chapter 6 CRR. The risk classification, limitation and monitoring processes of the classic lending business apply accordingly. Information, which complies with the requirements as defined in Article 435 paragraph 1 CRR, is set out in the Group Management Report (Risk Report) in HSH Nordbank's Annual Report, supplemented by the daily monitoring of derivative/issuer exposures in accordance with MaRisk requirements. As part of the monitoring of trading lines the potential future exposure on currency, interest rate and commodity derivatives is recalculated daily for each customer on the basis of a 95%-quantile and compared to the respective trading limit. The eligible sums for counterparty credit risk exposures are included in the Bank-wide economic management, capital allocation and limitation together with the other exposures subject to credit risk.

#### 9.1.2. RULES FOR SECURING COLLATERAL AND ESTABLISHING CREDIT RESERVES

In connection with counterparty credit risk exposures HSH Nordbank uses the rules described below for securing collateral and establishing credit reserves in accordance with Article 439 point (b) CRR.

##### Policies for securing collateral

Derivative transactions for hedging interest rate, foreign exchange and other similar risks are generally concluded with single counterparties and governed by OTC master agreements, namely either the German Master Agreement for Financial Derivate Transactions or the interna-

tional Master Agreement of the International Swaps and Derivatives Association (ISDA) in the 1992 or 2002 versions respectively.

In addition, collateral agreements supplementing a number of master agreements were concluded, mostly with banks in Germany and abroad, but also with non-banks in individual instances. This involves the Credit Support Annex to the German Master Agreement and to the ISDA Master Agreement.

Since 1<sup>st</sup> March 2017, financial counterparts and non-financial counterparts above the clearing threshold are obligated to collateralise new businesses in accordance with the framework under the EMIR-Regulation. HSH Nordbank has adopted all relevant trade contracts with the financial counterparts and non-financial counterparts above the clearing threshold and therefore remains tradable.

The following information applies equally to both Master Agreement types and the associated collateral agreements.

The collateral agreements include agreements on thresholds which are unsecured, eligible collateral, other collateral arrangements and the scope of the collateral agreement. Agreed collateral is generally cash, plus in several cases as an exception interest-bearing securities from G10 nations or other EU Member States with good ratings, which may be received or delivered through margining usually on a daily basis.

The cash collateral agreed consists of amounts in a convertible and freely transferable currency (normally Euro or US Dollar).

The Master Agreements and the collateral agreements are entered in the Legal Database Information System (LeDIS). Thereby, a daily review is conducted for each individual derivative transaction as to eligibility for netting under supervisory law, the inclusion in a collateral agreement as well as the legal basis for use as collateral as to each individual derivative transaction.

For central clearing of OTC derivatives HSH Nordbank has joined the London Clearing House (LCH). A Client-clearing-procedure is used via three renowned client-broker. Moreover, HSH Nordbank has been authorised as a registered customer for the clearing of exchange-traded derivatives on EUREX.

##### Policies for value adjustments for counterparty credit risks

HSH Nordbank uses the mark-to-market method for determining counterparty credit risk in accordance with Article 274 CRR. With regard to securities financing transactions (SFT) a comprehensive method is used which considers financial securities in accordance with article 223 CRR.

Derivative financial instruments are accounted for and measured in accordance with the IFRS rules. More detailed information on the

recognition and measurement inclusive value adjustments for counterparty credit risk is set out in the Group Financial Statements (Group explanatory notes, Note 7 "Accounting Policies") in HSH Nordbank's Annual Report.

### 9.1.3. POLICIES WITH RESPECT TO WRONG-WAY RISK

Methods based on internal models pursuant to Articles 276 to 282 CRR are not used. Thus, no information according to Article 439 points c and i CRR regarding Wrong-Way risk pursuant to Article 291 CRR and/or the estimate for value a pursuant to Article 284 CRR is disclosed.

### 9.1.4. CHANGES IN THE AMOUNT OF COLLATERAL GIVEN A DOWNGRADE IN THE CREDIT RATING

The collateral agreements to these Master Agreements occasionally include individual clauses which could require the HSH Nordbank to supply collateral or additional collateral in the event that one of the external ratings of the Bank is downgraded. As at the reporting date, a ratings downgrade of one notch by the rating agencies Moody's

and/or Fitch would result in additional collateral of € 25 million to be disclosed in accordance with Article 439 point (d) CRR which would not materially affect HSH Nordbank's risk bearing capacity.

## 9.2. QUANTITATIVE DISCLOSURE FOR COUNTERPARTY CREDIT RISK

### 9.2.1. PARAMETERS FOR THE EXPOSURE VALUE

Parameters for the exposure to counterparty credit risk based on the approach used are given in table CCR1 according to Article 439 point e and f CRR in conjunction with note 114 of EBA/GL/2016/11.

According to Article 274 CRR, HSH Nordbank only uses the mark-to-market method associated with all derivative transactions. For all securities financing transactions (SFT) a comprehensive method is used which considers financial securities in accordance with Article 223 CRR. Therefore, lines 2 to 8 and 10 of table CCR1 remain empty. Additionally, columns a, d and e also remain empty and should not be filled with accordance to EBA guidelines regarding this method. Pursuant to EBA guidelines, exposures to a central counterparty are not considered in table CCR1.

[TAB. 64] CCR1: ANALYSIS OF CCR EXPOSURE BY APPROACH IN € M

	a	b	c	d	e	f	g
	Notional	Replacement cost/current market value	Potential future credit exposure	EEPE	Multiplier	EAD post CRM	RWAs
1 Mark to market		1,839	786			2,625	1,003
2 Original exposure	-					-	-
3 Standardised approach		-			-	-	-
4 IMM (for derivatives and SFTs)				-	-	-	-
5 Of which securities financing transactions				-	-	-	-
6 Of which derivatives and long settlement transactions				-	-	-	-
7 Of which from contractual cross-product netting				-	-	-	-
8 Financial collateral simple method (for SFTs)						-	-
9 Financial collateral comprehensive method (for SFTs)						553	42
10 VaR for SFTs						-	-
<b>11 Total</b>							<b>1,045</b>

Information concerning capital requirements due to the CVA capital charge is given in table CCR2 according to Article 439 point e and f CRR in conjunction with note 115 in EBA/GL/2016.

HSH Nordbank solely uses the standardised method for determining these capital requirements. Thus, lines 1 to 3 and EU4 in table CCR2 are not filled.

**[TAB. 65] CCR2: CVA CAPITAL CHARGE IN € M**

		a	b
		Exposure value	RWAs
1	Total portfolios subject to the advanced method	-	-
2	(i) VaR component (including the 3x multiplier)	-	-
3	(ii) SVaR component (including the 3x multiplier)	-	-
4	All portfolios subject to the standardised method	613	268
EU4	Based on the original exposure method	-	-
<b>5</b>	<b>Total subject to the CVA capital charge</b>	<b>613</b>	<b>268</b>

Information concerning counterparty credit risk calculated under the Standardised Approach is given in table CCR3 pursuant to Article 444 point e CRR in conjunction with note 117 in EBA/GL/2016/11. For credit risk, there is a comparable presentation shown in Table CR5.

**[TAB. 66] CCR3: STANDARDISED APPROACH – CCR EXPOSURES BY REGULATORY PORTFOLIO AND RISK IN € M**

Exposure class	Risk weight											Total	of which unrated	
	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others			
Central governments or central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Regional government or local authorities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public sector entities	-	-	-	-	0	-	-	-	-	-	-	-	0	0
Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Institutions	-	549	-	-	48	-	-	-	-	-	-	-	597	597
Corporates	-	-	-	-	-	-	-	-	53	-	-	-	53	53
Retail	-	-	-	-	-	-	-	1	-	-	-	-	1	1
Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other items	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>549</b>	<b>-</b>	<b>-</b>	<b>48</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>53</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>651</b>	<b>651</b>

Information concerning counterparty credit risk, which is calculated using the IRB approach, is given in table CCR4 in accordance with Article 452 point e CRR in conjunction with note 118 of EBA/GL/2016/11. Thereby, the exposure to central counterparties is not listed. For credit risk, there is a comparable presentation shown in Table CR6.

There will be no further and supplementary description for geographical locations for counterparty credit risk according to Article 452 point j and i CRR as more than 99% of the counterparty credit risk is held nationally.

[TAB. 67] CCR4: IRB APPROACH – CCR EXPOSURES BY PORTFOLIO AN PD SCALE IN € M

Exposure class	PD scale	a	b	c	d	e	f	g
		EAD post CRM	Ø PD in %	Number of obligors	Ø LGD in %	Ø Maturity in years	RWA	RWA density in %
<b>Central governments or central banks</b>								
	0,00 to < 0,15	89	0.0	7	22.0	4.0	0	0.0
	0,15 to < 0,25	-	-	-	-	-	-	-
	0,25 to < 0,50	-	-	-	-	-	-	-
	0,50 to < 0,75	-	-	-	-	-	-	-
	0,75 to < 2,50	-	-	-	-	-	-	-
	2,50 to < 10,00	-	-	-	-	-	-	-
	10,00 to < 100,00	-	-	-	-	-	-	-
	100,00 (Default)	-	-	-	-	-	-	-
	<b>Subtotal</b>	<b>89</b>	<b>0.0</b>	<b>7</b>	<b>22.0</b>	<b>4.0</b>	<b>0</b>	<b>0.0</b>
<b>Institutions</b>								
	0,00 to < 0,15	1,085	0.1	78	18.4	2.4	164	15.1
	0,15 to < 0,25	0	0.2	1	41.7	1.0	0	26.5
	0,25 to < 0,50	10	0.3	3	39.8	4.0	8	82.0
	0,50 to < 0,75	0	0.0	1	0.0	0.0	0	0.0
	0,75 to < 2,50	2	1.3	3	43.5	4.6	3	129.9
	2,50 to < 10,00	-	-	-	-	-	-	-
	10,00 to < 100,00	-	-	-	-	-	-	-
	100,00 (Default)	-	-	-	-	-	-	-
	<b>Subtotal</b>	<b>1,097</b>	<b>0.1</b>	<b>86</b>	<b>18.6</b>	<b>2.4</b>	<b>174</b>	<b>15.9</b>
<b>Corporates - Specialised lending</b>								
	0,00 to < 0,15	293	0.1	143	53.0	2.6	99	33.9
	0,15 to < 0,25	16	0.2	39	50.5	2.9	7	45.6
	0,25 to < 0,50	126	0.4	87	51.5	3.4	100	79.3
	0,50 to < 0,75	42	0.6	49	63.2	2.6	40	95.3
	0,75 to < 2,50	215	1.7	102	24.1	4.4	120	55.8
	2,50 to < 10,00	20	4.8	33	56.0	2.5	29	149.9
	10,00 to < 100,00	168	11.8	46	18.7	4.6	146	86.6
	100,00 (Default)	55	100.0	138	14.7	4.7	29	53.6
	<b>Subtotal</b>	<b>934</b>	<b>8.6</b>	<b>637</b>	<b>38.2</b>	<b>3.6</b>	<b>571</b>	<b>61.1</b>
<b>Corporates - SME</b>								
	0,00 to < 0,15	1	0.1	6	37.2	2.5	0	20.5
	0,15 to < 0,25	1	0.2	6	61.3	2.7	1	58.5
	0,25 to < 0,50	19	0.4	21	40.6	2.5	10	55.5
	0,50 to < 0,75	1	0.6	8	29.1	2.5	0	43.2
	0,75 to < 2,50	8	1.5	37	39.6	2.5	6	73.2
	2,50 to < 10,00	2	4.3	7	61.3	2.5	4	196.9
	10,00 to < 100,00	0	0.0	6	0.0	0.0	0	0.0
	100,00 (Default)	2	100.0	16	52.4	2.5	1	57.9
	<b>Subtotal</b>	<b>34</b>	<b>5.3</b>	<b>107</b>	<b>42.5</b>	<b>2.5</b>	<b>22</b>	<b>65.8</b>



Exposure class	PD scale	a	b	c	d	e	f	g
		EAD post CRM	Ø PD in %	Number of obligors	Ø LGD in %	Ø Maturity in years	RWA	RWA density in %
<b>Corporates - Other</b>								
	0,00 to < 0,15	217	0.1	77	27.1	3.6	49	22.6
	0,15 to < 0,25	19	0.2	44	47.5	3.7	11	55.0
	0,25 to < 0,50	67	0.3	112	48.4	3.1	47	70.2
	0,50 to < 0,75	17	0.6	29	28.1	3.4	8	45.6
	0,75 to < 2,50	47	1.9	63	46.9	4.1	67	144.4
	2,50 to < 10,00	5	3.8	17	58.0	2.2	9	193.0
	10,00 to < 100,00	2	12.0	10	55.3	3.5	5	278.2
	100,00 (Default)	14	100.0	17	13.3	2.0	8	57.5
	<b>Subtotal</b>	<b>387</b>	<b>4.2</b>	<b>369</b>	<b>34.2</b>	<b>3.5</b>	<b>204</b>	<b>52.7</b>
<b>Retail</b>								
		-	-	-	-	-	-	-
<b>Equities acc. to art. 155 (3) CRR</b>								
	0,00 to < 0,15	-	-	-	-	-	-	-
	0,15 to < 0,25	-	-	-	-	-	-	-
	0,25 to < 0,50	-	-	-	-	-	-	-
	0,50 to < 0,75	-	-	-	-	-	-	-
	0,75 to < 2,50	-	-	-	-	-	-	-
	2,50 to < 10,00	-	-	-	-	-	-	-
	10,00 to < 100,00	-	-	-	-	-	-	-
	100,00 (Default)	-	-	-	-	-	-	-
	<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Equities acc. to art. 155 (2) CRR</b>								
		-	-	-	-	-	-	-
<b>Equities acc. to art. 155 (4) CRR</b>								
		-	-	-	-	-	-	-
<b>Other non credit-obligation assets</b>								
		-	-	-	-	-	-	-
	<b>Total</b>	<b>2,540</b>	<b>3.9</b>	<b>1,206</b>	<b>28.6</b>	<b>3.1</b>	<b>971</b>	<b>38.2</b>

## 9.2.2. GROSS POSITIVE FAIR VALUE AND NET CREDIT EXPOSURES

The extent to which HSH Nordbank is involved in different contract types and to what extent netting is used is set out in tables CCR5-A and CCR5-B in accordance with Article 439 point e CRR in conjunction with note 120 to 122 in EBA/GL/2016/11. Eligible collateral and

net default exposures are also disclosed. Only collaterals eligible in the Standard Approach for credit risk directly reduces the exposure values, whereas under the Advanced IRB Approach collaterals are incorporated in the determination of LGD (see also Section 8.2). Derivatives in connection with securitizations are not shown in the following table as they are described separately in Section 10.

**[TAB. 68] CCR5-A: IMPACT OF NETTING AND COLLATERAL HELD ON EXPOSURE VALUES IN € M**

		a	b	c	d	e
		Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
1	Derivatives	4,718	- 2,737	1,981	897	1,085
2	SFTs	3,304	-	3,304	3,146	158
3	Cross-product selling	-	-	-	-	-
<b>4</b>	<b>Total</b>	<b>8,023</b>	<b>- 2,737</b>	<b>5,285</b>	<b>4,043</b>	<b>1,243</b>

**[TAB. 69] CCR5-B: COMPOSITION OF COLLATERAL FOR EXPOSURES TO CCR IN € M**

	a		b		c		d		e		f	
	Collateral used in derivative transactions						Collateral used in SFTs					
	Fair value of collateral received				Fair value of posted collateral				Fair value of collateral received		Fair value of posted collateral	
	Segregated		Unsegregated		Segregated		Unsegregated					
Cash - Euro	-	1	-	1,997	-	-	2,000	750				
Cash - other than Euro	-	391	-	0	-	-	406	-				
Securities	-	7	-	-	-	-	741	2,554				
Real estate	-	360	-	-	-	-	-	-				
Receivables	-	7	-	-	-	-	-	-				
Guarantees	-	52	-	-	-	-	-	-				
Other collaterals	-	79	-	-	-	-	-	-				
<b>Total</b>	<b>-</b>	<b>897</b>	<b>-</b>	<b>1,997</b>	<b>-</b>	<b>-</b>	<b>3,146</b>	<b>3,304</b>				

### 9.2.3. CREDIT DERIVATIVES

HSH Nordbank discloses the use of credit derivatives in accordance with Article 439 points (g) and (h) CRR in conjunction with note 123 of EBA/GL/2016/11 in table CCR6.

Collateralisation for the purpose of credit risk reduction only occurs with cash collaterals resulting from Credit Linked Notes. According to Article 218 CRR collaterals resulting from credit linked notes are not treated as credit derivatives but as cash collaterals. Therefore, the

nominal amount of the hedging with credit derivatives remains unchanged at zero and all credit derivatives are disclosed in column c1 and c2 (other credit derivatives). Accordingly, beyond the product differentiation of EBA/GL/2016/11 there is no further breakdown by types of default risk exposures with regard to Article 439 point g CRR.

With regard to credit derivatives HSH Nordbank acts both as a collateral taker (buyer) and a collateral giver (seller). Furthermore, there are still no brokerage transactions as at the reporting date.

**[TAB. 70] CCR6: CREDIT DERIVATIVES EXPOSURES IN € M**

	a		b		c1		c2	
	Credit derivative hedges				Other credit derivatives			
	Protection bought		Protection sold		Protection bought		Protection sold	
<b>Notionals</b>								
Single-name credit default swaps	-	-	-	-	46	-	58	-
Index credit default swaps	-	-	-	-	-	-	-	-
Total return swaps	-	-	-	-	-	-	-	-
Credit options	-	-	-	-	-	-	-	-
Other credit derivatives	-	-	-	-	-	-	-	-
<b>Total notionals</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>46</b>	<b>-</b>	<b>58</b>	<b>-</b>
<b>Fair values</b>								
Positive fair value (asset)	-	-	-	-	11	-	1	-
Negative fair value (liability)	-	-	-	-	0	-	-	-

Column c acc. to EBA/GL/2016/11 results from the sum of columns c1 + c2

### 9.2.4. CENTRAL COUNTERPARTIES

Beside the disclosure for counterparty credit risk which is shown in table CCR1 and table CCR2, supplementary information for central counterparty according to article 439 points e and f in conjunction

with note 116 of EBA/GL/2016/11 is disclosed in table CCR8. Hereby, only the direct engagement towards central counterparts is disclosed which means that transactions concluded by clearing members are not included.

[TAB. 71] CCR8 – EXPOSURES TO CCPS IN € M

	a	b
	EAD post CRM	RWA
<b>1 Exposures to QCCPs (total)</b>		<b>2</b>
2 Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	14	0
3 (i) OTC derivatives	-	-
4 (ii) Exchange-traded derivatives	2	0
5 (iii) SFTs	11	0
6 (iv) Netting sets where cross-product netting has been approved	-	-
7 Segregated initial margin	-	
8 Non-segregated initial margin	-	-
9 Prefunded default fund contributions	14	1
10 Alternative calculation of own funds requirements for exposures		-
<b>11 Exposures to non-QCCPs (total)</b>		<b>-</b>
12 Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-
13 (i) OTC derivatives	-	-
14 (ii) Exchange-traded derivatives	-	-
15 (iii) SFTs	-	-
16 (iv) Netting sets where cross-product netting has been approved	-	-
17 Segregated initial margin	-	
18 Non-segregated initial margin	-	-
19 Prefunded default fund contributions	-	-
20 Unfunded default fund contributions	-	-

## 10. SECURITISATIONS

### 10.1. TYPE AND EXTENT OF SECURITISATION ACTIVITIES AND RISKS INVOLVED

#### 10.1.1. OBJECTIVES, ROLLES AND EXTENT OF SECURITISATION ACTIVITIES

Securitisations are an important instrument for banks in refinancing, capital relief and risk management. Companies in the financial sector can act in different positions in a securitisation transaction, transferring credit risk themselves as originators, managing the portfolio to be securitised as sponsors in the function of servicers respectively managers, or acquiring securities from the securitisation as investors. HSH Nordbank is involved in various activities which have securitisation structures. In this process, HSH Nordbank can take on the roles of originator, investor and sponsor. Thereby, HSH Nordbank performs one or more of the three roles mentioned on a case-by-case basis.

Securitisation transactions in which HSH Nordbank acts as an originator are used for risk management as well as to obtain liquidity. Overall risk is managed through strategic sales of selected receivables (traditional or true sale securitisation) by eliminating or reducing cluster risk. Furthermore, HSH Nordbank in its role as an originator performs advisory and administrative functions amongst other things for the special purpose vehicles Carrera as well as tasks concerning the asset liability control in the function of a manager and also provides credit lines for this entity. In the reporting period the new securitisation of corporate loans named Horizon was completed. HSH Nordbank acts as originator in this transaction.

In addition, HSH Nordbank acted as an investor in securitisations sponsored by third parties by investing in tranches of securitisations issued by third parties (e.g. residential mortgage backed securities, commercial mortgage backed securities, collateralised debt obligations). As part of a strategic reorientation HSH Nordbank does not enter into any new transactions in this business field operated as credit substitution business only in exceptional cases.

HSH Nordbank assumes the role of sponsor in order to satisfy the demand for financing alternatives in the small- and medium-sized customer segment.

As part of its securitisation program HSH Nordbank takes the sponsor position for the special purpose vehicle, Smartfact. HSH Nordbank undertakes activities of an advisory and administrative nature in this connection and acts as an intermediary for the receivables purchased by Smartfact. Furthermore, HSH Nordbank supports the special purpose vehicle through the provision of funding required for the purchase by means of a credit line or bearer debenture respectively.

In calculating the exposure values in this chapter, credit risk minimisation techniques involving substitution are generally ignored. There-

fore the exposure values include the second loss piece of the Sunrise Transaction. After the deduction of losses as at 31<sup>st</sup> of December 2017 there remains an amount of € 5.9 billion of the initial € 10 billion second loss piece. Taking into account the at the reporting date not yet deducted losses the unutilised guarantee amounts to € 2.9 billion.

In the course of credit risk minimisation, the second loss piece as a financial guarantee is substituted in the IRBA exposure class Central governments. This guarantee is presented in Table 79.

The securitised portfolio in the Sunrise Transaction includes foreign currency positions with a share of around 52% in the total portfolio. This means that there is a mismatch in currencies between the guarantee in Euro and part of the hedged portfolio. The currency fluctuation factor is been applied to the entire Sunrise Transaction in accordance with Article 223 (1) sentence 2 CRR and the second loss piece is measured based on the nominal value of the guarantee. At the reporting date the Sunrise Transaction has an exposure value of € 15.3 billion. This is divided into the senior tranche (€ 11.9 billion) and the second loss piece (€ 2.9 billion). Furthermore HSH Nordbank separates a virtually existing sub-senior tranche of € 0.5 billion from the senior tranche as an option pursuant to Article 266 (1) and (3) CRR.

In the last quarter of 2016, largely for capital management reasons, HSH Nordbank AG securitised loan receivables from the Corporate Clients and Real Estate Clients areas accounting for a volume of € 3 billion in total. Further details are set out in the Group Financial Statements (Group explanatory notes, Note 3 "Provision of a guarantee facility") in HSH Nordbank's Annual.

Overall, the CRSA and IRBA exposure value of all securitisation positions retained or sold by HSH Nordbank (including Sunrise) as at the reporting date total € 15.5 billion. Receivables securitised where the Bank acts as originator account for the largest proportion at € 15.2 billion, whereas the share of receivables securitised where the Bank is the investor and sponsor amounts to € 0.3 billion, respectively.

HSH Nordbank held no securitisations in its trading book at the reporting date.

#### 10.1.2. TYPES AND EXTENT OF RISKS

##### Credit risk

HSH Nordbank's securitisation transactions are subject to the credit monitoring processes (in addition to market risk monitoring by Group Risk Management) with regard to their credit risks (change in performance and composition of the underlying transactions). By far the largest share of securitisation transactions are found within divestment portfolio of BU Treasury & Markets. The external service provider BlackRock, Inc ("BlackRock") supports the responsible business units in performing the credit analysis of the positions. BlackRock acts as the supplier for monitoring required documenta-

tion and models the intrinsic values of the individual positions. The documents made available by BlackRock are reviewed and subject to quality assurance in the subsequent process. Finally, decisions are made with respect to the completed monitoring forms on the basis of the dual control principle pursuant to loan competences which have been fixed and which have been published in the Credit Manual.

For purposes of calculating intrinsic values, the cash flow structure of the underlying assets is first modeled and then applied to the contractual payment system of the securitisation transactions. These values are calculated quarterly.

The process described for credit monitoring is likewise suitable for re-securitisations and securitisations, which is why no further differentiation is made. By means of regularly updating repayment cash flows and on-going loan monitoring, changes in value of the underlying receivables are generally reflected directly in the value of the securitisation positions.

### Market risk

HSH Nordbank's securitisation transactions are subject to market risk monitoring with regard to their interest rate risks (changes in interest rates and credit spreads) and foreign exchange risks. The same applies in the case of the small number of HSH Nordbank's own securitisations in the BU Treasury & Markets. The repayment structure of the securitisation transactions taking into account termination rights is first modeled for purposes of determining market risks. Interest rate and foreign exchange risks are then calculated using the same method applicable to all trading transactions after taking into account hedge transactions. The credit spread risks are determined on the basis of credit spread curves which are purchased from providers of market data and which are broken down by asset class, rating class and country.

The process described for market risk monitoring is likewise suitable for re-securitisations and securitisations, which is why no further differentiation is made. By means of regularly updating repayment cash flows and credit spread curves, changes in value of underlying receivables are generally reflected directly in the value of the securitisation positions to the extent there are no other hedge relationships.

### Liquidity risk

The following distinction is made for purposes of liquidity risk monitoring in relation to securitisations:

- Accounting-related liquidity risks may arise in the form of time lags (mismatch) between incoming and outgoing cash flows.
- Market-related liquidity risks may arise, for example in cases where issued bonds cannot be fully placed on the market or where price losses are realised on the liquidation of assets.

Accounting-related liquidity risks are avoided by coordinating the fixed / determinable payments over the course of the transactions. If

this cannot be accomplished (e.g. via short-term refinancing via asset backed commercial paper (ABCP) programs), the market-related liquidity risks are hedged via liquidity facilities.

### Risks due to the ranking of re-securitised receivables

The synthetic securitisation transaction Sunrise meets the requirements for classification as a re-securitisation as the reference portfolio underlying the transaction comprises some securitization transactions. The primary securitisation transactions underlying the Sunrise transaction mainly involve securitisations of corporate financings in Europe and the US, of student loans in the US and residential and commercial property in Europe and the US which are allocated to the divestment portfolio.

HSH Nordbank has invested primarily in senior and/or high-ranked tranches of securitisations. The underlying assets likewise consist primarily of senior loans.

For example, the student loans in the US are largely backed by government guarantee of at least 97%. In the case of the residential properties in the US, investments were made almost exclusively, and in the case of European residential properties a significant but not predominant share, in loans which are characterised by borrowers with low creditworthiness.

In addition, there are small re-securitisation portfolios including the first loss tranche of the Carrera transaction.

Furthermore, HSH Nordbank holds re-securitisation positions as an investor which is not secured under Sunrise.

## 10.2. RISK WEIGHTING AND ACCOUNTING OF SECURITISATION TRANSACTIONS

### Determination of risk-weighted exposure amounts for securitisation transactions

The methods to be used in calculating the regulatory capital for securitisation positions are stated in the CRR. Under the IRB securitisation rules, HSH Nordbank uses the ratings-based approach in accordance with Article 261 CRR, if credit assessments by external providers are available in the market. The Bank uses the external ratings from S&P, Moody's or Fitch. For securities positions which do not have an eligible external rating HSH Nordbank partially applies the alternative approaches established in (Article 253 CRR for CRSA securitisation positions and Article 259 (1) points (b) and (c) CRR for IRBA securitisation positions).

In accordance with Article 266 (3) CRR, there is the option for CRSA or IRBA securitisation positions for which a risk weight of 1,250% has been calculated of making a capital deduction or applying this risk weight to determine the total counterparty risk capital charge. In the context of the Sunrise Transaction this option is particularly im-

portant for the treatment of the first loss piece and calculating capital ratios. From 31<sup>st</sup> December 2016 on HSH Nordbank deducts the sub-senior tranche from CET1 in compliance with the option pursuant to Article 266 (3) CRR. An internal measurement approach for securitisations pursuant to Part 3 Title II Chapter 5 (3) CRR is currently not used by HSH Nordbank. Accordingly, no information is disclosed with regard to Article 449 point (l) CRR.

The Carrera transaction is a re-securitisation. A look through at the pool assets is carried out.

By the securitisation transactions named Castellum, no significant and effective transfer of risk under Article 243 CRR is achieved and there is consequently no reduction in capital requirements. A look-through to the pool assets was performed. The goal of the transactions is to generate liquidity.

**[TAB. 72] DETERMINATION OF RISK-WEIGHTED EXPOSURE FOR RECEIVABLES SECURITISED AS ORIGINATORS**

Securitisation activity	Type of securitisation	Approach	Procedure to determine the risk-weighted exposure amounts
Carrera (ABCP-Programme) <sup>1)</sup>	Traditional securitisation	IRBA	Ratings Based Method (Article 261 CRR)
Castellum	Traditional securitisation	IRBA	Backing of pool assets
Horizon	Synthetic securitisation	IRBA	Formula approach under supervisory law (Article 262 CRR)
Nausola <sup>2)</sup>	Synthetic securitisation	IRBA	Formula approach under supervisory law (Article 262 CRR)
Neptora <sup>2)</sup>	Synthetic securitisation	IRBA	Formula approach under supervisory law (Article 262 CRR)
Sunrise	Synthetic securitisation	IRBA	Formula approach under supervisory law (Article 262 CRR)

<sup>1)</sup> Fully hedged as part of the Sunrise transaction

<sup>2)</sup> Partly hedged as part of the Sunrise transaction

## Accounting methods for securitisation activities

### Accounting methods

Acquired securitisation positions which meet the definition of securities in the German Ordinance on the Accounting System for Banks (RechKredV) are recognised and measured in accordance with the standard methods for securities.

Primary receivables of HSH Nordbank which the Bank allocates to securitisations without a significant transfer of risk or with regard to which a transfer is made to Special Purpose Vehicles (SPV) still included in the consolidated financial statements, continue to be reported under the original exposure class. Assumption of risks by third parties is taken into account as collateral when calculating impairments. If the risk has not been transferred through securitisation or if the guarantee is impaired, the receivable is written down.

Receivables transferred under securitisations are shown as disposals in the balance sheet.

Sales proceed from reference assets (e.g. loans, promissory notes, securities) which are a component of a securitisation are accounted for corresponding to the balance sheet item of the reference asset. In this manner, sales proceeds are accounted for independent of their inclusion in a securitisation.

Financial backing for securitisation transactions is provided in the form of liquidity facilities or guarantees. In the event a draw down is likely, the risk is covered by creating a provision for contingent losses.

The following table illustrates the treatment under supervisory law and the corresponding accounting treatment with regard to a true sale disposal.

**[TAB. 73] ACCOUNTING POLICIES FOR RECEIVABLES SECURITISED AS ORIGINATORS**

Securitisation transaction	Treatment under supervisory law		Treatment under financial accounting
	True-Sale: Yes/No	Approach	True Sale Disposal: Yes/No
Carrera (ABCP programme) <sup>1)</sup>	-	IRBA	-
Castellum	Yes	-	No
Horizon	No	IRBA	-
Nausola <sup>2)</sup>	No	IRBA	-
Neptora <sup>2)</sup>	No	IRBA	-
Sunrise	No	IRBA	-

<sup>1)</sup> Fully hedged as part of the Sunrise transaction.

<sup>2)</sup> Partly hedged as part of the Sunrise transaction

### Valuation methods

The fair value of securitisation transactions booked to the Restructuring Unit is calculated at least on a monthly basis using market prices. However, because the securitisation portfolio is almost exclusively classified as “Loans and receivables,” amortised cost is used for accounting purposes whereas the fair value is merely used in general for purposes of the explanatory notes to the statement of financial position. In the event loan loss provision would be needed, write-downs are performed to the fair value of the securitisation.

Various market data providers and quotes from other market participants are used as sources of data. Models are used in cases where no valid market data is available. If price information is available from several providers, a procedure for selecting a valid market price is

applied. For quality assurance purposes, all valuation results are validated by experts.

In addition, HSH Nordbank holds a small number of shares in own securitisations. Valuation of such holdings is generally performed on the basis of spread curves.

### ECAI used for securitisation

The securitisations issued by the HSH Nordbank in the market are rated externally on a regular basis. The rating agencies used and the type of receivables underlying the securitisation portfolio are within the following in accordance with Article 449 point (k) CRR. The rating agencies used for investment in third party securitisation transactions are shown in Table 47.

**[TAB. 74] SECURITISATION TRANSACTIONS INITIATED BY HSH NORDBANK**

Securitisation transaction	Type of securitisation	Type of receivable	Rating agency
Carrera (ABCP programme) <sup>1)</sup>	Traditional securitisation	ABS	Moody's

<sup>1)</sup> Fully hedged as part of the Sunrise transaction.

### 10.3. EXPOSURE VALUES AND CAPITAL REQUIREMENTS OF SECURITISED RECEIVABLES

#### Exposure values of securitised receivables

For securitisations, a distinction must be made between securitisations with transfer of receivables (traditional or true sale securitisations) and securitisations without transfer of receivables (synthetic securitisations). Depending on the nature of the securitised receivables, securitisations are also allocated to different product classes, which have the characteristics of specific receivables

In accordance with Article 449 point (n) (i) CRR, Table 75 shows the exposure value at the reporting date of the securitised receivables at HSH Nordbank, broken down by securitisation transaction with or without transfer of receivables and the nature of the securitised receivables. In connection with Article 449 point (i) CRR the sponsor exposures of € 220 million comprise on- and off-balance sheet exposures of € 170 million and € 50 million, respectively

[TAB. 75] EXPOSURE VALUES OF SECURITISED RECEIVABLES IN € M

Securitisation portfolio	Exposure value	
	Originators	Sponsors
<b>Traditional securitisations</b>		
Real estate	-	-
Ships	-	-
Retail banking	-	220
ABS	-	-
Other	-	-
<b>Subtotal</b>	<b>-</b>	<b>220</b>
<b>Synthetic securitisations</b>		
Real estate	-	-
Ships	20	-
Retail banking	-	-
Corporates	3,047	-
ABS	-	-
Other	-	-
Sunrise	15,318	-
<b>Subtotal</b>	<b>18,385</b>	<b>-</b>
<b>Total</b>	<b>18,385</b>	<b>220</b>

#### Exposure values of retained or purchased securitisation positions

In accordance with Article 449 point (n) (ii), Table 76 shows a list of the securitisation positions held by the Bank. This includes retained tranches from the Bank's own securitisation transactions (e.g. for the purpose of credit enhancement), liquidity facilities provided by the Bank for securitisation transactions and investments in third party securitisation transactions. The reduced exposure value of the Sunrise securitisation, results from sales and principal repayments.

[TAB. 76] EXPOSURE VALUES OF RETAINED OR PURCHASED SECURITISATION POSITIONS IN € M

Securitisation items	CRSA exposure value	IRBA exposure value
<b>Balance-sheet items</b>		
Credit Enhancements <sup>1)</sup>	-	-
Participations in ABS transactions	6	45
Other balance-sheet items	225	3,037
Sunrise	-	15,318
<b>Subtotal</b>	<b>231</b>	<b>18,400</b>
<b>Off-balance sheet items</b>		
Liquidity facilities	-	-
Derivatives	-	-
Other off-balance sheet items	-	-
<b>Subtotal</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>231</b>	<b>18,400</b>

<sup>1)</sup> Measures to improve credit quality



### Risk weight ranges and exposure values of securitisations

In accordance with Article 449 point (o) (i) CRR, Table 38 shows the Bank's individual securitisation positions (see Table 77) allocated to risk weight ranges, and the resulting capital requirements. As at the reporting date, all securitisation positions held by HSH Nordbank as an investor and which would be risk weighted with 1,250% are deducted from Common Equity Tier 1 capital. This is equivalent to exercising the option pursuant to Article 266 (3) CRR. The Sunrise transaction is treated accordingly.

Changes in the securitisation positions are attributable to sales and repayments, especially in the Sunrise portfolio. In addition, the Sunrise Transaction is classified as re-securitisation transaction since 31 December 2011 and hence a minimum risk weight of 20% has to be applied. The risk weight of the senior tranche determined in accordance with Article 262 CRR was 27% as at the reporting date.

**[TAB. 77] EXPOSURE VALUES AND CAPITAL REQUIREMENTS FOR RETAINED OR PURCHASED SECURITISATION ITEMS ACC. TO RISK WEIGHT RANGES IN € M**

Risk weight range in %	Securitized items retained/ purchased					
	Exposure value <sup>1</sup>			Capital requirements		
	Securitisation	Re-securitisation	Total	Securitisation	Re-securitisation	Total
<b>CRSA</b>						
0 ≤ 10	-	-	-	-	-	-
> 10 ≤ 20	225	-	225	4	-	4
> 20 ≤ 50	-	-	-	-	-	-
> 50 ≤ 100	-	-	-	-	-	-
> 100 ≤ 350	3	-	3	0	-	0
> 350 ≤ 650	2	-	2	1	-	1
> 650 < 1.250	-	-	-	-	-	-
1.250 or capital deduction	1	-	1	1	-	1
<b>Total CRSA</b>	<b>231</b>	<b>-</b>	<b>231</b>	<b>6</b>	<b>-</b>	<b>6</b>
<b>IRBA</b>						
0 ≤ 10	2,988	2,879	5,868	15	-	15
> 10 ≤ 20	-	-	-	-	-	-
> 20 ≤ 50	0	11,934	11,934	0	257	257
> 50 ≤ 100	-	-	-	-	-	-
> 100 ≤ 350	43	-	43	10	-	10
> 350 ≤ 650	-	-	-	-	-	-
> 650 < 1.250	-	-	-	-	-	-
1.250 or capital deduction	50	505	555	18	-	18
<b>Total IRBA</b>	<b>3,081</b>	<b>15,318</b>	<b>18,400</b>	<b>43</b>	<b>257</b>	<b>300</b>
<b>Total</b>	<b>3,312</b>	<b>15,318</b>	<b>18,631</b>	<b>49</b>	<b>257</b>	<b>306</b>

<sup>1)</sup> Prior to option according to Article 266 (1) and (2) CRR

### Securitisation positions to be deducted from own funds or to be taken into account with a risk weight of 1,250 %

Consistent with Article 449 point (n) (v) CRR, the following table presents the total of securitisation positions to be deducted from own funds or to be taken into account with a risk weight of 1,250 %.

**[TAB. 78] SECURITISATION POSITIONS TO BE DEDUCTED FROM OWN FUNDS OR TO BE TAKEN INTO ACCOUNT WITH A RISK WEIGHT OF 1,250 % IN € M**

Securitisation portfolio	Exposure value <sup>1)</sup>
Real estate	–
Ships	–
Retail banking	–
Corporates	50
ABS	1
Other	–
Sunrise	505
<b>Total</b>	<b>556</b>

<sup>1)</sup> Prior to option according to Article 266 (1) and (2) CRR

### Securitized trading book risk positions

The values depicted in the following table in accordance with Article 449 point (q) CRR represent securitized trading book positions which were taken into account as trading book risk positions for purposes of measuring required regulatory capital. These positions are securitized exclusively under Sunrise.

**[TAB. 80] SECURITISED TRADING BOOK RISK POSITIONS IN € M**

Securitisation portfolio	Exposure value	
	Traditional securitisation	Synthetic securitisation
Real estate	–	–
Ships	–	–
Retail banking	–	–
Corporates	–	–
ABS	–	–
Other	–	–
Sunrise	–	–
<b>Total</b>	<b>–</b>	<b>–</b>

### Hedge transactions

Consistent with Article 449 point (o) (ii) CRR, hedge transactions related to re-securitisations are presented in Table 79. In doing so, as part of credit risk minimisation, the secondary loss tranche is substituted as a financial guarantee contract in the IRBA exposure class Central governments. At the reporting date there are no hedge transactions relating to other securitised positions in accordance with Article 449 point (g) CRR and none are planned.

**[TAB. 79] RE-SECURITISATION RELATED HEDGE TRANSACTIONS IN € M**

	Exposure value
Re-securitisation positions prior to hedge	15,318
Hedge via guarantee	2,879
Of which: guarantors with ratings AAAA through A	2,879
Of which: guarantors with s rating below A	–
Hedging using other collateral	–
<b>Re-securitisation positions post-hedge</b>	<b>12,438</b>

### Impaired and past due securitisations and actual losses

In accordance with Article 449 point (p) CRR, Table 81 shows those parts of securitized receivables which are non-performing or in default and the actual losses in the period under review. The securitisation positions shown are those for which HSH Nordbank acts as originator. To ensure comparability of data, the definitions of receivables and actual losses are based on those for general recognition of non-performing and past due receivables (see Section 8.1.1.) and actual losses.

**[TAB. 81] IMPAIRED AND PAST DUE SECURITISATIONS, ACTUAL LOSSES ON SECURITISED RECEIVABLES IN € M**

Securitisation portfolio	Total impaired or past due <sup>1)</sup>	Actual losses
Real estate	–	–
Ships	–	–
Retail banking	–	–
Corporates	107	–
ABS	–	–
Other	–	–
Sunrise <sup>2)</sup>	6,572	1,849
<b>Total</b>	<b>6,679</b>	<b>1,849</b>

<sup>1)</sup> Total impaired securitisations (needing value adjustment) or past due securitisations (not needing value adjustment)

<sup>2)</sup> The actual losses in the Sunrise transaction are loss allocations under the guarantee which have already been reported to the guarantor for review and approval or have already been settled.

## 10.4. SECURITISATION ACTIVITIES IN THE REPORTING YEAR AND IMPORTANT CHANGES

### Securitisation activities in the reporting year

In the reporting year, HSH Nordbank administrated the transaction Castellum and terminated the transactions Ocean and Stratus.

### Significant changes to quantitative disclosures

Under Article 449 point (m) CRR significant changes to quantitative disclosures since the last reporting period are to be explained. The significant changes since the last reporting period are mainly attributable to the Sunrise and Horizon transactions. There were also changes affecting sponsor as well as investment positions.

The reduction in the exposure value of the senior tranche is attributable to the reduction in the high risk legacy portfolios in the Restructuring Unit. Furthermore, the increases in the loan loss provisions and balance losses had an impact on the quantitative information.

The decrease in the exposure values calculated under the Standardised Approach for credit risk for securitised transactions where the Bank acts as sponsor is attributable to the decrease in the credit lines granted for the Smartfact special purpose entity. Despite the offsetting net reduction in investments in securitisations sponsored by third parties the exposure values under the CRSA decreased in total as a result.

### Planned securitisation activities

According to the business plan for the year 2018, no securitisation transactions for purposes of a reduction in capital requirements are planned at present.

## 11. MARKET RISK

### 11.1. MARKET RISK

#### Definition

Market risk represents the potential loss that can arise as a result of adverse changes in market values on positions held in our trading and banking book. Market movements relevant to the Bank are changes in interest rates and credit spreads (interest rate risk), exchange rates (foreign exchange risk) as well as share prices, indices and fund prices (equity risk) including their volatilities.

#### Risk management objectives and policies

The risk management objectives and policies for market risk pursuant to Article 435 (1) CRR are described in the information provided in the Group Management Report (Risk Report) in HSH Nordbank's Annual Report according to Article 434 (2) CCR within the references implemented in Table MRA.

**[TAB. 82] MRA: QUALITATIVE DISCLOSURE REQUIREMENTS RELATED TO MARKET RISK**

Regulatory requirements of table MRA (EBA/GL/2016/11)	Reference CRR	Refer to HSH Nordbank Annual Report
a) Strategies and processes of market risk control	Article 435 paragraph 1 note (a) and (d)	Group Management Report (Risk Report) Page 79 - 82
b) Structure and organisation of market risk management function	Article 435 paragraph 1 note (b)	Group Management Report (Risk Report) Page 79 - 82
c) Monitoring and systems of trading book positions	Article 435 paragraph 1 note (a) and (c) in conjunction with article 455 note (c) and article 104	Group Management Report (Risk Report) Page 79 - 82

#### Capital requirements

HSH Nordbank determines the capital requirements allocated to market risk positions in accordance with the prescribed or optional standard procedures according to Part III Title IV Capital 2 to 4 CRR. A risk model with regard to Part III Title IV Capital 5 CRR is not required. Additionally, there are no positions assigned to the correlation trading portfolio.

Template MR1 shows the capital requirements with regard to market risk in accordance with Article 445 CRR in conjunction with note 127 of EBA/GL/2016/11. Capital requirements for large credit exposures according to Article 92 (3) point (b) (ii) CRR as well as settlement risk according to Article 92 (3) point (c) (ii) CRR are not available as at reporting date.

Interest, equity, and option risks slightly reduced within the semi-annual reporting period whereas exchange rate risk has significantly increased. This was caused by effects resulting from the portfolio transactions in the context of the privatization of the HSH Nordbank which is described in Section 1.1. Furthermore, changes in option risk and movements in interest rates have an impact on the market value of derivatives.

**[TAB. 83] MR1: MARKET RISK UNDER THE STANDARDISED APPROACH IN € M**

	a	b
	RWAs	Capital requirements
Outright products		
1 Interest rate risk (general and specific)	893	71
2 Equity risk (general and specific)	11	1
3 Foreign exchange risk	909	73
4 Commodity risk	-	-
Options		
5 Simplified approach	-	-
6 Delta-plus method	117	9
7 Scenario approach	27	2
8 Securitisation (specific risk)	-	-
<b>9 Total</b>	<b>1,957</b>	<b>157</b>

## 11.2. INTEREST RATE RISK IN THE BANKING BOOK

### Interest rate risk on positions not held in the trading Book

Management of the interest rate risk in the banking book is part of market risk management. Interest rate risk is the potential loss of an open interest rate position as a result of a possible change in market or net present value of a stream of payments due to a potential change in yields or discount factors. Discount factors are taken from the corresponding interest rate curve. For single name bonds and Credit Default Swaps (CDS) credit spreads are also taken into account.

The interest rate risk in the banking book is modeled from the strategic holdings in the HSH Nordbank bank book. There is no modeling of early loan repayments due to special repayment or termination rights or investor behavior with deposits from customers. Where loans are agreed with optional components, existing termination rights are reported by the front office to Treasury & Markets for entry in the trading system. Risk measurement and stress testing are done by the unit Group Risk Management based on the transactions entered in the trading and inventory systems.

The interest rate risk for the bank book arising out of the Bank's client business is additionally managed by the business unit Treasury & Markets. This consists of aggregating the interest rate risk and transferring it directly to the trading book for the most part in order to manage this risk within the specified market price risk limits.

The interest rate risks on the banking book are measured daily. To calculate the VaR, a confidence level of 99 %, a holding period of one day and a data history of 250 trading days are used. Since implementing the IRRBB EBA Guidelines 2015/08 in mid-December 2017, VaR values are calculated excluding silent contributions in calculating the risk bearing capability due to the strict orientation of the VaR towards the Gone Concern-perspective.

Besides daily calculation of the interest rate risk in the course of the VaR calculation, HSH Nordbank also measures the interest rate risk for the group as a whole in the event of an interest rate shock. For the specific analysis of interest rate risks on banking book positions, the Bank uses net present value analysis, i.e. the net present value change due to defined changes in interest rates. The figures for the year under review have shown that HSH Nordbank would lose significantly less than 20 % of liable capital in the event of an interest rate shock of + 200 and -200 basis points.

The effect of an interest-rate shock of + 200 and – 200 basis points as of the reporting day are shown in the following table according to Article 448 point (b) CRR.

[TAB. 84] INTEREST RATE RISK IN THE BANKING BOOK IN € M

Currency	Change in net present value	
	+200 bp	-200 bp
EUR	- 169	- 81
USD	- 117	150
CHF	1	-
JPY	1	1
GBP	3	- 2
DKK	1	-
Other	-	-
<b>Total</b>	<b>- 346</b>	<b>68</b>

The total amount of € -346/68 million represents the balance of changes in present value from the interest rate shocks in the case of the parallel move in yield curves in all currencies. The interest rate risk in the banking book is broken down by currency as at the reporting date in order to provide greater transparency. The difference between the total sum of all currencies and changes in present value results from a conservative surcharge considering the interest risk on already impaired loans. A consideration of the -200 basis point scenario on the surcharge would have a positive effect on the result and is therefore not used (conservative approach).

## 12. OPERATIONAL RISK

### Definition

HSH Nordbank defines operational risk (OpRisk) as the risk of direct or indirect losses caused by the inappropriateness or failure of the internal infrastructure, internal procedures or staff or as a result of external factors (risk categories). This definition thereby refers to threats of damages resulting from legal risk and compliance risk.

### Risk management objectives and policies

The risk management objectives and policies for default risk pursuant to Article 435 (1) CRR are described in the information provided in the Group Management Report (Risk Report) in HSH Nordbank's

Annual Report on page 86 to 90. This definition includes legal risk and compliance risk.

### Capital requirements

HSH Nordbank applies exclusively the Standardised Approach in order to determine the capital requirements for operational risk. A description of the method according to Article 312 (2) CRR is therefore not provided. On the date of reporting, the sub-group had a regulatory capital requirement to the amount of € 107 million and the holding to the amount of € 91 million.

**[TAB. 85] CAPITAL REQUIREMENTS FOR OPERATIONAL RISK  
FOR THE SUB-GROUP IN € M**

Operational risk	
According to Standardised Approach	107
<b>Total</b>	<b>107</b>

**[TAB. 86] CAPITAL REQUIREMENTS FOR OPERATIONAL RISK  
FOR THE HOLDING IN € M**

Operational risk	
According to Standardised Approach	91
<b>Total</b>	<b>91</b>

## 13. NOTES

### 13.1. OWN FUNDS IN ACCORDANCE WITH ARTICLE 437 (1) CRR – SUB-GROUP

[TAB. 87] DISCLOSURE OF THE TYPE AND AMOUNTS OF THE SPECIFIC COMPONENTS OF OWN FUNDS DURING THE TRANSITIONAL PERIOD SUB-GROUP IN € M

	(A) Amount at disclosure date	(B) REGULATION (EU) NO 575/2013 ARTICLE REFERENCE	(C) Amounts subject to pre- regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) No 575/2013
<b>Common Equity Tier 1 capital: instruments and reserves</b>			
1	3,093	26 (1), 27, 28, 29, EBA list 26 (3)	
	3,093	EBA list 26 (3)	
2	1,835	26 (1) (c)	
3	- 25	26 (1)	
3a		26 (1) (f)	
4		486 (2)	
		483 (2)	
5		84, 479, 480	
5a		26 (2)	
<b>6</b>	<b>4,903</b>	<b>Sum of rows 1 to 5a</b>	
<b>Common Equity Tier 1 (CET1) capital before regulatory adjustments</b>			
<b>Common Equity Tier 1 (CET1) capital: regulatory adjustments</b>			
7	- 53	34, 105	
8	- 8	36 (1) (b), 37, 472 (4)	- 2
9			
10	- 38	36 (1) (c), 38, 472 (5)	- 10
11		33 (a)	
12	- 1	36 (1) (d), 40, 159, 472 (6)	- 1
13		32 (1)	
14	- 13	33 (b)	
15		36 (1) (e), 41, 472 (7)	
16		36 (1) (f), 42 , 472 (8)	
17		36 (1) (g), 44, 472 (9)	
18		36 (1) (h), 43, 45, 46, 49 (2) (3), 79, 472 (10)	

			36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) bis (3), 79, 470, 472 (11)	
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)			
20	Empty Set in the EU			
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	- 5	36 (1) (k)	
20b	of which: qualifying holdings outside the financial sector (negative amount)		36 (1) (k) (i), 89 bis 91	
20c	of which: securitisation positions (negative amount)	- 5	36 (1) (k) (ii), 243 (1) (b), 244 (1) (b), 258	
20d	of which: free deliveries (negative amount)		36 (1) (k) (iii), 379 (3)	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in 38 (3) are met) (negative amount)	- 210	36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	- 65
22	Amount exceeding the 15% threshold (negative amount)		48 (1)	
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities		36 (1) (i), 48 (1) (b), 470, 472 (11)	
24	Empty Set in the EU			
25	of which: deferred tax assets arising from temporary differences		36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	
25a	Losses for the current financial year (negative amount)	- 421	36 (1) (a), 472 (3)	- 105
25b	Foreseeable tax charges relating to CET1 items (negative amount)		36 (1) (l)	
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment			
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	5		
	Of which: filter for unrealised loss	27	467	
	Of which: filter for fair value gains and losses arising from the institution's own credit risk related to derivative liabilities		472	
	Of which: filter for unrealised gain	- 22	468	
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR		481	
	Of which: capital deduction item regarding the supplementary premium of the second loss guarantee		481	
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)		36 (1) (j)	
<b>28</b>	<b>Total regulatory adjustments to Common equity Tier 1 (CET1)</b>	<b>- 745</b>	<b>Sum of rows 7 to 20a, 21, 22 plus row 25a to 27</b>	<b>- 183</b>
<b>29</b>	<b>Common Equity Tier 1 (CET1) capital</b>	<b>4,158</b>	<b>Row 6 minus row 28</b>	
	<b>Additional Tier 1 (AT1) capital: instruments</b>			
30	Capital instruments and the related share premium accounts		51, 52	
31	of which: classified as equity under applicable accounting standards			
32	of which: classified as liabilities under applicable accounting standards			
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	1,103	486 (3)	- 1,103
	Public sector capital injections grandfathered until 1 January 2018		483 (3)	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties		85, 86, 480	



35	of which: instruments issued by subsidiaries subject to phase out		486 (3)	
<b>36</b>	<b>Additional Tier 1 (AT1) capital before regulatory adjustments</b>	<b>1,103</b>	<b>Sum of rows 30, 33 and 34</b>	<b>- 1,103</b>
	<b>Additional Tier 1 (AT1) capital: regulatory adjustments</b>			
37	Direct and indirect holdings by an institution of own AT1 Instruments (negative amount)		52 (1) (b), 56 (a), 57, 475 (2)	
38	Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		56 (b), 58, 475 (3)	
39	Direct and indirect holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)		56 (c), 59, 60, 79, 475 (4)	
40	Direct and indirect holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above the 10% threshold net of eligible short positions) (negative amount)		56 (d), 59, 79, 475 (4)	
41	Regulatory adjustments applied to additional tier 1 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)	- 107		107
41a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	- 107	472, 472 (3) (a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)	107
	Of which:	- 105		105
	Of which: Intangible assets	- 2		2
	Of which: Shortfall of provisions to expected losses			
41b	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Tier 2 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013		477, 477 (3), 477 (4) (a)	
	Of which items to be detailed line by line, e.g. Reciprocal cross holdings in Tier 2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc			
41c	Amount to be deducted from or added to Additional Tier 1 capital with regard to additional filters and deductions required pre- CRR		467, 468, 481	
	Of which: ...possible filter for unrealised losses		467	
	Of which: ...possible filter for unrealised gains		468	
	Of which: ...		481	
<b>42</b>	<b>Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)</b>		<b>56 (e)</b>	
<b>43</b>	<b>Total regulatory adjustments to Additional Tier 1 (AT1) capital</b>	<b>- 107</b>	<b>Sum of rows 37 to 42</b>	<b>107</b>
<b>44</b>	<b>Additional Tier 1 (AT1) capital</b>	<b>996</b>	<b>Row 36 minus row 43</b>	
<b>45</b>	<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>5,154</b>	<b>Sum of rows 29 to 44</b>	
46	Tier 2 (T2) capital: instruments and provisions			
46	Capital instruments and the related share premium accounts	1,657	62, 63	811
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	44	486 (4)	- 44
	Public sector capital injections grandfathered until 1 January 2018		483 (4)	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties		87, 88, 480	
49	of which: instruments issued by subsidiaries subject to phase out		486 (4)	
50	Credit risk adjustments	108	62 (c) and (d)	1
<b>51</b>	<b>Tier 2 (T2) capital before regulatory adjustments</b>	<b>1,809</b>		
	<b>Tier 2 (T2) capital: regulatory adjustments</b>			

52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)		63 (b) (i), 66 (a), 67, 477 (2)
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		66 (b), 68, 477 (3)
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		66 (c), 69, 70, 79, 477 (4)
54a	Of which new holdings which are not subject to transitional arrangements		
54b	Of which holdings existing before 1 January 2013 and subject to transitional arrangements		
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)		66 (d), 69, 79, 477 (4)
56	Regulatory adjustments applied to tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)		
56a	Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013		472, 472 (3) (a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)
	Of which: shortfall of provisions to expected losses		
56b	Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013		475, 475 (2) (a), 475 (3), 475 (4) (a)
	Of which items to be detailed line by line, e.g. reciprocal cross holdings in at1 instruments, direct holdings of non significant investments in the capital of other financial sector entities, etc		
56c	Amount to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre CRR		467, 468, 481
	Of which: ...possible filter for unrealised losses		467
	Of which: ...possible filter for unrealised gains		468
	Of which: ...		481
<b>57</b>	<b>Total regulatory adjustments to Tier 2 (T2) capital</b>		<b>Sum of rows 52 to 56</b>
<b>58</b>	<b>Tier 2 (T2) capital</b>	<b>1,809</b>	<b>Row 51 minus row 57</b>
<b>59</b>	<b>Total capital (TC = T1 + T2)</b>	<b>6,963</b>	<b>Sum of rows 45 and 58</b>
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)		
	Of which: ...items not deducted from CET1 (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Deferred tax assets that rely on future profitability net of related tax liability, indirect holdings of own CET1, etc)		472, 472 (5), 472 (8) (b), 472 (10) (b), 472 (11) b
	Of which: ...items not deducted from AT1 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Reciprocal cross holdings in T2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc)		475, 475 (2) (b), 475 (2) (c), 475 (4) (b)
	Items not deducted from T2 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Indirect holdings of own t2 instruments, indirect holdings of non significant investments in the capital of other financial sector entities, indirect holdings of significant investments in the capital of other financial sector entities etc)		477, 477 (2) (b), 477 (2) (c), 477 (4) (b)
60	Total risk weighted assets	22,180	
	Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	18.7%	92 (2) (a), 465

62	Tier 1 (as a percentage of risk exposure amount)	23.2%	92 (2) (b), 465	
63	Total capital (as a percentage of risk exposure amount)	31.4%	92 (2) (c)	
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount)	317	CRD 128, 129, 130	
65	of which: capital conservation buffer requirement	277		
66	of which: countercyclical buffer requirement	4		
67	of which: systemic risk buffer requirement			
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	35	CRD 131	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	14.2%	CRD 128	
69	[non relevant in EU regulation]			
70	[non relevant in EU regulation]			
71	[non relevant in EU regulation]			
<b>Amounts below the thresholds for deduction (before risk weighting)</b>				
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	56	36 (1) (h), 45, 46, 472 (10), 56 (c), 59, 60, 475 (4), 66 (c), 69, 70, 477 (4)	
73	Direct and indirect holdings by the institution of the CET 1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	3	36 (1) (i), 45, 48, 470, 472 (11)	
74	Empty Set in the EU			
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	424	36 (1) (c), 38, 48, 470, 472 (5)	
<b>Applicable caps on the inclusion of provisions in Tier 2</b>				
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)		62	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach		62	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	203	62	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	108	62	1
<b>Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)</b>				
80	Current cap on CET1 instruments subject to phase out arrangements		484 (3), 486 (2) and (5)	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)		484 (3), 486 (2) and (5)	
82	Current cap on AT1 instruments subject to phase out arrangements	1,103	484 (4), 486 (3) and (5)	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	- 895	484 (4), 486 (3) and (5)	
84	Current cap on T2 instruments subject to phase out arrangements	44	484 (5), 486 (4) and (5)	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	- 193	484 (5), 486 (4) and (5)	

**[TAB. 88] FULL RECONCILIATION OF COMPONENTS OF OWN FUNDS WITH THE AUDITED FINANCIAL STATEMENTS IN € M SUB-GROUP**

STEP 1) COMPARISON OF OWN FUNDS ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS BETWEEN THE SCOPE OF CONSOLIDATION UNDER THE GERMAN COMMERCIAL CODE (HGB) AND THE REGULATORY SCOPE OF CONSOLIDATION

Position	Own funds items financial statement under IFRS per 12-31-2016		
	Balance Sheet Scope of Consolidation	Regulatory Scope of Consolidation	Cause of the difference
Share capital	3,018	3,018	
Capital reserve	75	75	
Retained earnings	1,617	1,563	Consolidation and/or reinvestment of profits/losses
Revaluation reserve	128	128	
Currency conversion reserve	60	70	Effects due to different scope of consolidation
Other net income from financial investments accounted for under the equity method	0	0	
Other income from non-current assets held for sale and disposal groups	0	0	
Group net profit/loss	67	109	Effects due to different scope of consolidation
Non-controlling interests	-14	-14	
<b>Equity</b>	<b>4,950</b>	<b>4,948</b>	
Subordinated liabilities	2,110	2,110	
Silent participations	1,412	1,412	
Profit participation capital	14	14	
<b>Subordinated capital</b>	<b>3,536</b>	<b>3,536</b>	
<b>Other assets on the balance sheet/ P&amp;L positions relevant for regulatory reporting</b>			
Intangible assets	14	14	Effects due to different scope of consolidation
Deferred tax assets	1,764	1,734	Effects due to different scope of consolidation
Deferred tax liabilities	1,005	989	Effects due to different scope of consolidation
<b>Valuation result</b>	<b>496</b>	<b>488</b>	<b>Effects due to different scope of consolidation</b>

STEP 2) EXPANSION OF OWN FUNDS ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS USING THE REGULATORY SCOPE OF CONSOLIDATION TAKING INTRA-YEAR REGULATORY ADJUSTMENTS AND UPDATES INTO ACCOUNT

Position	Expanded own funds items (IFRS per 12-31-2016) of the regulatory scope balance sheet	Updates and regulatory adjustments in fiscal year 2017	Reason for adjustment	Expanded own funds items (IFRS per 12-31-2016) of the regulatory scope balance sheet including updates and regulatory adjustments in 2017	Component
Share capital	3,018	0		3,018	a
Capital reserve	75	0		75	b
Retained earnings	1,563	28		1,591	
of which: other retained earnings	699	0		699	c
of which: cumulative gains and losses arising on the revaluation of pensions and similar obligations recognised in OCI	-239	46	Valuation changes in 2017	-193	j
of which: deferred taxes on cumulative gains and losses arising on the revaluation of pension and similar obligations recognised in OCI	75	-17	Valuation changes in 2017	58	k
of which: group reserves	1,027	0		1027	d
Revaluation reserve	128	-18	Valuation changes in 2017	109	f
Currency conversion reserve	70	-69	Valuation changes in 2017	1	e
Other net income from financial investments accounted for under the equity method	0	0		0	g
Other net income from non-current assets held for sale and disposal groups	0	0		0	
Group net profit/loss	109	0		109	i
Non-controlling interests	-14	14		0	Not considered in regulatory reporting
<b>Equity</b>	<b>4,948</b>			<b>4,903</b>	
Subordinated liabilities	2,110	-1,111	Amortization due to art. 64 CRR and deduction of non-eligible instruments	999	o
including: Instruments not eligible in the future	87	-87	Amortization due to art. 64 CRR	0	p
Silent participations	1,412	586	Addition of silent participations which are treated as securitisations in the balance sheet	1998	n
Profit participation capital	14	-14	Amortization due to art. 64 CRR	0	q
<b>Subordinated Capital</b>	<b>3,536</b>			<b>2997</b>	

Intangible assets	14	-4	Valuation changes in 2017	10	ma
Deferred tax assets	1,734	0		1734	
of which: deferred tax assets that rely on future profitability excluding those arising from temporary differences	104	0		104	ra
of which: deferred tax assets arising from temporary differences	1,630	0		1630	sa
Deferred tax liabilities	989	0		987	
including: deferred tax assets that rely on future profitability excluding those arising from temporary differences	57	0	Allocation due to art. 38 (5) CRR	57	rb
including: deferred tax assets arising from temporary differences	930	0	Allocation due to art. 38 (5) CRR	930	sb
including: deferred taxes on intangible assets	0	0		0	mb
<b>Valuation result</b>	<b>488</b>	<b>0</b>		<b>488</b>	
including: own credit risk asset class interest rates	13	0		13	ha
including: own credit risk asset class equity	0	0		0	hb
including: own credit risk asset class credit derivatives	0	0		0	hc
<b>Interim profit/loss</b>	<b>0</b>	<b>-526</b>	<b>Loss 2017</b>	<b>-526</b>	<b>I</b>

## STEP 3) ALLOCATION OF OWN FUNDS ITEMS TO EQUITY ITEMS OF THE SUB-GROUP

		(A) Amount at disclosure date	(C) Amounts subject to pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) No 575/2013	Component mapping to step 2
<b>Common Equity Tier 1 capital: instruments and reserves</b>				
1	Capital instruments and the related share premium accounts	3,093		a+b
2	Retained earnings	1,835		c+d+i
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	-25		e+f+g+(j+k)
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	0		l
<b>6</b>	<b>Common Equity Tier 1 (CET1) capital before regulatory adjustments</b>	<b>4,903</b>		
<b>Common Equity Tier 1 (CET1) capital: regulatory adjustments</b>				
7	Additional value adjustments (negative amount)	-53		regulatory value
8	Intangible assets (net of related tax liability) (negative amount)	-8	-2	ma - mb
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-38	-10	rb-ra
12	Negative amounts resulting from the calculation of expected loss amounts	-1	-1	regulatory value
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-13		ha+hb+hc
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-5		regulatory value
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in 38 (3) are met) (negative amount)	-210	-65	sb-sa, and after consideration of threshold procedure
25a	Loss of current period (negative amount)	-421	-105	l
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	5		
	Of which: unrealised loss	27		(j + k) * 20 %
	Of which: unrealised gain	-22		f * 20 %
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR	0	0	
<b>28</b>	<b>Total regulatory adjustments to Common equity Tier 1 (CET1)</b>	<b>-745</b>	<b>-183</b>	
29	Common Equity Tier 1 (CET1) capital	4,158		
<b>Additional Tier 1 (AT1) capital: instruments</b>				
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	1,103	-1,103	n (proportionally)
<b>Additional Tier 1 (AT1) capital: regulatory adjustments</b>				
41a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	-107	107	Residual loss of current period (row 25a): -105 EURm Residual intangible assets (row 8): -2 EURm
<b>44</b>	<b>Additional Tier 1 (AT1) capital</b>	<b>996</b>		
<b>45</b>	<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>5,154</b>		
<b>Tier 2 (T2) capital: instruments and provisions</b>				
46	Capital instruments and the related share premium accounts	1,657	811	<sup>o+n</sup> (proportionally)
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	44	-44	n (proportionally)
50	Credit risk adjustments	108	1	regulatory value

<b>51</b>	<b>Tier 2 (T2) capital before regulatory adjustments</b>	<b>1,809</b>		
	<b>Tier 2 (T2) capital: regulatory adjustments en</b>			
	Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013			
56a		0	0	
<b>58</b>	<b>Tier 2 (T2) capital</b>	<b>1,809</b>		
<b>59</b>	<b>Total capital (TC = T1 + T2)</b>	<b>6,963</b>		



## 13.2. OWN FUNDS IN ACCORDANCE WITH ARTICLE 437 (1) CRR – HOLDING

[TAB. 89] DISCLOSURE OF THE TYPE AND AMOUNTS OF THE SPECIFIC COMPONENTS OF OWN FUNDS DURING THE TRANSITIONAL PERIOD HOLDING

	(A) Amount at disclosure date	(B) REGULATION (EU) NO 575/2013 ARTICLE REFERENCE	(C) Amounts subject to pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) No 575/2013
<b>Common Equity Tier 1 capital: instruments and reserves</b>			
1	71	26 (1), 27, 28, 29, EBA list 26 (3)	
	71	EBA list 26 (3)	
2	2,950	26 (1) (c)	
3	- 24	26 (1)	
3a		26 (1) (f)	
4		486 (2)	
		483 (2)	
5	134	84, 479, 480	- 5
5a		26 (2)	
<b>6</b>	<b>3,131</b>	<b>Sum of rows 1 to 5a</b>	
<b>Common Equity Tier 1 (CET1) capital: regulatory adjustments</b>			
7	- 53	34, 105	
8	- 8	36 (1) (b), 37, 472 (4)	- 2
9			
10	- 40	36 (1) (c), 38, 472 (5)	- 10
11		33 (a)	
12	- 1	36 (1) (d), 40, 159, 472 (6)	- 1
13		32 (1)	
14	- 13	33 (b)	

15	Defined-benefit pension fund assets (negative amount)		36 (1) (e), 41, 472 (7)	
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)		36 (1) (f), 42, 472 (8)	
17	Holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		36 (1) (g), 44, 472 (9)	
18	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)		36 (1) (h), 43, 45, 46, 49 (2) (3), 79, 472 (10)	
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) bis (3), 79, 470, 472 (11)	
20	Empty Set in the EU			
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	- 5	36 (1) (k)	
20b	of which: qualifying holdings outside the financial sector (negative amount)		36 (1) (k) (i), 89 bis 91	
20c	of which: securitisation positions (negative amount)	- 5	36 (1) (k) (iii), 243 (1) (b), 244 (1) (b), 258	
20d	of which: free deliveries (negative amount)		36 (1) (k) (iii), 379 (3)	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in 38 (3) are met) (negative amount)	- 353	36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	- 102
22	Amount exceeding the 15% threshold (negative amount)		48 (1)	
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities		36 (1) (i), 48 (1) (b), 470, 472 (11)	
24	Empty Set in the EU			
25	of which: deferred tax assets arising from temporary differences		36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	
25a	Losses for the current financial year (negative amount)	- 456	36 (1) (a), 472 (3)	- 114
25b	Foreseeable tax charges relating to CET1 items (negative amount)		36 (1) (l)	
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment			

26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	5		
	Of which: unrealised loss	26	467	
	Of which: ...filter for unrealised loss 2		472	
	Of which: unrealised gain	- 21	468	
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR		481	
	Of which: ...		481	
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)		36 (1) (j)	
<b>28</b>	<b>Total regulatory adjustments to Common equity Tier 1 (CET1)</b>	<b>- 925</b>	<b>Sum of rows 7 to 20a, 21, 22 plus row 25a to 27</b>	<b>- 230</b>
<b>29</b>	<b>Common Equity Tier 1 (CET1) capital</b>	<b>2,206</b>	<b>Row 6 minus row 28</b>	
	<b>Additional Tier 1 (AT1) capital: instruments</b>			
30	Capital instruments and the related share premium accounts		51, 52	
31	of which: classified as equity under applicable accounting standards			
32	of which: classified as liabilities under applicable accounting standards			
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1		486 (3)	
	Public sector capital injections grandfathered until 1 January 2018		483 (3)	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	584	85, 86, 480	- 584
35	of which: instruments issued by subsidiaries subject to phase out	584	486 (3)	- 584
<b>36</b>	<b>Additional Tier 1 (AT1) capital before regulatory adjustments</b>	<b>584</b>	<b>Sum of rows 30, 33 and 34</b>	
	<b>Additional Tier 1 (AT1) capital: regulatory adjustments</b>			
37	Direct and indirect holdings by an institution of own AT1 Instruments (negative amount)		52 (1) (b), 56 (a), 57, 475 (2)	
38	Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		56 (b), 58, 475 (3)	

39	Direct and indirect holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)		56 (c), 59, 60, 79, 475 (4)	
40	Direct and indirect holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above the 10% threshold net of eligible short positions) (negative amount)		56 (d), 59, 79, 475 (4)	
41	Regulatory adjustments applied to additional tier 1 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)	- 116		116
41a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	- 116	472, 472 (3) (a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)	116
	Of which: Intangible assets	- 114		114
	Of which: Intangible assets	- 2		2
	Of which: shortfall of provisions to expected losses			
41b	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Tier 2 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013		477, 477 (3), 477 (4) (a)	
	Of which items to be detailed line by line, e.g. Reciprocal cross holdings in Tier 2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc			
41c	Amount to be deducted from or added to Additional Tier 1 capital with regard to additional filters and deductions required pre- CRR		467, 468, 481	
	Of which: ...possible filter for unrealised losses		467	
	Of which: ...possible filter for unrealised gains		468	
	Of which: ...		481	
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)		56 (e)	
<b>43</b>	<b>Total regulatory adjustments to Additional Tier 1 (AT1) capital</b>	<b>- 116</b>	<b>Sum of rows 37 to 42</b>	<b>116</b>
<b>44</b>	<b>Additional Tier 1 (AT1) capital</b>	<b>468</b>	<b>Row 36 minus row 43</b>	
<b>45</b>	<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>2,674</b>	<b>Sum of rows 29 to 44</b>	
	<b>Tier 2 (T2) capital: instruments and provisions</b>			

46	Capital instruments and the related share premium accounts		62, 63	
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2		486 (4)	
	Public sector capital injections grandfathered until 1 January 2018		483 (4)	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	786	87, 88, 480	262
49	of which: instruments issued by subsidiaries subject to phase out	20	486 (4)	- 20
<b>50</b>	<b>Credit risk adjustments</b>	<b>106</b>	<b>62 (c) and (d)</b>	<b>1</b>
<b>51</b>	<b>Tier 2 (T2) capital before regulatory adjustments</b>	<b>891</b>		
	Tier 2 (T2) capital: regulatory adjustments			
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)		63 (b) (i), 66 (a), 67, 477 (2)	
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		66 (b), 68, 477 (3)	
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		66 (c), 69, 70, 79, 477 (4)	
54a	Of which new holdings which are not subject to transitional arrangements			
54b	Of which holdings existing before 1 January 2013 and subject to transitional arrangements			
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)		66 (d), 69, 79, 477 (4)	
56	Regulatory adjustments applied to tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)			
56a	Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013		472, 472 (3) (a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)	

	Of which: shortfall of provisions to expected losses			
56b	Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013			475, 475 (2) (a), 475 (3), 475 (4) (a)
	Of which items to be detailed line by line, e.g. reciprocal cross holdings in at1 instruments, direct holdings of non significant investments in the capital of other financial sector entities, etc			
56c	Amount to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre CRR			467, 468, 481
	Of which: ...possible filter for unrealised losses			467
	Of which: ...possible filter for unrealised gains			468
	Of which: ...			481
<b>57</b>	<b>Total regulatory adjustments to Tier 2 (T2) capital</b>			<b>Sum of rows 52 to 56</b>
<b>58</b>	<b>Tier 2 (T2) capital</b>	<b>891</b>		<b>Row 51 minus row 57</b>
<b>59</b>	<b>Total capital (TC = T1 + T2)</b>	<b>3,565</b>		<b>Sum of rows 45 and 58</b>
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013(i.e. CRR residual amounts)			
	Of which: ...items not deducted from CET1 (Regulation (EU) No 575/2013residual amounts) (items to be detailed line by line, e.g. Deferred tax assets that rely on future profitability net of related tax liability, indirect holdings of own CET1, etc)			472, 472 (5), 472 (8) (b), 472 (10) (b) 472 (11) b
	Of which: ...items not deducted from AT1 items (Regulation (EU) No 575/2013residual amounts) (items to be detailed line by line, e.g. Reciprocal cross holdings in T2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc)			475, 475 (2) (b), 475 (2) (c), 475 (4) (b)
	Items not deducted from T2 items (Regulation (EU) No 575/2013residual amounts) (items to be detailed line by line, e.g. Indirect holdings of own t2 instruments, indirect holdings of non significant investments in the capital of other financial sector entities, indirect holdings of significant investments in the capital of other financial sector entities etc)			477, 477 (2) (b), 477 (2) (c), 477 (4) (b)
60	Total risk weighted assets	21,524		
	Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	10.2%		92 (2) (a), 465

62	Tier 1 (as a percentage of risk exposure amount)	12.4%	92 (2) (b), 465
63	Total capital (as a percentage of risk exposure amount)	16.6%	92 (2) (c)
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount)	273	CRD 128, 129, 130
65	of which: capital conservation buffer requirement	269	
66	of which: countercyclical buffer requirement	4	
67	of which: systemic risk buffer requirement		
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer		CRD 131
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	5.7%	CRD 128
69	[non relevant in EU regulation]		
70	[non relevant in EU regulation]		
71	[non relevant in EU regulation]		
	<b>Amounts below the thresholds for deduction (before risk weighting)</b>		
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	56	36 (1) (h), 45, 46, 472 (10), 56 (c), 59, 60, 475 (4), 66 (c), 69, 70, 477 (4)
73	Direct and indirect holdings by the institution of the CET 1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	3	36 (1) (i), 45, 48, 470, 472 (11)
74	Empty Set in the EU		
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	242	36 (1) (c), 38, 48, 470, 472 (5)
	<b>Applicable caps on the inclusion of provisions in Tier 2</b>		
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)		62
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach		62
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	203	62

79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	106	62	1
<b>Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)</b>				
80	Current cap on CET1 instruments subject to phase out arrangements		484 (3), 486 (2) and (5)	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)		484 (3), 486 (2) and (5)	
82	Current cap on AT1 instruments subject to phase out arrangements		484 (4), 486 (3) and (5)	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)		484 (4), 486 (3) and (5)	
84	Current cap on T2 instruments subject to phase out arrangements		484 (5), 486 (4) and (5)	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)		484 (5), 486 (4) and (5)	



**[TAB. 90] FULL RECONCILIATION OF COMPONENTS OF OWN FUNDS WITH THE AUDITED FINANCIAL STATEMENTS IN € M HOLDING**

STEP 1) COMPARISON OF OWN FUNDS ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS BETWEEN THE SCOPE OF CONSOLIDATION UNDER THE GERMAN COMMERCIAL CODE (HGB) AND THE REGULATORY SCOPE OF CONSOLIDATION

Position	Own funds items financial statement under IFRS per 12-31-2016		
	Balance Sheet Scope of Consolidation	Regulatory Scope of Consolidation	Cause of the difference
Share capital	0	0	
Capital reserve	71	71	
Retained earnings	2,486	2,432	Consolidation and/or reinvestment of profits/losses
Revaluation reserve	121	121	
Currency conversion reserve	57	67	Effects due to different scope of consolidation
Other net income from financial investments accounted for under the equity method	0	0	
Other income from non-current assets held for sale and disposal groups	0	0	
Group net profit/loss	321	362	Effects due to different scope of consolidation
Non-controlling interests	239	239	
<b>Equity</b>	<b>3,295</b>	<b>3,293</b>	
Subordinated liabilities	2,110	2,110	
Silent participations	1,412	1,412	
Profit participation capital	14	14	
<b>Subordinated capital</b>	<b>3,536</b>	<b>3,536</b>	
<b>Other assets on the balance sheet/ P&amp;L positions relevant for regulatory reporting</b>			
Intangible assets	14	14	
Deferred tax assets	1,767	1,746	Effects due to different scope of consolidation
Deferred tax liabilities	1,008	1,000	Effects due to different scope of consolidation
<b>Valuation result</b>	<b>496</b>	<b>488</b>	<b>Effects due to different scope of consolidation</b>

STEP 2) EXPANSION OF OWN FUNDS ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS USING THE REGULATORY SCOPE OF CONSOLIDATION TAKING INTRA-YEAR REGULATORY ADJUSTMENTS AND UPDATES INTO ACCOUNT

Position	Expanded own funds items (IFRS per 12-31-2016) of the regulatory scope balance sheet	Updates and regulatory adjustments in fiscal year 2017	Reason for adjustment	Expanded own funds items (IFRS per 12-31-2016) of the regulatory scope balance sheet including updates and regulatory adjustments in 2017	Component
Share capital	0	0		0	a
Capital reserve	71	0		71	b
Retained earnings	2,432	27		2,459	
of which: other retained earnings	623	0		623	c
of which: cumulative gains and losses arising on the revaluation of pensions and similar obligations recognised in OCI	-227	43	Valuation changes in 2017	-183	j
of which: deferred taxes on cumulative gains and losses arising on the revaluation of pension and similar obligations recognised in OCI	71	-17	Valuation changes in 2017	55	k
of which: group reserves	1,965	0		1,965	d
Revaluation reserve	121	-18	Valuation changes in 2017	104	f
Currency conversion reserve	67	-66	Valuation changes in 2017	1	e
Other net income from financial investments accounted for under the equity method	0	0		0	g
Other net income from non-current assets held for sale and disposal groups	0	0		0	
Group net profit/loss	362	0		362	i
Non-controlling interests	239	-105	Minority holding due to art. 84 CRR i.c.w. art. 480 CRR	134	t
<b>Equity</b>	<b>3,293</b>			<b>3,131</b>	
Subordinated liabilities	2,110	-1,648	qualifying own funds due to art. 87 CRR i.c.w. art. 480 CRR	461	o
including: Instruments not eligible in the future	87	-87	qualifying own funds due to art. 87 CRR i.c.w. art. 480 CRR	0	p
Silent participations	1,412	-504	qualifying own funds due to art. 87 CRR i.c.w. art. 480 CRR	909	n
Profit participation capital	14	-14	Amortization due to art. 64 CRR	0	q
<b>Subordinated Capital</b>	<b>3,536</b>			<b>1,370</b>	
Intangible assets	14	-4		10	ma
Deferred tax assets	1,746	0		1,746	

of which: deferred tax assets that rely on future profitability excluding those arising from temporary differences	107	0		107	ra
of which: deferred tax assets arising from temporary differences	1,638	0		1638	sa
Deferred tax liabilities	1,000	0		998	
including: deferred tax assets that rely on future profitability excluding those arising from temporary differences	57	0	Allocation due to art. 38 (5) CRR	57	rb
including: deferred tax assets arising from temporary differences	941	0	Allocation due to art. 38 (5) CRR	941	sb
including: deferred taxes on intangible assets	0	0		0	mb
<b>Valuation result</b>	<b>496</b>	<b>-8</b>		<b>488</b>	
including: own credit risk asset class interest rates	13	0		13	ha
including: own credit risk asset class equity	0	0		0	hb
including: own credit risk asset class credit derivatives	0	0		0	hc
<b>Interim profit/loss</b>	<b>0</b>	<b>-570</b>	<b>Losses for the current financial year 2017</b>	<b>-570</b>	<b>I</b>

## STEP 3) ALLOCATION OF OWN FUNDS ITEMS TO EQUITY ITEMS OF THE SUB-GROUP

	(A) Amount at disclosure date	(C) Amounts subject to pre- regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) No 575/2013	Component mapping to step 2
<b>Common Equity Tier 1 capital: instruments and reserves</b>			
1	Capital instruments and the related share premium accounts	71	a+b
2	Retained earnings	2,950	c+d+i
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	-24	e+f+g+(j+k)
5	Minority Interests (amount allowed in consolidated CET1)	134	-5
<b>6</b>	<b>Common Equity Tier 1 (CET1) capital before regulatory adjustments</b>	<b>3,131</b>	t
<b>Common Equity Tier 1 (CET1) capital: regulatory adjustments</b>			
7	Additional value adjustments (negative amount)	-53	regulatory value
8	Intangible assets (net of related tax liability) (negative amount)	-8	-2
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-40	-10
12	Negative amounts resulting from the calculation of expected loss amounts	-1	-1
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-13	regulatory value
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-5	ha+hb+hc
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in 38 (3) are met) (negative amount)	-353	-102
25a	Losses for the current financial year (negative amount)	-456	-114
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	5	regulatory value
	Of which: unrealised loss	26	(j + k) * 20 %
	Of which: unrealised gain	-21	f * 20 %
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR	0	0
<b>28</b>	<b>Total regulatory adjustments to Common equity Tier 1 (CET1)</b>	<b>-925</b>	<b>-230</b>
29	Common Equity Tier 1 (CET1) capital	2,206	
<b>Additional Tier 1 (AT1) capital: instruments</b>			
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	584	-584
<b>Additional Tier 1 (AT1) capital: regulatory adjustments</b>			
41a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	-116	116
<b>44</b>	<b>Additional Tier 1 (AT1) capital</b>	<b>468</b>	Residual Losses of the current financial year (row 25a): -114 EURm Residual intangible assets (row 8): -2 EURm
<b>45</b>	<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>2,674</b>	
<b>Tier 2 (T2) capital: instruments and provisions</b>			

48	Qualifying own funds included in consolidated T2 capital (including minority interests and AT1 instruments not included in row 5 or 34) issued by subsidiaries and held by third parties	786	262	o+n (proportionally)
49	of which: instruments issued by subsidiaries subject to phase out	20	-20	n (proportionally)
50	Credit risk adjustments	106	1	regulatory value
<b>51</b>	<b>Tier 2 (T2) capital before regulatory adjustments</b>	<b>891</b>		
	<b>Tier 2 (T2) capital: regulatory adjustments en</b>			
56a	Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	0	0	
<b>58</b>	<b>Tier 2 (T2) capital</b>	<b>891</b>		
<b>59</b>	<b>Total capital (TC = T1 + T2)</b>	<b>3,565</b>		

### 13.3. MAIN FEATURES OF EQUITY INSTRUMENTS

[TAB. 91] DESCRIPTION OF THE MAIN FEATURES OF OWN FUNDS INSTRUMENTS ISSUED

1	Issuer	HSH Nordbank AG	HSH Nordbank AG	RESPARCS Funding II L.P.
2	Unique Identifier <sup>1</sup>	DE0003303996	XFHSH0002533	DE0009842542
3	Governing law(s) of the instrument	German Law	German Law	German Law
<b>Regulatory Treatment</b>				
4	Transitional CRR rules	Common Equity Tier 1	Additional Tier 1	Additional Tier 1
5	Post-transitional CRR rules	Common Equity Tier 1	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated /solo & (sub-)consolidated	Solo and (Sub-)Consolidated	Solo and (Sub-)Consolidated	(Sub-)Consolidated
7	Instrument type	Share capital	Silent participations	bearer bond
8	Amount recognised in regulatory capital (EURm)	3018.2	466.0	422.3
9	Nominal amount of instrument (CUR of issuance)	3018.2 (EURm)	500 (EURm)	500 (EURm)
9	Nominal amount of issuance (EURm)	3018.2	500	500
9a	Issue price	N/A	100,0	100,0
9b	Redemption price	N/A	100.0	100.0
10	Accounting classification	Shareholders' equity/Share capital	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	02.06.2003	30.06.2014	28.05.2003
12	Perpetual or dated	Perpetual	Perpetual	Perpetual
13	Original maturity date	no maturity	no maturity	no maturity
14	Issuer call subject to prior supervisory approval	No	No	No
15	Optional call date, contingent call dates and redemption amount	No	yes, securities cannot be called; but through a termination of silent participation because of significant changes in tax or regulatory treatment the silent partnership can be terminated by HSH	yes, securities cannot be called; but through an annual termination right as at 30th of June, in case a repayment of the notional amount plus accrued interest by Resparc SPV is secured, the silent partnership can be terminated by HSH
16	Subsequent call dates, if applicable	N/A	Notice Periods of 2 years	N/A
<b>Coupons / dividends</b>				
17	Fixed or floating dividend / coupons	Floating	Floating	Fixed
18	Coupon rate and any related index	N/A	EURIBOR (EUR) 12M + 2,15 %	7.50%
19	Existence of a dividend stopper	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative oder cumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Nonconvertible	Nonconvertible	Nonconvertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A
30	Write-down features	No	Yes	No, capital market instruments cannot be written down but silent participations held by SPV can be written down
31	If write-down, write-down trigger(s)	N/A	Net loss	Net loss
32	If write-down, full or partial	N/A	Always partially	Always partially
33	If write-down, permanent or temporary	N/A	Temporary	Temporary
34	If temporary write-down, description of write-up mechanism	N/A	Restorage in the subsequent year till the deposit's nominal value, as far no new deficit emerges. Restorage on silent participations after downgrading precede/override restorage of share capital and remuneration of reserves.	Restorage in the subsequent year till the deposit's nominal value, as far no new deficit emerges. Restorage on silent participations after downgrading precede/override restorage of share capital and remuneration of reserves.
35	Position in subordination hierarchy in liquidation	N/A	Share	Share
36	Non-compliant transitioned features	N/A	N/A	N/A
37	If yes, specify non-compliant features	N/A	N/A	N/A

1	Issuer	HSH Nordbank AG	Banque de Luxembourg fiduciary for HSH Nordbank AG	HSH Nordbank AG
2	Unique Identifier <sup>1</sup>	XFNAM0018899	XS0221141400	XFNAM0019061
3	Governing law(s) of the instrument	German Law	English Law	German Law
<b>Regulatory Treatment</b>				
4	Transitional CRR rules	Additional Tier 1	Additional Tier 1	Additional Tier 1
5	Post-transitional CRR rules	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated /solo & (sub-)consolidated	Solo	(Sub-)Consolidated	Solo
7	Instrument type	Silent participations	bearer bond	Silent participations
8	Amount recognised in regulatory capital (EURm)	420.9	330.0	319.4
9	Nominal amount of instrument (CUR of issuance)	500 (EURm)	500 (USDm)	500 (USDm)
9	Nominal amount of issuance (EURm)	500	416.9	416.9
9a	Issue price	100.0	100.0	100.0
9b	Redemption price	100.0	100.0	100.0
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	28.05.2003	17.06.2005	17.06.2005
12	Perpetual or dated	Perpetual	Perpetual	Dated
13	Original maturity date	no maturity	no maturity	30.06.2036
14	Issuer call subject to prior supervisory approval	Yes	No	No
15	Optional call date, contingent call dates and redemption amount	yes, from the 31st of december 2013 onward termination right with Notice Periods of 2 years as at 31st of december, and a permission of the regulatory authority and a solvency quota of >9% on an individual level	yes, securities cannot be called; but from 31 of december 2015 onward with a 2 year termination period and a permission of the regulatory authority and a solvency quota of >9% on an individual level, the silent partnership can be terminated by HSH	yes, securities cannot be called; but from 31 of december 2015 onward with a 2 year termination period and a permission of the regulatory authority and a solvency quota of >9% on an individual level, the silent partnership can be terminated by HSH
16	Subsequent call dates, if applicable	Notice Periods of 2 years	N/A	N/A
<b>Coupons / dividends</b>				
17	Fixed or floating dividend / coupons	Fixed	Fixed	Fixed
18	Coupon rate and any related index	7.65%	7.25%	7.25%
19	Existence of a dividend stopper	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative oder cumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Nonconvertible	Nonconvertible	Nonconvertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A
30	Write-down features	Yes	No, capital market instruments cannot be written down but silent participations held by SPV can be written down	Yes
31	If write-down, write-down trigger(s)	Net loss	Net loss, whereby it is special that the coupon payment/distribution is measured by the annual loss/deficit	Net loss, whereby it is special that the coupon payment/distribution is measured by the annual loss/deficit
32	If write-down, full or partial	Always partially	Always partially	Always partially
33	If write-down, permanent or temporary	Temporary	Temporary	Temporary
34	If temporary write-down, description of write-up mechanism	Restorage in the subsequent year till the deposit's nominal value, as far no new deficit emerges. Restorage on silent participations after downgrading precede/override restorage of share capital and remuneration of reserves.	Restorage in the subsequent year till the deposit's nominal value, as far no new deficit emerges. Restorage on silent participations after downgrading precede/override restorage of share capital and remuneration of reserves. But restorage is subordinated to the restorage demand of participation certificates.	Restorage in the subsequent year till the deposit's nominal value, as far no new deficit emerges. Restorage on silent participations after downgrading precede/override restorage of share capital and remuneration of reserves.
35	Position in subordination hierarchy in liquidation	Share	Share	Share
36	Non-compliant transitioned features	N/A	N/A	N/A
37	If yes, specify non-compliant features	N/A	N/A	N/A

1	Issuer	RESPARCS Funding L.P. I	HSH Nordbank AG	HSH Nordbank AG
2	Unique Identifier <sup>1</sup>	XS0159207850	XFNAM0019079	XFNAM0018600
3	Governing law(s) of the instrument	German Law	German Law	German Law
<b>Regulatory Treatment</b>				
4	Transitional CRR rules	Additional Tier 1	Additional Tier 1	Additional Tier 1
5	Post-transitional CRR rules	Tier 2	Tier 2	Ineligible
6	Eligible at solo/(sub-)consolidated /solo & (sub-)consolidated	(Sub-)Consolidated	Solo	Solo and (Sub-)Consolidated
7	Instrument type	bearer bond	Silent participations	Silent participations
8	Amount recognised in regulatory capital (EURm)	208.8	206.7	90.3
9	Nominal amount of instrument (CUR of issuance)	300 (USDm)	300 (USDm)	100 (EURm)
9	Nominal amount of issuance (EURm)	250.1	250.1	100
9a	Issue price	100.0	100.0	100.0
9b	Redemption price	100.0	100.0	100.0
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	19.12.2002	19.12.2002	24.07.2000
12	Perpetual or dated	Perpetual	Perpetual	Perpetual
13	Original maturity date	no maturity	no maturity	no maturity
14	Issuer call subject to prior supervisory approval	No	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	yes, securities cannot be called; but through an annual termination right as at 30th of June, in case a repayment of the notional amount plus accrued interest by Resparc SPV is secured, the silent partnership can be terminated by HSH	yes, from the 31st of December 2012 onward termination right with Notice Periods of 2 years as at 31st of December, and a permission of the regulatory authority and a solvency quota of >9% on an individual level	Notice Periods of 2 years
16	Subsequent call dates, if applicable	N/A	Notice Periods of 2 years	Notice Periods of 2 years
<b>Coupons / dividends</b>				
17	Fixed or floating dividend / coupons	Fixed	Fixed	Fixed
18	Coupon rate and any related index	8.00%	8.45%	4.98%
19	Existence of a dividend stopper	No	No	No (potential Replenishment precedes/overrides distribution of dividends)
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative oder cumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Nonconvertible	Nonconvertible	Nonconvertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A
30	Write-down features	No, capital market instruments cannot be written down but silent participations held by SPV can be written down	Yes	Yes
31	If write-down, write-down trigger(s)	Net loss	Net loss	Annual deficit/net loss
32	If write-down, full or partial	Always partially	Always partially	Always partially
33	If write-down, permanent or temporary	Temporary	Temporary	Temporary
34	If temporary write-down, description of write-up mechanism	Restorage of repayment demands and catch up on omitted distributions precede/override restorage of share capital and remuneration of reserves.	Restorage in the subsequent year till the deposit's nominal value, as far as no new deficit emerges. Restorage on silent participations after downgrading precede/override restorage of share capital and remuneration of reserves.	Is to restore till deposit's nominal value, yet only if no new annual loss/deficit increases or emerges by this, restorage precedes/overrides remuneration of reserves.
35	Position in subordination hierarchy in liquidation	Share	Share	Share
36	Non-compliant transitioned features	N/A	N/A	N/A
37	If yes, specify non-compliant features	N/A	N/A	N/A



1	Issuer	HSH Nordbank AG	HSH Nordbank AG	HSH Nordbank AG
2	Unique Identifier <sup>1</sup>	XFNAM0024178	XFNAM0018493	XFNAM0018618
3	Governing law(s) of the instrument	German Law	German Law	German Law
<b>Regulatory Treatment</b>				
4	Transitional CRR rules	Additional Tier 1	Additional Tier 1	Additional Tier 1
5	Post-transitional CRR rules	Tier 2	Ineligible	Ineligible
6	Eligible at solo/(sub-)consolidated /solo & (sub-)consolidated	Solo and (Sub-)Consolidated	Solo and (Sub-)Consolidated	Solo and (Sub-)Consolidated
7	Instrument type	Silent participations	Silent participations	Silent participations
8	Amount recognised in regulatory capital (EURm)	37.8	28.1	28.1
9	Nominal amount of instrument (CUR of issuance)	25.6 (EURm)	30 (EURm)	30 (EURm)
9	Nominal amount of issuance (EURm)	25.6	30	30
9a	Issue price	100.0	100.0	100.0
9b	Redemption price	100.0	100.0	100.0
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	30.12.1997	03.07.2000	24.07.2000
12	Perpetual or dated	Dated	Perpetual	Perpetual
13	Original maturity date	01.06.2023	no maturity	no maturity
14	Issuer call subject to prior supervisory approval	No	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	Extraordinary/Special right of cancellation/option to call/call option; period: 2 Years	Notice period of 2 years (extraordinary/special right of cancellation in case of significant changes in tax or regulatory treatment)	Notice period of 2 years (extraordinary/special right of cancellation in case of significant changes in tax or regulatory treatment)
16	Subsequent call dates, if applicable	N/A	Notice Periods of 2 years	Notice Periods of 2 years
<b>Coupons / dividends</b>				
17	Fixed or floating dividend / coupons	Fixed	Fixed	Fixed
18	Coupon rate and any related index	7.02%	3.16%	3.16%
19	Existence of a dividend stopper	No (potential Replenishment precedes/overrides distribution of dividends)	No (potential Replenishment precedes/overrides distribution of dividends)	No (potential Replenishment precedes/overrides distribution of dividends)
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative oder cumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Nonconvertible	Nonconvertible	Nonconvertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A
30	Write-down features	Yes	Yes	Yes
31	If write-down, write-down trigger(s)	Annual deficit/net loss	Annual deficit/net loss	Annual deficit/net loss
32	If write-down, full or partial	Always partially	Always partially	Always partially
33	If write-down, permanent or temporary	Temporary	Temporary	Temporary
34	If temporary write-down, description of write-up mechanism	Restorage in the subsequent year till the deposit's nominal value, as far no new deficit emerges. Restorage on silent participations after downgrading precede/override restorage of share capital and remuneration of reserves. But restorage is subordinated to the restorage demand of participation certificates.	Restorage in the subsequent year till the deposit's nominal value, as far no new deficit emerges. Restorage on silent participations after downgrading precede/override restorage of share capital and remuneration of reserves.	Restorage in the subsequent year till the deposit's nominal value, as far no new deficit emerges. Restorage on silent participations after downgrading precede/override restorage of share capital and remuneration of reserves.
35	Position in subordination hierarchy in liquidation	Share	Share	Share
36	Non-compliant transitioned features	N/A	N/A	N/A
37	If yes, specify non-compliant features	N/A	N/A	N/A

1	Issuer	HSH Nordbank AG	HSH Nordbank AG	HSH Nordbank AG
2	Unique Identifier <sup>1</sup>	XFNAM0018576	XFNAM0018998	XFNAM0018568
3	Governing law(s) of the instrument	German Law	German Law	German Law
<b>Regulatory Treatment</b>				
4	Transitional CRR rules	Additional Tier 1	Additional Tier 1	Additional Tier 1
5	Post-transitional CRR rules	Ineligible	Ineligible	Ineligible
6	Eligible at solo/(sub-)consolidated /solo & (sub-)consolidated	Solo and (Sub-)Consolidated	Solo and (Sub-)Consolidated	Solo and (Sub-)Consolidated
7	Instrument type	Silent participations	Silent participations	Silent participations
8	Amount recognised in regulatory capital (EURm)	28.1	27.6	23.4
9	Nominal amount of instrument (CUR of issuance)	30 (EURm)	30 (EURm)	25 (EURm)
9	Nominal amount of issuance (EURm)	30	30	25
9a	Issue price	100.0	100.0	100.0
9b	Redemption price	100.0	100.0	100.0
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	24.07.2000	12.10.2001	04.08.2000
12	Perpetual or dated	Perpetual	Perpetual	Perpetual
13	Original maturity date	no maturity	no maturity	no maturity
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	Notice Periods of 2 years	Notice Periods of 2 years	Notice Periods of 2 years
16	Subsequent call dates, if applicable	Notice Periods of 2 years	Notice Periods of 2 years	Notice Periods of 2 years
<b>Coupons / dividends</b>				
17	Fixed or floating dividend / coupons	Fixed	Fixed	Fixed
18	Coupon rate and any related index	3.16%	4.11%	3.16%
19	Existence of a dividend stopper	No (potential Replenishment precedes/overrides distribution of dividends)	No (potential Replenishment precedes/overrides distribution of dividends)	No (potential Replenishment precedes/overrides distribution of dividends)
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative oder cumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Nonconvertible	Nonconvertible	Nonconvertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A
30	Write-down features	Yes	Yes	Yes
31	If write-down, write-down trigger(s)	Annual deficit/net loss	Annual deficit/net loss	Annual deficit/net loss
32	If write-down, full or partial	Always partially	Always partially	Always partially
33	If write-down, permanent or temporary	Temporary	Temporary	Temporary
34	If temporary write-down, description of write-up mechanism	Is to restore till deposit's nominal value, yet only if no new annual loss/deficit increases or emerges by this, restorage precedes/overrides remuneration of reserves.	Is to restore till deposit's nominal value, yet only if no new annual loss/deficit increases or emerges by this, restorage precedes/overrides remuneration of reserves.	Is to restore till deposit's nominal value, yet only if no new annual loss/deficit increases or emerges by this, restorage precedes/overrides remuneration of reserves.
35	Position in subordination hierarchy in liquidation	Share	Share	Share
36	Non-compliant transitioned features	N/A	N/A	N/A
37	If yes, specify non-compliant features	N/A	N/A	N/A

1	Issuer	HSH Nordbank AG	HSH Nordbank AG	HSH Nordbank AG
2	Unique Identifier <sup>1</sup>	XFNAM0018790	XFNAM0018808	XFNAM0018550
3	Governing law(s) of the instrument	German Law	German Law	German Law
<b>Regulatory Treatment</b>				
4	Transitional CRR rules	Additional Tier 1	Additional Tier 1	Additional Tier 1
5	Post-transitional CRR rules	Ineligible	Ineligible	Ineligible
6	Eligible at solo/(sub-)consolidated /solo & (sub-)consolidated	Solo and (Sub-)Consolidated	Solo and (Sub-)Consolidated	Solo and (Sub-)Consolidated
7	Instrument type	Silent participations	Silent participations	Silent participations
8	Amount recognised in regulatory capital (EURm)	23.1	23.0	18.8
9	Nominal amount of instrument (CUR of issuance)	25 (EURm)	25 (EURm)	20 (EURm)
9	Nominal amount of issuance (EURm)	25	25	20
9a	Issue price	100.0	100.0	100.0
9b	Redemption price	100.0	100.0	100.0
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	19.02.2001	01.06.2001	14.07.2000
12	Perpetual or dated	Perpetual	Perpetual	Perpetual
13	Original maturity date	no maturity	no maturity	no maturity
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	Notice Periods of 2 years	Notice Periods of 2 years	Notice period of 2 years (extraordinary/special right of cancellation in case of significant changes in tax or regulatory treatment)
16	Subsequent call dates, if applicable	Notice Periods of 2 years	Notice Periods of 2 years	Notice Periods of 2 years
<b>Coupons / dividends</b>				
17	Fixed or floating dividend / coupons	Fixed	Fixed	Fixed
18	Coupon rate and any related index	3.93%	3.98%	3.16%
19	Existence of a dividend stopper	No (potential Replenishment precedes/overrides distribution of dividends)	No (potential Replenishment precedes/overrides distribution of dividends)	No (potential Replenishment precedes/overrides distribution of dividends)
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative oder cumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Nonconvertible	Nonconvertible	Nonconvertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A
30	Write-down features	Yes	Yes	Yes
31	If write-down, write-down trigger(s)	Annual deficit/net loss	Annual deficit/net loss	Annual deficit/net loss
32	If write-down, full or partial	Always partially	Always partially	Always partially
33	If write-down, permanent or temporary	Temporary	Temporary	Temporary
34	If temporary write-down, description of write-up mechanism	Is to restore till deposit's nominal value, yet only if no new annual loss/deficit increases or emerges by this, restorage precedes/overrides remuneration of reserves.	Is to restore till deposit's nominal value, yet only if no new annual loss/deficit increases or emerges by this, restorage precedes/overrides remuneration of reserves.	Restorage in the subsequent year till the deposit's nominal value, as far no new deficit emerges. Restorage on silent participations after downgrading precede/override restorage of share capital and remuneration of reserves.
35	Position in subordination hierarchy in liquidation	Share	Share	Share
36	Non-compliant transitioned features	N/A	N/A	N/A
37	If yes, specify non-compliant features	N/A	N/A	N/A

1	Issuer	HSH Nordbank AG	HSH Nordbank AG	HSH Nordbank AG
2	Unique Identifier <sup>1</sup>	XFNAM0018584	XFNAM0018774	XFNAM0018642
3	Governing law(s) of the instrument	German Law	German Law	German Law
<b>Regulatory Treatment</b>				
4	Transitional CRR rules	Additional Tier 1	Additional Tier 1	Additional Tier 1
5	Post-transitional CRR rules	Ineligible	Ineligible	Ineligible
6	Eligible at solo/(sub)-consolidated /solo & (sub)-consolidated	Solo and (Sub-)Consolidated	Solo and (Sub-)Consolidated	Solo and (Sub-)Consolidated
7	Instrument type	Silent participations	Silent participations	Silent participations
8	Amount recognised in regulatory capital (EURm)	18.8	18.4	14.1
9	Nominal amount of instrument (CUR of issuance)	20 (EURm)	20 (EURm)	15 (EURm)
9	Nominal amount of issuance (EURm)	20	20	15
9a	Issue price	100.0	100.0	100.0
9b	Redemption price	100.0	100.0	100.0
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	24.07.2000	01.02.2001	02.08.2000
12	Perpetual or dated	Perpetual	Perpetual	Perpetual
13	Original maturity date	no maturity	no maturity	no maturity
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	Notice Periods of 2 years	Notice period of 2 years (extraordinary/special right of cancellation in case of significant changes in tax or regulatory treatment)	Notice period of 2 years (extraordinary/special right of cancellation in case of significant changes in tax or regulatory treatment)
16	Subsequent call dates, if applicable	Notice Periods of 2 years	Notice Periods of 2 years	Notice Periods of 2 years
<b>Coupons / dividends</b>				
17	Fixed or floating dividend / coupons	Fixed	Fixed	Fixed
18	Coupon rate and any related index	3.16%	3.98%	3.16%
19	Existence of a dividend stopper	No (potential Replenishment precedes/overrides distribution of dividends)	No (potential Replenishment precedes/overrides distribution of dividends)	No (potential Replenishment precedes/overrides distribution of dividends)
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative oder cumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Nonconvertible	Nonconvertible	Nonconvertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A
30	Write-down features	Yes	Yes	Yes
31	If write-down, write-down trigger(s)	Annual deficit/net loss	Annual deficit/net loss	Annual deficit/net loss
32	If write-down, full or partial	Always partially	Always partially	Always partially
33	If write-down, permanent or temporary	Temporary	Temporary	Temporary
34	If temporary write-down, description of write-up mechanism	Is to restore till deposit's nominal value, yet only if no new annual loss/deficit increases or emerges by this, restorage precedes/overrides remuneration of reserves.	Restorage in the subsequent year till the deposit's nominal value, as far no new deficit emerges. Restorage on silent participations after downgrading precede/override restorage of share capital and remuneration of reserves.	Restorage in the subsequent year till the deposit's nominal value, as far no new deficit emerges. Restorage on silent participations after downgrading precede/override restorage of share capital and remuneration of reserves.
35	Position in subordination hierarchy in liquidation	Share	Share	Share
36	Non-compliant transitioned features	N/A	N/A	N/A
37	If yes, specify non-compliant features	N/A	N/A	N/A

1	Issuer	HSH Nordbank AG	HSH Nordbank AG	HSH Nordbank AG
2	Unique Identifier <sup>1</sup>	XFNAM0018519	XFNAM0018766	XFNAM0018758
3	Governing law(s) of the instrument	German Law	German Law	German Law
<b>Regulatory Treatment</b>				
4	Transitional CRR rules	Additional Tier 1	Additional Tier 1	Additional Tier 1
5	Post-transitional CRR rules	Ineligible	Ineligible	Ineligible
6	Eligible at solo/(sub-)consolidated /solo & (sub-)consolidated	Solo and (Sub-)Consolidated	Solo and (Sub-)Consolidated	Solo and (Sub-)Consolidated
7	Instrument type	Silent participations	Silent participations	Silent participations
8	Amount recognised in regulatory capital (EURm)	9.7	9.4	9.4
9	Nominal amount of instrument (CUR of issuance)	10 (EURm)	10 (EURm)	10 (EURm)
9	Nominal amount of issuance (EURm)	10	10	10
9a	Issue price	100.0	100.0	100.0
9b	Redemption price	100.0	100.0	100.0
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	29.05.2000	22.11.2000	22.11.2000
12	Perpetual or dated	Perpetual	Perpetual	Perpetual
13	Original maturity date	no maturity	no maturity	no maturity
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	Notice Periods of 2 years	Notice period of 2 years (extraordinary/special right of cancellation in case of significant changes in tax or regulatory treatment)	Notice period of 2 years (extraordinary/special right of cancellation in case of significant changes in tax or regulatory treatment)
16	Subsequent call dates, if applicable	Notice Periods of 2 years	Notice Periods of 2 years	Notice Periods of 2 years
<b>Coupons / dividends</b>				
17	Fixed or floating dividend / coupons	Floating	Fixed	Fixed
18	Coupon rate and any related index	EURIBOR (EUR) 12M + 1,50 %	3.16%	3.16%
19	Existence of a dividend stopper	No (potential Replenishment precedes/overrides distribution of dividends)	No (potential Replenishment precedes/overrides distribution of dividends)	No (potential Replenishment precedes/overrides distribution of dividends)
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative oder cumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Nonconvertible	Nonconvertible	Nonconvertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A
30	Write-down features	Yes	Yes	Yes
31	If write-down, write-down trigger(s)	Annual deficit/net loss	Annual deficit/net loss	Annual deficit/net loss
32	If write-down, full or partial	Always partially	Always partially	Always partially
33	If write-down, permanent or temporary	Temporary	Temporary	Temporary
34	If temporary write-down, description of write-up mechanism	Is to restore till deposit's nominal value, yet only if no new annual loss/deficit increases or emerges by this, restorage precedes/overrides remuneration of reserves.	Restorage in the subsequent year till the deposit's nominal value, as far no new deficit emerges. Restorage on silent participations after downgrading precede/override restorage of share capital and remuneration of reserves.	Restorage in the subsequent year till the deposit's nominal value, as far no new deficit emerges. Restorage on silent participations after downgrading precede/override restorage of share capital and remuneration of reserves.
35	Position in subordination hierarchy in liquidation	Share	Share	Share
36	Non-compliant transitioned features	N/A	N/A	N/A
37	If yes, specify non-compliant features	N/A	N/A	N/A

1	Issuer	HSH Nordbank AG	HSH Nordbank AG	HSH Nordbank AG
2	Unique Identifier <sup>1</sup>	XFNAM0018725	XFNAM0018634	XFNAM0018477
3	Governing law(s) of the instrument	German Law	German Law	German Law
<b>Regulatory Treatment</b>				
4	Transitional CRR rules	Additional Tier 1	Additional Tier 1	Additional Tier 1
5	Post-transitional CRR rules	Ineligible	Ineligible	Ineligible
6	Eligible at solo/(sub)-consolidated /solo & (sub)-consolidated	Solo and (Sub-)Consolidated	Solo and (Sub-)Consolidated	Solo and (Sub-)Consolidated
7	Instrument type	Silent participations	Silent participations	Silent participations
8	Amount recognised in regulatory capital (EURm)	9.4	9.4	9.4
9	Nominal amount of instrument (CUR of issuance)	10 (EURm)	10 (EURm)	10 (EURm)
9	Nominal amount of issuance (EURm)	10	10	10
9a	Issue price	100.0	100.0	100.0
9b	Redemption price	100.0	100.0	100.0
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	18.09.2000	02.08.2000	05.06.2000
12	Perpetual or dated	Perpetual	Perpetual	Perpetual
13	Original maturity date	no maturity	no maturity	no maturity
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	Notice Periods of 2 years	Notice period of 2 years (extraordinary/special right of cancellation in case of significant changes in tax or regulatory treatment)	Notice period of 2 years (extraordinary/special right of cancellation in case of significant changes in tax or regulatory treatment)
16	Subsequent call dates, if applicable	Notice Periods of 2 years	Notice Periods of 2 years	Notice Periods of 2 years
<b>Coupons / dividends</b>				
17	Fixed or floating dividend / coupons	Fixed	Fixed	Fixed
18	Coupon rate and any related index	3.16%	3.16%	3.16%
19	Existence of a dividend stopper	No (potential Replenishment precedes/overrides distribution of dividends)	No (potential Replenishment precedes/overrides distribution of dividends)	No (potential Replenishment precedes/overrides distribution of dividends)
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative oder cumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Nonconvertible	Nonconvertible	Nonconvertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A
30	Write-down features	Yes	Yes	Yes
31	If write-down, write-down trigger(s)	Annual deficit/net loss	Annual deficit/net loss	Annual deficit/net loss
32	If write-down, full or partial	Always partially	Always partially	Always partially
33	If write-down, permanent or temporary	Temporary	Temporary	Temporary
34	If temporary write-down, description of write-up mechanism	Is to restore till deposit's nominal value, yet only if no new annual loss/deficit increases or emerges by this, restorage precedes/overrides remuneration of reserves.	Restorage in the subsequent year till the deposit's nominal value, as far no new deficit emerges. Restorage on silent participations after downgrading precede/override restorage of share capital and remuneration of reserves.	Restorage in the subsequent year till the deposit's nominal value, as far no new deficit emerges. Restorage on silent participations after downgrading precede/override restorage of share capital and remuneration of reserves.
35	Position in subordination hierarchy in liquidation	Share	Share	Share
36	Non-compliant transitioned features	N/A	N/A	N/A
37	If yes, specify non-compliant features	N/A	N/A	N/A

1	Issuer	HSH Nordbank AG	HSH Nordbank AG	HSH Nordbank AG
2	Unique Identifier <sup>1</sup>	XFNAM0018659	XFNAM0018485	XFNAM0018592
3	Governing law(s) of the instrument	German Law	German Law	German Law
<b>Regulatory Treatment</b>				
4	Transitional CRR rules	Additional Tier 1	Additional Tier 1	Additional Tier 1
5	Post-transitional CRR rules	Ineligible	Ineligible	Ineligible
6	Eligible at solo/(sub-)consolidated /solo & (sub-)consolidated	Solo and (Sub-)Consolidated	Solo and (Sub-)Consolidated	Solo and (Sub-)Consolidated
7	Instrument type	Silent participations	Silent participations	Silent participations
8	Amount recognised in regulatory capital (EURm)	9.4	9.4	9.4
9	Nominal amount of instrument (CUR of issuance)	10 (EURm)	10 (EURm)	10 (EURm)
9	Nominal amount of issuance (EURm)	10	10	10
9a	Issue price	100.0	100.0	100.0
9b	Redemption price	100.0	100.0	100.0
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	02.08.2000	14.06.2000	24.07.2000
12	Perpetual or dated	Perpetual	Perpetual	Perpetual
13	Original maturity date	no maturity	no maturity	no maturity
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	Notice period of 2 years (extraordinary/special right of cancellation in case of significant changes in tax or regulatory treatment)	Notice period of 2 years (extraordinary/special right of cancellation in case of significant changes in tax or regulatory treatment)	Notice Periods of 2 years
16	Subsequent call dates, if applicable	Notice Periods of 2 years	Notice Periods of 2 years	Notice Periods of 2 years
<b>Coupons / dividends</b>				
17	Fixed or floating dividend / coupons	Fixed	Fixed	Fixed
18	Coupon rate and any related index	3.16%	3.16%	3.16%
19	Existence of a dividend stopper	No (potential Replenishment precedes/overrides distribution of dividends)	No (potential Replenishment precedes/overrides distribution of dividends)	No (potential Replenishment precedes/overrides distribution of dividends)
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative oder cumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Nonconvertible	Nonconvertible	Nonconvertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A
30	Write-down features	Yes	Yes	Yes
31	If write-down, write-down trigger(s)	Annual deficit/net loss	Annual deficit/net loss	Annual deficit/net loss
32	If write-down, full or partial	Always partially	Always partially	Always partially
33	If write-down, permanent or temporary	Temporary	Temporary	Temporary
34	If temporary write-down, description of write-up mechanism	Restorage in the subsequent year till the deposit's nominal value, as far no new deficit emerges. Restorage on silent participations after downgrading precede/override restorage of share capital and remuneration of reserves.	Restorage in the subsequent year till the deposit's nominal value, as far no new deficit emerges. Restorage on silent participations after downgrading precede/override restorage of share capital and remuneration of reserves.	Is to restore till deposit's nominal value, yet only if no new annual loss/deficit increases or emerges by this, restorage precedes/overrides remuneration of reserves.
35	Position in subordination hierarchy in liquidation	Share	Share	Share
36	Non-compliant transitioned features	N/A	N/A	N/A
37	If yes, specify non-compliant features	N/A	N/A	N/A

1	Issuer	HSH Nordbank AG	HSH Nordbank AG	HSH Nordbank AG
2	Unique Identifier <sup>1</sup>	XFNAM0018816	XFNAM0018824	XFNAM0018626
3	Governing law(s) of the instrument	German Law	German Law	German Law
<b>Regulatory Treatment</b>				
4	Transitional CRR rules	Additional Tier 1	Additional Tier 1	Additional Tier 1
5	Post-transitional CRR rules	Ineligible	Ineligible	Ineligible
6	Eligible at solo/(sub)-consolidated /solo & (sub)-consolidated	Solo and (Sub-)Consolidated	Solo and (Sub-)Consolidated	Solo and (Sub-)Consolidated
7	Instrument type	Silent participations	Silent participations	Silent participations
8	Amount recognised in regulatory capital (EURm)	9.2	9.2	7.0
9	Nominal amount of instrument (CUR of issuance)	10 (EURm)	10 (EURm)	7.5 (EURm)
9	Nominal amount of issuance (EURm)	10	10	7.5
9a	Issue price	100.0	100.0	100.0
9b	Redemption price	100.0	100.0	100.0
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	03.07.2001	03.07.2001	02.08.2000
12	Perpetual or dated	Perpetual	Perpetual	Perpetual
13	Original maturity date	no maturity	no maturity	no maturity
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	Notice period of 2 years (extraordinary/special right of cancellation in case of significant changes in tax or regulatory treatment)	Notice period of 2 years (extraordinary/special right of cancellation in case of significant changes in tax or regulatory treatment)	Notice period of 2 years (extraordinary/special right of cancellation in case of significant changes in tax or regulatory treatment)
16	Subsequent call dates, if applicable	Notice Periods of 2 years	Notice Periods of 2 years	Notice Periods of 2 years
<b>Coupons / dividends</b>				
17	Fixed or floating dividend / coupons	Fixed	Fixed	Fixed
18	Coupon rate and any related index	4.00%	4.00%	3.16%
19	Existence of a dividend stopper	No (potential Replenishment precedes/overrides distribution of dividends)	No (potential Replenishment precedes/overrides distribution of dividends)	No (potential Replenishment precedes/overrides distribution of dividends)
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative oder cumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Nonconvertible	Nonconvertible	Nonconvertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A
30	Write-down features	Yes	Yes	Yes
31	If write-down, write-down trigger(s)	Annual deficit/net loss	Annual deficit/net loss	Annual deficit/net loss
32	If write-down, full or partial	Always partially	Always partially	Always partially
33	If write-down, permanent or temporary	Temporary	Temporary	Temporary
34	If temporary write-down, description of write-up mechanism	Restorage in the subsequent year till the deposit's nominal value, as far no new deficit emerges. Restorage on silent participations after downgrading precede/override restorage of share capital and remuneration of reserves.	Restorage in the subsequent year till the deposit's nominal value, as far no new deficit emerges. Restorage on silent participations after downgrading precede/override restorage of share capital and remuneration of reserves.	Restorage in the subsequent year till the deposit's nominal value, as far no new deficit emerges. Restorage on silent participations after downgrading precede/override restorage of share capital and remuneration of reserves.
35	Position in subordination hierarchy in liquidation	Share	Share	Share
36	Non-compliant transitioned features	N/A	N/A	N/A
37	If yes, specify non-compliant features	N/A	N/A	N/A



1	Issuer	HSH Nordbank AG	HSH Nordbank AG	HSH Nordbank AG
2	Unique Identifier <sup>1</sup>	XFNAM0018956	XFNAM0018741	XFNAM0018733
3	Governing law(s) of the instrument	German Law	German Law	German Law
<b>Regulatory Treatment</b>				
4	Transitional CRR rules	Additional Tier 1	Additional Tier 1	Additional Tier 1
5	Post-transitional CRR rules	Ineligible	Ineligible	Ineligible
6	Eligible at solo/(sub-)consolidated /solo & (sub-)consolidated	Solo and (Sub-)Consolidated	Solo and (Sub-)Consolidated	Solo and (Sub-)Consolidated
7	Instrument type	Silent participations	Silent participations	Silent participations
8	Amount recognised in regulatory capital (EURm)	6.8	4.7	4.7
9	Nominal amount of instrument (CUR of issuance)	7.2 (EURm)	5 (EURm)	5 (EURm)
9	Nominal amount of issuance (EURm)	7.2	5	5
9a	Issue price	100.0	100.0	100.0
9b	Redemption price	100.0	100.0	100.0
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	16.08.2000	18.09.2000	18.09.2000
12	Perpetual or dated	Perpetual	Perpetual	Perpetual
13	Original maturity date	no maturity	no maturity	no maturity
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	Notice Periods of 2 years	Notice period of 2 years (extraordinary/special right of cancellation in case of significant changes in tax or regulatory treatment)	Notice Periods of 2 years
16	Subsequent call dates, if applicable	Notice Periods of 2 years	Notice Periods of 2 years	Notice Periods of 2 years
<b>Coupons / dividends</b>				
17	Fixed or floating dividend / coupons	Fixed	Fixed	Fixed
18	Coupon rate and any related index	3.16%	3.16%	3.16%
19	Existence of a dividend stopper	No (potential Replenishment precedes/overrides distribution of dividends)	No (potential Replenishment precedes/overrides distribution of dividends)	No (potential Replenishment precedes/overrides distribution of dividends)
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative oder cumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Nonconvertible	Nonconvertible	Nonconvertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A
30	Write-down features	Yes	Yes	Yes
31	If write-down, write-down trigger(s)	Annual deficit/net loss	Annual deficit/net loss	Annual deficit/net loss
32	If write-down, full or partial	Always partially	Always partially	Always partially
33	If write-down, permanent or temporary	Temporary	Temporary	Temporary
34	If temporary write-down, description of write-up mechanism	Is to restore till deposit's nominal value, yet only if no new annual loss/deficit increases or emerges by this, restorage precedes/overrides remuneration of reserves.	Restorage in the subsequent year till the deposit's nominal value, as far no new deficit emerges. Restorage on silent participations after downgrading precede/override restorage of share capital and remuneration of reserves.	Is to restore till deposit's nominal value, yet only if no new annual loss/deficit increases or emerges by this, restorage precedes/overrides remuneration of reserves.
35	Position in subordination hierarchy in liquidation	Share	Share	Share
36	Non-compliant transitioned features	N/A	N/A	N/A
37	If yes, specify non-compliant features	N/A	N/A	N/A

1	Issuer	HSH Nordbank AG	HSH Nordbank AG	HSH Nordbank AG
2	Unique Identifier <sup>1</sup>	XFNAM0018543	XFNAM0018675	XFNAM0018667
3	Governing law(s) of the instrument	German Law	German Law	German Law
<b>Regulatory Treatment</b>				
4	Transitional CRR rules	Additional Tier 1	Additional Tier 1	Additional Tier 1
5	Post-transitional CRR rules	Ineligible	Ineligible	Ineligible
6	Eligible at solo/(sub)-consolidated /solo & (sub)-consolidated	Solo and (Sub-)Consolidated	Solo and (Sub-)Consolidated	Solo and (Sub-)Consolidated
7	Instrument type	Silent participations	Silent participations	Silent participations
8	Amount recognised in regulatory capital (EURm)	4.7	4.7	4.7
9	Nominal amount of instrument (CUR of issuance)	5 (EURm)	5 (EURm)	5 (EURm)
9	Nominal amount of issuance (EURm)	5	5	5
9a	Issue price	100.0	100.0	100.0
9b	Redemption price	100.0	100.0	100.0
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	14.07.2000	16.08.2000	16.08.2000
12	Perpetual or dated	Perpetual	Perpetual	Perpetual
13	Original maturity date	no maturity	no maturity	no maturity
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	Notice period of 2 years (extraordinary/special right of cancellation in case of significant changes in tax or regulatory treatment)	Notice period of 2 years (extraordinary/special right of cancellation in case of significant changes in tax or regulatory treatment)	Notice period of 2 years (extraordinary/special right of cancellation in case of significant changes in tax or regulatory treatment)
16	Subsequent call dates, if applicable	Notice Periods of 2 years	Notice Periods of 2 years	Notice Periods of 2 years
<b>Coupons / dividends</b>				
17	Fixed or floating dividend / coupons	Fixed	Fixed	Fixed
18	Coupon rate and any related index	3.16%	3.16%	3.16%
19	Existence of a dividend stopper	No (potential Replenishment precedes/overrides distribution of dividends)	No (potential Replenishment precedes/overrides distribution of dividends)	No (potential Replenishment precedes/overrides distribution of dividends)
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative oder cumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Nonconvertible	Nonconvertible	Nonconvertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A
30	Write-down features	Yes	Yes	Yes
31	If write-down, write-down trigger(s)	Annual deficit/net loss	Annual deficit/net loss	Annual deficit/net loss
32	If write-down, full or partial	Always partially	Always partially	Always partially
33	If write-down, permanent or temporary	Temporary	Temporary	Temporary
34	If temporary write-down, description of write-up mechanism	Restorage in the subsequent year till the deposit's nominal value, as far no new deficit emerges. Restorage on silent participations after downgrading precede/override restorage of share capital and remuneration of reserves.	Restorage in the subsequent year till the deposit's nominal value, as far no new deficit emerges. Restorage on silent participations after downgrading precede/override restorage of share capital and remuneration of reserves.	Restorage in the subsequent year till the deposit's nominal value, as far no new deficit emerges. Restorage on silent participations after downgrading precede/override restorage of share capital and remuneration of reserves.
35	Position in subordination hierarchy in liquidation	Share	Share	Share
36	Non-compliant transitioned features	N/A	N/A	N/A
37	If yes, specify non-compliant features	N/A	N/A	N/A

1	Issuer	HSH Nordbank AG	HSH Nordbank AG	HSH Nordbank AG
2	Unique Identifier <sup>1</sup>	XFNAM0018865	XFNAM0018782	XFNAM0018832
3	Governing law(s) of the instrument	German Law	German Law	German Law
<b>Regulatory Treatment</b>				
4	Transitional CRR rules	Additional Tier 1	Additional Tier 1	Additional Tier 1
5	Post-transitional CRR rules	Ineligible	Ineligible	Ineligible
6	Eligible at solo/(sub-)consolidated /solo & (sub-)consolidated	Solo and (Sub-)Consolidated	Solo and (Sub-)Consolidated	Solo and (Sub-)Consolidated
7	Instrument type	Silent participations	Silent participations	Silent participations
8	Amount recognised in regulatory capital (EURm)	4.6	4.6	4.6
9	Nominal amount of instrument (CUR of issuance)	5 (EURm)	5 (EURm)	5 (EURm)
9	Nominal amount of issuance (EURm)	5	5	5
9a	Issue price	100.0	100.0	100.0
9b	Redemption price	100.0	100.0	100.0
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	10.09.2001	01.02.2001	03.07.2001
12	Perpetual or dated	Perpetual	Perpetual	Perpetual
13	Original maturity date	no maturity	no maturity	no maturity
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	Notice Periods of 2 years	Notice Periods of 2 years	Notice period of 2 years (extraordinary/special right of cancellation in case of significant changes in tax or regulatory treatment)
16	Subsequent call dates, if applicable	Notice Periods of 2 years	Notice Periods of 2 years	Notice Periods of 2 years
<b>Coupons / dividends</b>				
17	Fixed or floating dividend / coupons	Fixed	Fixed	Fixed
18	Coupon rate and any related index	3.95%	3.98%	4.00%
19	Existence of a dividend stopper	No (potential Replenishment precedes/overrides distribution of dividends)	No (potential Replenishment precedes/overrides distribution of dividends)	No (potential Replenishment precedes/overrides distribution of dividends)
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative oder cumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Nonconvertible	Nonconvertible	Nonconvertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A
30	Write-down features	Yes	Yes	Yes
31	If write-down, write-down trigger(s)	Annual deficit/net loss	Annual deficit/net loss	Annual deficit/net loss
32	If write-down, full or partial	Always partially	Always partially	Always partially
33	If write-down, permanent or temporary	Temporary	Temporary	Temporary
34	If temporary write-down, description of write-up mechanism	Restorage in the subsequent year till the deposit's nominal value, as far no new deficit emerges. Restorage on silent participations after downgrading precede/override restorage of share capital and remuneration of reserves.	Is to restore till deposit's nominal value, yet only if no new annual loss/deficit increases or emerges by this, restorage precedes/overrides remuneration of reserves.	Restorage in the subsequent year till the deposit's nominal value, as far no new deficit emerges. Restorage on silent participations after downgrading precede/override restorage of share capital and remuneration of reserves.
35	Position in subordination hierarchy in liquidation	Share	Share	Share
36	Non-compliant transitioned features	N/A	N/A	N/A
37	If yes, specify non-compliant features	N/A	N/A	N/A

1	Issuer	HSH Nordbank AG	HSH Nordbank AG	HSH Nordbank AG
2	Unique Identifier <sup>1</sup>	XFNAM0018840	XFNAM0018857	XFNAM0018972
3	Governing law(s) of the instrument	German Law	German Law	German Law
<b>Regulatory Treatment</b>				
4	Transitional CRR rules	Additional Tier 1	Additional Tier 1	Additional Tier 1
5	Post-transitional CRR rules	Ineligible	Ineligible	Tier 2
6	Eligible at solo/(sub-)consolidated /solo & (sub-)consolidated	Solo and (Sub-)Consolidated	Solo and (Sub-)Consolidated	Solo and (Sub-)Consolidated
7	Instrument type	Silent participations	Silent participations	Silent participations
8	Amount recognised in regulatory capital (EURm)	4.6	4.6	4.6
9	Nominal amount of instrument (CUR of issuance)	5 (EURm)	5 (EURm)	5 (EURm)
9	Nominal amount of issuance (EURm)	5	5	5
9a	Issue price	100.0	100.0	100.0
9b	Redemption price	100.0	100.0	100.0
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	23.07.2001	23.07.2001	02.11.1999
12	Perpetual or dated	Perpetual	Perpetual	Perpetual
13	Original maturity date	no maturity	no maturity	no maturity
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	Notice period of 2 years (extraordinary/special right of cancellation in case of significant changes in tax or regulatory treatment)	Notice period of 2 years (extraordinary/special right of cancellation in case of significant changes in tax or regulatory treatment)	Notice period of 2 years (extraordinary/special right of cancellation in case of significant changes in tax or regulatory treatment)
16	Subsequent call dates, if applicable	Notice Periods of 2 years	Notice Periods of 2 years	Notice Periods of 2 years
<b>Coupons / dividends</b>				
17	Fixed or floating dividend / coupons	Fixed	Fixed	Fixed
18	Coupon rate and any related index	4.03%	4.03%	4.46%
19	Existence of a dividend stopper	No (potential Replenishment precedes/overrides distribution of dividends)	No (potential Replenishment precedes/overrides distribution of dividends)	No (potential Replenishment precedes/overrides distribution of dividends)
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative oder cumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Nonconvertible	Nonconvertible	Nonconvertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A
30	Write-down features	Yes	Yes	Yes
31	If write-down, write-down trigger(s)	Annual deficit/net loss	Annual deficit/net loss	Annual deficit/net loss
32	If write-down, full or partial	Always partially	Always partially	Always partially
33	If write-down, permanent or temporary	Temporary	Temporary	Temporary
34	If temporary write-down, description of write-up mechanism	Restorage in the subsequent year till the deposit's nominal value, as far no new deficit emerges. Restorage on silent participations after downgrading precede/override restorage of share capital and remuneration of reserves.	Restorage in the subsequent year till the deposit's nominal value, as far no new deficit emerges. Restorage on silent participations after downgrading precede/override restorage of share capital and remuneration of reserves.	Restorage in the subsequent year till the deposit's nominal value, as far no new deficit emerges. Restorage on silent participations after downgrading precede/override restorage of share capital and remuneration of reserves.
35	Position in subordination hierarchy in liquidation	Share	Share	Share
36	Non-compliant transitioned features	N/A	N/A	N/A
37	If yes, specify non-compliant features	N/A	N/A	N/A

1	Issuer	HSH Nordbank AG	HSH Nordbank AG	HSH Nordbank AG
2	Unique Identifier <sup>1</sup>	XFNAM0018949	XFNAM0018683	XFNAM0018931
3	Governing law(s) of the instrument	German Law	German Law	German Law
<b>Regulatory Treatment</b>				
4	Transitional CRR rules	Additional Tier 1	Additional Tier 1	Additional Tier 1
5	Post-transitional CRR rules	Ineligible	Ineligible	Ineligible
6	Eligible at solo/(sub-)consolidated /solo & (sub-)consolidated	Solo and (Sub-)Consolidated	Solo and (Sub-)Consolidated	Solo and (Sub-)Consolidated
7	Instrument type	Silent participations	Silent participations	Silent participations
8	Amount recognised in regulatory capital (EURm)	4.5	3.8	2.6
9	Nominal amount of instrument (CUR of issuance)	5 (EURm)	4 (EURm)	2.8 (EURm)
9	Nominal amount of issuance (EURm)	5	4	2.8
9a	Issue price	100.0	100.0	100.0
9b	Redemption price	100.0	100.0	100.0
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	01.08.2000	16.08.2000	16.08.2000
12	Perpetual or dated	Perpetual	Perpetual	Perpetual
13	Original maturity date	no maturity	no maturity	no maturity
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	Notice period of 2 years (extraordinary/special right of cancellation in case of significant changes in tax or regulatory treatment)	Notice period of 2 years (extraordinary/special right of cancellation in case of significant changes in tax or regulatory treatment)	Notice Periods of 2 years
16	Subsequent call dates, if applicable	Notice Periods of 2 years	Notice Periods of 2 years	Notice Periods of 2 years
<b>Coupons / dividends</b>				
17	Fixed or floating dividend / coupons	Fixed	Fixed	Fixed
18	Coupon rate and any related index	4.98%	3.16%	3.16%
19	Existence of a dividend stopper	No (potential Replenishment precedes/overrides distribution of dividends)	No (potential Replenishment precedes/overrides distribution of dividends)	No (potential Replenishment precedes/overrides distribution of dividends)
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative oder cumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Nonconvertible	Nonconvertible	Nonconvertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A
30	Write-down features	Yes	Yes	Yes
31	If write-down, write-down trigger(s)	Annual deficit/net loss	Annual deficit/net loss	Annual deficit/net loss
32	If write-down, full or partial	Always partially	Always partially	Always partially
33	If write-down, permanent or temporary	Temporary	Temporary	Temporary
34	If temporary write-down, description of write-up mechanism	Restorage in the subsequent year till the deposit's nominal value, as far no new deficit emerges. Restorage on silent participations after downgrading precede/override restorage of share capital and remuneration of reserves.	Restorage in the subsequent year till the deposit's nominal value, as far no new deficit emerges. Restorage on silent participations after downgrading precede/override restorage of share capital and remuneration of reserves.	Is to restore till deposit's nominal value, yet only if no new annual loss/deficit increases or emerges by this, restorage precedes/overrides remuneration of reserves.
35	Position in subordination hierarchy in liquidation	Share	Share	Share
36	Non-compliant transitioned features	N/A	N/A	N/A
37	If yes, specify non-compliant features	N/A	N/A	N/A

1	Issuer	HSH Nordbank AG	HSH Nordbank AG	HSH Nordbank AG
2	Unique Identifier <sup>1</sup>	XFNAM0018923	XFNAM0018717	XFNAM0018709
3	Governing law(s) of the instrument	German Law	German Law	German Law
<b>Regulatory Treatment</b>				
4	Transitional CRR rules	Additional Tier 1	Additional Tier 1	Additional Tier 1
5	Post-transitional CRR rules	Ineligible	Ineligible	Ineligible
6	Eligible at solo/(sub)-consolidated /solo & (sub)-consolidated	Solo and (Sub-)Consolidated	Solo and (Sub-)Consolidated	Solo and (Sub-)Consolidated
7	Instrument type	Silent participations	Silent participations	Silent participations
8	Amount recognised in regulatory capital (EURm)	2.4	2.3	2.3
9	Nominal amount of instrument (CUR of issuance)	2.5 (EURm)	2.5 (EURm)	2.5 (EURm)
9	Nominal amount of issuance (EURm)	2.5	2.5	2.5
9a	Issue price	100.0	100.0	100.0
9b	Redemption price	100.0	100.0	100.0
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	15.12.1999	16.08.2000	16.08.2000
12	Perpetual or dated	Perpetual	Perpetual	Perpetual
13	Original maturity date	no maturity	no maturity	no maturity
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	Notice period of 2 years (extraordinary/special right of cancellation in case of significant changes in tax or regulatory treatment)	Notice period of 2 years (extraordinary/special right of cancellation in case of significant changes in tax or regulatory treatment)	Notice period of 2 years (extraordinary/special right of cancellation in case of significant changes in tax or regulatory treatment)
16	Subsequent call dates, if applicable	Notice Periods of 2 years	Notice Periods of 2 years	Notice Periods of 2 years
<b>Coupons / dividends</b>				
17	Fixed or floating dividend / coupons	Floating	Fixed	Fixed
18	Coupon rate and any related index	EURIBOR (EUR) 12M + 1,50 %	3.16%	3.16%
19	Existence of a dividend stopper	No (potential Replenishment precedes/overrides distribution of dividends)	No (potential Replenishment precedes/overrides distribution of dividends)	No (potential Replenishment precedes/overrides distribution of dividends)
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative oder cumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Nonconvertible	Nonconvertible	Nonconvertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A
30	Write-down features	Yes	Yes	Yes
31	If write-down, write-down trigger(s)	Annual deficit/net loss	Annual deficit/net loss	Annual deficit/net loss
32	If write-down, full or partial	Always partially	Always partially	Always partially
33	If write-down, permanent or temporary	Temporary	Temporary	Temporary
34	If temporary write-down, description of write-up mechanism	Restorage in the subsequent year till the deposit's nominal value, as far no new deficit emerges. Restorage on silent participations after downgrading precede/override restorage of share capital and remuneration of reserves.	Restorage in the subsequent year till the deposit's nominal value, as far no new deficit emerges. Restorage on silent participations after downgrading precede/override restorage of share capital and remuneration of reserves.	Is to restore till deposit's nominal value, yet only if no new annual loss/deficit increases or emerges by this, restorage precedes/overrides remuneration of reserves.
35	Position in subordination hierarchy in liquidation	Share	Share	Share
36	Non-compliant transitioned features	N/A	N/A	N/A
37	If yes, specify non-compliant features	N/A	N/A	N/A

1	Issuer	HSH Nordbank AG	HSH Nordbank AG	HSH Nordbank AG
2	Unique Identifier <sup>1</sup>	XFNAM0018873	XFNAM0018691	XFNAM0018907
3	Governing law(s) of the instrument	German Law	German Law	German Law
<b>Regulatory Treatment</b>				
4	Transitional CRR rules	Additional Tier 1	Additional Tier 1	Additional Tier 1
5	Post-transitional CRR rules	Ineligible	Ineligible	Ineligible
6	Eligible at solo/(sub-)consolidated /solo & (sub-)consolidated	Solo and (Sub-)Consolidated	Solo and (Sub-)Consolidated	Solo and (Sub-)Consolidated
7	Instrument type	Silent participations	Silent participations	Silent participations
8	Amount recognised in regulatory capital (EURm)	2.3	0.9	0.5
9	Nominal amount of instrument (CUR of issuance)	2.5 (EURm)	1 (EURm)	0.5 (EURm)
9	Nominal amount of issuance (EURm)	2.5	1	0.5
9a	Issue price	100.0	100.0	100.0
9b	Redemption price	100.0	100.0	100.0
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	10.09.2001	16.08.2000	15.12.1999
12	Perpetual or dated	Perpetual	Perpetual	Perpetual
13	Original maturity date	no maturity	no maturity	no maturity
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	Notice period of 2 years (extraordinary/special right of cancellation in case of significant changes in tax or regulatory treatment)	Notice period of 2 years (extraordinary/special right of cancellation in case of significant changes in tax or regulatory treatment)	Notice period of 2 years (extraordinary/special right of cancellation in case of significant changes in tax or regulatory treatment)
16	Subsequent call dates, if applicable	Notice Periods of 2 years	Notice Periods of 2 years	Notice Periods of 2 years
<b>Coupons / dividends</b>				
17	Fixed or floating dividend / coupons	Fixed	Fixed	Floating
18	Coupon rate and any related index	3.95%	3.16%	EURIBOR (EUR) 12M + 1,50 %
19	Existence of a dividend stopper	No (potential Replenishment precedes/overrides distribution of dividends)	No (potential Replenishment precedes/overrides distribution of dividends)	No (potential Replenishment precedes/overrides distribution of dividends)
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative oder cumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Nonconvertible	Nonconvertible	Nonconvertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A
30	Write-down features	Yes	Yes	Yes
31	If write-down, write-down trigger(s)	Annual deficit/net loss	Annual deficit/net loss	Annual deficit/net loss
32	If write-down, full or partial	Always partially	Always partially	Always partially
33	If write-down, permanent or temporary	Temporary	Temporary	Temporary
34	If temporary write-down, description of write-up mechanism	Restorage in the subsequent year till the deposit's nominal value, as far no new deficit emerges. Restorage on silent participations after downgrading precede/override restorage of share capital and remuneration of reserves.	Restorage in the subsequent year till the deposit's nominal value, as far no new deficit emerges. Restorage on silent participations after downgrading precede/override restorage of share capital and remuneration of reserves.	Restorage in the subsequent year till the deposit's nominal value, as far no new deficit emerges. Restorage on silent participations after downgrading precede/override restorage of share capital and remuneration of reserves.
35	Position in subordination hierarchy in liquidation	Share	Share	Share
36	Non-compliant transitioned features	N/A	N/A	N/A
37	If yes, specify non-compliant features	N/A	N/A	N/A

1	Issuer	HSH Nordbank AG	HSH Nordbank AG	HSH Nordbank AG
2	Unique Identifier <sup>1</sup>	XFNAM0018915	XFNAM0018527	XFNAM0018535
3	Governing law(s) of the instrument	German Law	German Law	German Law
<b>Regulatory Treatment</b>				
4	Transitional CRR rules	Additional Tier 1	Additional Tier 1	Additional Tier 1
5	Post-transitional CRR rules	Ineligible	Ineligible	Ineligible
6	Eligible at solo/(sub)-consolidated /solo & (sub)-consolidated	Solo and (Sub-)Consolidated	Solo and (Sub-)Consolidated	Solo and (Sub-)Consolidated
7	Instrument type	Silent participations	Silent participations	Silent participations
8	Amount recognised in regulatory capital (EURm)	0.5	0.5	0.5
9	Nominal amount of instrument (CUR of issuance)	0.5 (EURm)	0.5 (EURm)	0.5 (EURm)
9	Nominal amount of issuance (EURm)	0.5	0.5	0.5
9a	Issue price	100.0	100.0	100.0
9b	Redemption price	100.0	100.0	100.0
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	15.12.1999	29.05.2000	19.07.2000
12	Perpetual or dated	Perpetual	Perpetual	Perpetual
13	Original maturity date	no maturity	no maturity	no maturity
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	Notice period of 2 years (extraordinary/special right of cancellation in case of significant changes in tax or regulatory treatment)	Notice period of 2 years (extraordinary/special right of cancellation in case of significant changes in tax or regulatory treatment)	Notice period of 2 years (extraordinary/special right of cancellation in case of significant changes in tax or regulatory treatment)
16	Subsequent call dates, if applicable	Notice Periods of 2 years	Notice Periods of 2 years	Notice Periods of 2 years
<b>Coupons / dividends</b>				
17	Fixed or floating dividend / coupons	Floating	Floating	Floating
18	Coupon rate and any related index	EURIBOR (EUR) 12M + 1,50 %	EURIBOR (EUR) 12M + 1,50 %	EURIBOR (EUR) 12M + 1,50 %
19	Existence of a dividend stopper	No (potential Replenishment precedes/overrides distribution of dividends)	nein <sup>o</sup>	No (potential Replenishment precedes/overrides distribution of dividends)
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative oder cumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Nonconvertible	Nonconvertible	Nonconvertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A
30	Write-down features	Yes	Yes	Yes
31	If write-down, write-down trigger(s)	Annual deficit/net loss	Annual deficit/net loss	Annual deficit/net loss
32	If write-down, full or partial	Always partially	Always partially	Always partially
33	If write-down, permanent or temporary	Temporary	Temporary	Temporary
34	If temporary write-down, description of write-up mechanism	Restorage in the subsequent year till the deposit's nominal value, as far no new deficit emerges. Restorage on silent participations after downgrading precede/override restorage of share capital and remuneration of reserves.	Restorage in the subsequent year till the deposit's nominal value, as far no new deficit emerges. Restorage on silent participations after downgrading precede/override restorage of share capital and remuneration of reserves.	Restorage in the subsequent year till the deposit's nominal value, as far no new deficit emerges. Restorage on silent participations after downgrading precede/override restorage of share capital and remuneration of reserves.
35	Position in subordination hierarchy in liquidation	Share	Share	Share
36	Non-compliant transitioned features	N/A	N/A	N/A
37	If yes, specify non-compliant features	N/A	N/A	N/A



1	Issuer	HSH Nordbank AG	HSH Nordbank AG	HSH Nordbank AG
2	Unique Identifier <sup>1</sup>	XS0126551695	XS0122667230	XS0104723266
3	Governing law(s) of the instrument	English Law	English Law	English Law
<b>Regulatory Treatment</b>				
4	Transitional CRR rules	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated /solo & (sub-)consolidated	Solo and (Sub-)Consolidated	Solo and (Sub-)Consolidated	Solo and (Sub-)Consolidated
7	Instrument type	bearer bond	bearer bond (floating rate note)	bearer bond
8	Amount recognised in regulatory capital (EURm)	119.2	92.0	85.9
9	Nominal amount of instrument (CUR of issuance)	143 (USDm)	92 (EURm)	86 (EURm)
9	Nominal amount of issuance (EURm)	119.2	92	86
9a	Issue price	100.5	100.0	100.0
9b	Redemption price	100.0	100.0	100.0
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	21.03.2001	22.01.2001	25.11.1999
12	Perpetual or dated	Dated	Dated	Dated
13	Original maturity date	21.03.2031	22.01.2041	25.11.2039
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	Possibility of termination in case of a change in taxation leading to additional payments to the owner of the debt securities	Possibility of termination in case of a change in taxation leading to additional payments to the owner of the debt securities	Possibility of termination in case of a change in taxation leading to additional payments to the owner of the debt securities
16	Subsequent call dates, if applicable	N/A	N/A	N/A
<b>Coupons / dividends</b>				
17	Fixed or floating dividend / coupons	Floating	Floating	Floating
18	Coupon rate and any related index	LIBOR (USD) 3M + 0,41 %	EURIBOR (EUR) 3M + 0,38 %	EURIBOR (EUR) 3M + 0,38 %
19	Existence of a dividend stopper	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative oder cumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Nonconvertible	Nonconvertible	Nonconvertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A
30	Write-down features	No	No	No
31	If write-down, write-down trigger(s)	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A
35	Position in subordination hierarchy in liquidation	participation certificate/participation paper/trust preferred	participation certificate/participation paper/trust preferred	participation certificate/participation paper/trust preferred
36	Non-compliant transitioned features	N/A	N/A	N/A
37	If yes, specify non-compliant features	N/A	N/A	N/A

1	Issuer	HSH Nordbank AG	HSH Nordbank AG	HSH Nordbank AG
2	Unique Identifier <sup>1</sup>	XS0119502994	XS0119368222	XS0105720881
3	Governing law(s) of the instrument	English Law	English Law	English Law
<b>Regulatory Treatment</b>				
4	Transitional CRR rules	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub)-consolidated /solo & (sub)-consolidated	Solo and (Sub-)Consolidated	Solo and (Sub-)Consolidated	Solo and (Sub-)Consolidated
7	Instrument type	bearer bond (floating rate note)	bearer bond (floating rate note)	bearer bond
8	Amount recognised in regulatory capital (EURm)	80.0	70.0	63.8
9	Nominal amount of instrument (CUR of issuance)	80 (EURm)	70 (EURm)	64 (EURm)
9	Nominal amount of issuance (EURm)	80	70	64
9a	Issue price	100.0	100.0	100.0
9b	Redemption price	100.0	100.0	100.0
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	30.10.2000	25.10.2000	17.01.2000
12	Perpetual or dated	Dated	Dated	Dated
13	Original maturity date	30.10.2040	25.10.2030	17.01.2030
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	Possibility of termination in case of a change in taxation leading to additional payments to the owner of the debt securities	Possibility of termination in case of a change in taxation leading to additional payments to the owner of the debt securities	Possibility of termination in case of a change in taxation leading to additional payments to the owner of the debt securities
16	Subsequent call dates, if applicable	N/A	Possibility of termination in case of a change in taxation leading to additional payments to the owner of the debt securities	N/A
<b>Coupons / dividends</b>				
17	Fixed or floating dividend / coupons	Floating	Floating	Floating
18	Coupon rate and any related index	EURIBOR (EUR) 3M + 0,38 %	EURIBOR (EUR) 3M + 0,38 %	EURIBOR (EUR) 6M + 0,36 %
19	Existence of a dividend stopper	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative oder cumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Nonconvertible	Nonconvertible	Nonconvertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A
30	Write-down features	No	No	No
31	If write-down, write-down trigger(s)	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A
35	Position in subordination hierarchy in liquidation	participation certificate/participation paper/trust preferred	participation certificate/participation paper/trust preferred	participation certificate/participation paper/trust preferred
36	Non-compliant transitioned features	N/A	N/A	N/A
37	If yes, specify non-compliant features	N/A	N/A	N/A

1	Issuer	HSH Nordbank AG	HSH Nordbank AG	HSH Nordbank AG
2	Unique Identifier <sup>1</sup>	XS0096688881	XS0120017974	XS0120635809
3	Governing law(s) of the instrument	English Law	English Law	English Law
<b>Regulatory Treatment</b>				
4	Transitional CRR rules	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated /solo & (sub-)consolidated	Solo and (Sub-)Consolidated	Solo and (Sub-)Consolidated	Solo and (Sub-)Consolidated
7	Instrument type	bearer bond	bearer bond (floating rate note)	bearer bond (floating rate note)
8	Amount recognised in regulatory capital (EURm)	50.0	50.0	50.0
9	Nominal amount of instrument (CUR of issuance)	50 (EURm)	50 (EURm)	50 (EURm)
9	Nominal amount of issuance (EURm)	50	50	50
9a	Issue price	100.0	100.0	100.0
9b	Redemption price	100.0	100.0	100.0
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	26.04.1999	08.11.2000	28.11.2000
12	Perpetual or dated	Dated	Dated	Dated
13	Original maturity date	26.04.2038	08.11.2030	28.11.2030
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	Possibility of termination in case of a change in taxation leading to additional payments to the owner of the debt securities	Possibility of termination in case of a change in taxation leading to additional payments to the owner of the debt securities	Possibility of termination in case of a change in taxation leading to additional payments to the owner of the debt securities
16	Subsequent call dates, if applicable	N/A	N/A	N/A
<b>Coupons / dividends</b>				
17	Fixed or floating dividend / coupons	Fixed	Floating	Floating
18	Coupon rate and any related index	5.38%	EURIBOR (EUR) 6M + 0,39 %	EURIBOR (EUR) 3M + 0,38 %
19	Existence of a dividend stopper	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative oder cumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Nonconvertible	Nonconvertible	Nonconvertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A
30	Write-down features	No	No	No
31	If write-down, write-down trigger(s)	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A
35	Position in subordination hierarchy in liquidation	participation certificate/participation paper/trust preferred	participation certificate/participation paper/trust preferred	participation certificate/participation paper/trust preferred
36	Non-compliant transitioned features	N/A	N/A	N/A
37	If yes, specify non-compliant features	N/A	N/A	N/A

1	Issuer	HSH Nordbank AG	HSH Nordbank AG	HSH Nordbank AG
2	Unique Identifier <sup>1</sup>	XS0119368495	XS0119436326	XS0120117170
3	Governing law(s) of the instrument	English Law	English Law	English Law
<b>Regulatory Treatment</b>				
4	Transitional CRR rules	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated /solo & (sub-)consolidated	Solo and (Sub-)Consolidated	Solo and (Sub-)Consolidated	Solo and (Sub-)Consolidated
7	Instrument type	bearer bond (floating rate note)	bearer bond (floating rate note)	bearer bond (floating rate note)
8	Amount recognised in regulatory capital (EURm)	49.9	49.8	35.3
9	Nominal amount of instrument (CUR of issuance)	50 (EURm)	50 (EURm)	60 (EURm)
9	Nominal amount of issuance (EURm)	50	50	60
9a	Issue price	99.7	99.3	100.0
9b	Redemption price	100.0	100.0	100.0
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	25.10.2000	30.10.2000	11.12.2000
12	Perpetual or dated	Dated	Dated	Dated
13	Original maturity date	25.10.2030	30.10.2030	11.12.2020
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	Possibility of termination in case of a change in taxation leading to additional payments to the owner of the debt securities	Possibility of termination in case of a change in taxation leading to additional payments to the owner of the debt securities	Possibility of termination in case of a change in taxation leading to additional payments to the owner of the debt securities
16	Subsequent call dates, if applicable	N/A	N/A	N/A
<b>Coupons / dividends</b>				
17	Fixed or floating dividend / coupons	Floating	Floating	Floating
18	Coupon rate and any related index	EURIBOR (EUR) 3M + 0,36 %	EURIBOR (EUR) 3M + 0,33 %	EURIBOR (EUR) 6M + 0,36 %
19	Existence of a dividend stopper	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative oder cumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Nonconvertible	Nonconvertible	Nonconvertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A
30	Write-down features	No	No	No
31	If write-down, write-down trigger(s)	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A
35	Position in subordination hierarchy in liquidation	participation certificate/participation paper/trust preferred	participation certificate/participation paper/trust preferred	participation certificate/participation paper/trust preferred
36	Non-compliant transitioned features	N/A	N/A	N/A
37	If yes, specify non-compliant features	N/A	N/A	N/A

1	Issuer	HSH Nordbank AG	HSH Nordbank AG	HSH Nordbank AG
2	Unique Identifier <sup>1</sup>	XS0121146137	XS0124807099	XS0119807674
3	Governing law(s) of the instrument	English Law	English Law	English Law
<b>Regulatory Treatment</b>				
4	Transitional CRR rules	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated /solo & (sub-)consolidated	Solo and (Sub-)Consolidated	Solo and (Sub-)Consolidated	Solo and (Sub-)Consolidated
7	Instrument type	bearer bond	bearer bond	bearer bond
8	Amount recognised in regulatory capital (EURm)	35.0	20.8	17.2
9	Nominal amount of instrument (CUR of issuance)	35 (EURm)	25 (USDm)	30 (EURm)
9	Nominal amount of issuance (EURm)	35	20.8	30
9a	Issue price	100.6	100.5	100.0
9b	Redemption price	100.0	100.0	100.0
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	06.12.2000	19.02.2001	13.11.2000
12	Perpetual or dated	Dated	Dated	Dated
13	Original maturity date	06.12.2030	19.02.2031	13.11.2020
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	Possibility of termination in case of a change in taxation leading to additional payments to the owner of the debt securities	Possibility of termination in case of a change in taxation leading to additional payments to the owner of the debt securities	Possibility of termination in case of a change in taxation leading to additional payments to the owner of the debt securities
16	Subsequent call dates, if applicable	N/A	N/A	N/A
<b>Coupons / dividends</b>				
17	Fixed or floating dividend / coupons	Fixed	Floating	Fixed
18	Coupon rate and any related index	6.44%	LIBOR (USD) 3M + 0,41 %	6.45%
19	Existence of a dividend stopper	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative oder cumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Nonconvertible	Nonconvertible	Nonconvertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A
30	Write-down features	No	No	No
31	If write-down, write-down trigger(s)	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A
35	Position in subordination hierarchy in liquidation	participation certificate/participation paper/trust preferred	participation certificate/participation paper/trust preferred	participation certificate/participation paper/trust preferred
36	Non-compliant transitioned features	N/A	N/A	N/A
37	If yes, specify non-compliant features	N/A	N/A	N/A

1	Issuer	HSH Nordbank AG	HSH Nordbank AG	HSH Nordbank AG
2	Unique Identifier <sup>1</sup>	XS0122825754	XS0133159227	XS0098835761
3	Governing law(s) of the instrument	English Law	English Law	English Law
<b>Regulatory Treatment</b>				
4	Transitional CRR rules	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated /solo & (sub-)consolidated	Solo and (Sub-)Consolidated	Solo and (Sub-)Consolidated	Solo and (Sub-)Consolidated
7	Instrument type	bearer bond	bearer bond (floating rate note)	bearer bond
8	Amount recognised in regulatory capital (EURm)	19.0	20.0	19.4
9	Nominal amount of instrument (CUR of issuance)	22.7 (USDm)	20 (EURm)	20 (EURm)
9	Nominal amount of issuance (EURm)	19	20	20
9a	Issue price	100.0	99.5	100.0
9b	Redemption price	100.0	100.0	100.0
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	22.01.2001	18.07.2001	29.06.1999
12	Perpetual or dated	Dated	Dated	Dated
13	Original maturity date	05.01.2040	18.07.2031	29.06.2029
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	Possibility of termination in case of a change in taxation leading to additional payments to the owner of the debt securities	Possibility of termination in case of a change in taxation leading to additional payments to the owner of the debt securities	Possibility of termination in case of a change in taxation leading to additional payments to the owner of the debt securities
16	Subsequent call dates, if applicable	N/A	N/A	N/A
<b>Coupons / dividends</b>				
17	Fixed or floating dividend / coupons	Floating	Floating	Fixed
18	Coupon rate and any related index	LIBOR (USD) 3M + 0,42 %	EURIBOR (EUR) 3M + 0,42 %	5.00%
19	Existence of a dividend stopper	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative oder cumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Nonconvertible	Nonconvertible	Nonconvertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A
30	Write-down features	No	No	No
31	If write-down, write-down trigger(s)	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A
35	Position in subordination hierarchy in liquidation	participation certificate/participation paper/trust preferred	participation certificate/participation paper/trust preferred	participation certificate/participation paper/trust preferred
36	Non-compliant transitioned features	N/A	N/A	N/A
37	If yes, specify non-compliant features	N/A	N/A	N/A

1	Issuer	HSH Nordbank AG	HSH Nordbank AG	HSH Nordbank AG
2	Unique Identifier <sup>1</sup>	XS0122546442	XFNAM0009724	XS0121531122
3	Governing law(s) of the instrument	English Law	German Law	English Law
<b>Regulatory Treatment</b>				
4	Transitional CRR rules	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated /solo & (sub-)consolidated	Solo and (Sub-)Consolidated	Solo and (Sub-)Consolidated	Solo and (Sub-)Consolidated
7	Instrument type	bearer bond	registered bond	bearer bond (floating rate note)
8	Amount recognised in regulatory capital (EURm)	15.3	13.7	16.0
9	Nominal amount of instrument (CUR of issuance)	18.4 (USDm)	18 (EURm)	16 (EURm)
9	Nominal amount of issuance (EURm)	15.3	18	16
9a	Issue price	100.0	100.0	99.9
9b	Redemption price	100.0	100.0	100.0
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	29.12.2000	23.10.2006	05.02.2001
12	Perpetual or dated	Dated	Dated	Dated
13	Original maturity date	29.12.2030	22.10.2021	05.02.2031
14	Issuer call subject to prior supervisory approval	Yes	No	Yes
15	Optional call date, contingent call dates and redemption amount	Possibility of termination in case of a change in taxation leading to additional payments to the owner of the debt securities	No	Possibility of termination in case of a change in taxation leading to additional payments to the owner of the debt securities
16	Subsequent call dates, if applicable	N/A	N/A	N/A
<b>Coupons / dividends</b>				
17	Fixed or floating dividend / coupons	Floating	Fixed	Floating
18	Coupon rate and any related index	LIBOR (USD) 3M + 0,42 %	4.55%	EURIBOR (EUR) 3M + 0,36 %
19	Existence of a dividend stopper	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative oder cumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Nonconvertible	Nonconvertible	Nonconvertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A
30	Write-down features	No	No	No
31	If write-down, write-down trigger(s)	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A
35	Position in subordination hierarchy in liquidation	participation certificate/participation paper/trust preferred	participation certificate/participation paper/trust preferred	participation certificate/participation paper/trust preferred
36	Non-compliant transitioned features	N/A	N/A	N/A
37	If yes, specify non-compliant features	N/A	N/A	N/A

1	Issuer	HSH Nordbank AG	HSH Nordbank AG	HSH Nordbank AG
2	Unique Identifier <sup>1</sup>	XFNAM0010284	XFNAM0023378	XSO123007279
3	Governing law(s) of the instrument	German Law	German Law	English Law
<b>Regulatory Treatment</b>				
4	Transitional CRR rules	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated /solo & (sub-)consolidated	Solo and (Sub-)Consolidated	Solo and (Sub-)Consolidated	Solo and (Sub-)Consolidated
7	Instrument type	Promissory notes	Promissory notes	bearer bond (floating rate note)
8	Amount recognised in regulatory capital (EURm)	7.8	5.7	5.0
9	Nominal amount of instrument (CUR of issuance)	9.5 (EURm)	10 (EURm)	5 (EURm)
9	Nominal amount of issuance (EURm)	9.5	10	5
9a	Issue price	100.0	100.0	100.0
9b	Redemption price	100.0	100.0	100.0
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	07.02.2007	02.11.2000	12.01.2001
12	Perpetual or dated	Dated	Dated	Dated
13	Original maturity date	07.02.2022	02.11.2020	01.12.2030
14	Issuer call subject to prior supervisory approval	No	No	Yes
15	Optional call date, contingent call dates and redemption amount	No	No	Possibility of termination in case of a change in taxation leading to additional payments to the owner of the debt securities
16	Subsequent call dates, if applicable	N/A	N/A	N/A
<b>Coupons / dividends</b>				
17	Fixed or floating dividend / coupons	Fixed	Fixed	Floating
18	Coupon rate and any related index	4.75%	6.51%	EURIBOR (EUR) 3M + 0,36 %
19	Existence of a dividend stopper	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative oder cumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Nonconvertible	Nonconvertible	Nonconvertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A
30	Write-down features	No	No	No
31	If write-down, write-down trigger(s)	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A	Restorage in the subsequent year fill the deposit's nominal value, as far no new deficit emerges. Restorage on silent participations after downgrading precede/override restorage of share capital and remuneration of reserves. But restorage is subordinated to the restorage demand of participation certificates.
35	Position in subordination hierarchy in liquidation	participation certificate/ participation paper/trust preferred	participation certificate/ participation paper/trust preferred	participation certificate/ participation paper/trust preferred
36	Non-compliant transitioned features	N/A	N/A	N/A
37	If yes, specify non-compliant features	N/A	N/A	N/A



1	Issuer	HSH Nordbank AG	HSH Nordbank AG
2	Unique Identifier <sup>1</sup>	XFNAM0009815	XFNAM0009757
3	Governing law(s) of the instrument	German Law	German Law
<b>Regulatory Treatment</b>			
4	Transitional CRR rules	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated /solo & (sub-)consolidated	Solo and (Sub-)Consolidated	Solo and (Sub-)Consolidated
7	Instrument type	registered bond	registered bond
8	Amount recognised in regulatory capital (EURm)	3.9	3.8
9	Nominal amount of instrument (CUR of issuance)	5 (EURm)	5 (EURm)
9	Nominal amount of issuance (EURm)	5	5
9a	Issue price	100.0	100.0
9b	Redemption price	100.0	100.0
10	Accounting classification	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	07.11.2006	27.10.2006
12	Perpetual or dated	Dated	Dated
13	Original maturity date	08.11.2021	27.10.2021
14	Issuer call subject to prior supervisory approval	No	No
15	Optional call date, contingent call dates and redemption amount	No	No
16	Subsequent call dates, if applicable	N/A	N/A
<b>Coupons / dividends</b>			
17	Fixed or floating dividend / coupons	Fixed	Fixed
18	Coupon rate and any related index	4.48%	4.61%
19	Existence of a dividend stopper	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No
22	Noncumulative oder cumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Nonconvertible	Nonconvertible
24	If convertible, conversion trigger(s)	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, conversion rate	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A
30	Write-down features	No	No
31	If write-down, write-down trigger(s)	N/A	N/A
32	If write-down, full or partial	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A
35	Position in subordination hierarchy in liquidation	participation certificate/ participation paper/ trust preferred	participation certificate/ participation paper/ trust preferred
36	Non-compliant transitioned features	N/A	N/A
37	If yes, specify non-compliant features	N/A	N/A

## 14. LIST OF ABBREVIATIONS

ABCP	Asset Backed Commercial Paper
ABF	Asset Backed Funding
ABS	Asset Backed Securities
AFS	Available for sale
AIRB	Advanced Internal Ratings Based
ALM	Additional Liquidity Monitoring
ALMM	Additional Liquidity Monitoring Metrics
AöR	Anstalt öffentlichen Rechts
AVA	Additional Value Adjustment according to Article 105 CRR
Avg.	Average
ASU	Ancillary services undertaking in accordance with Article 4 (18) CRR
BaFin	Bundesanstalt für Finanzdienstleistungsaufsicht (Federal Financial Supervisory Authority)
Basel III	Baseler Framework Agreement
BdB	Bundesverband deutscher Banken
CCB	Countercyclical Capital Buffer
CCF	Credit Conversion Factor
CDS	Credit Default Swaps
CET1	Common Equity Tier 1
CI	Credit institution in accordance with Article 4 (1) point (1) CRR
COREP	Common solvency ratio reporting
CRD	Capital Requirements Directive (2013/36/EU)
CRR	Capital Requirements Regulation (Regulation (EU) No. 575/2013)
CRSA	Credit Risk Standardised Approach
CVA	Credit Valuation Adjustments
DVA	Debt Valuation Adjustment
DSGV	Deutscher Sparkassen- und Giroverband (German Association of Savings Banks and Giro Banks)
EaD	Exposure at Default (gross loan volume at the date of default)
EBA	European Banking Authority
ECA	Export Credit Agency
ECAI	External Credit Assessment Institutions
ECB	European Central Bank
EinSiG	Einlagensicherungsgesetz (Deposit Guarantee Act)
EL	Expected Loss
EMIR	European Market Infrastructure Regulation
EU Commission	European Commission
FCR	Foreign Currency Rating
FI	Financial institution in accordance with Article 4 (1) point (26) CRR
FINREP	Financial Reporting
FIRB	Foundation Internal Ratings Based
Fitch	Fitch Ratings
GBS	Gesamtbanksteuerung (Group Bank Steering)
GL	Guideline
GRM	Group Risk Management
HGB	Handelsgesetzbuch (German Commercial Code)
IAS	International Accounting Standards
ICRE	International Commercial Real Estate
ILAAP	Internal Liquidity Adequacy Assessment Process
IFRS	International Financial Reporting Standard
InstitutsVergV	Institutsvergütungsverordnung (German Ordinance on the Remuneration of Financial Institutions)
IPV	Independent Price Valuation
IRB	Internal Rating Based
IRBA	Internal Rating Based Approach
IRRBB	Interest Rate in the Banking Book

ISDA	International Swaps and Derivatives Association
IU	Insurance undertaking in accordance with Article 4 (1) point (5) CRR
KWG	Gesetz über das Kreditwesen/Kreditwesengesetz (German Banking Act)
LCH	London Clearing House
LCR	Local Currency Rating
LeDIS	Legal Database Information System
LGD	Loss Given Default
LLC	Limited Liability Company
LMS	Liquidity Maturity Statement
Ltd.	Limited
LVaR	Liquidity Value at Risk
M	Maturity
MaRisk	Mindestanforderungen an das Risikomanagement (Minimum Requirements for Risk Management)
Moody's	Moody's Investors Service
MSK	Modellsteuerungskreis der RSU (Model Management Committee)
NLP	Net Liquidity Position
NSFR	Net Stable Funding Ratio
NPE	Non-performing exposure
OpRisk	Operational Risk
OTC	Over the counter
P&L	Profit and Loss
PD	Probability of Default
PoWB	Portfolio valuation allowances
PQC	Process quality controlling
PRCC	Preliminary Review Credit Committee
RechKredV	Kreditinstituts-Rechnungslegungsverordnung
RG	Risk Guideline
RL	Risk Limit
RSU	RSU Rating Service Unit GmbH & Co. KG
RW	Risk Weight
RWA	Risk Weighted Assets
SC	Stress Case
SFA	Supervisory Formula Approach
SFG	Sparkassen-Finanzgruppen
SFT	Securities Financing Transactions
SME	Small and medium-sized enterprises
SolvV	Solvabilitätsverordnung (German Solvency Regulation)
S & P	Standard & Poor's
SPV	Special Purpose Vehicle
SR	S Rating und Risikosysteme GmbH
SREP	Supervisory Review and Evaluation Process
SRF	Strategic Risk Framework
T & M	Treasury and Markets
TWR	Bearer of economic risk
VaR	Value-at-Risk





