Interim Disclosure Report as of 30 June 2009

based on § 26a of the German Banking Act (KWG)

HSH NORDBANK

CONTENT

LIST OF TABLES

LIST OF ABBREVIATIONS

ABCP	Asset-backed commercial paper
ABS	Asset-backed securities
AöR	Anstalt öffentlichen Rechts (institution incorporated under public law)
BaFin	Bundesanstalt für Finanzdienstleistungsaufsicht (Federal Financial Supervisory Authority)
Basel II	Basel Framework Agreement
CCF	Credit conversion factor
CDS	Credit default swaps
CLN	Credit linked notes
CRSA	Credit Risk Standardised Approach
EAD, EaD	Exposure at default (gross loan volume at the date of default)
EL	Expected loss
HGB	Handelsgesetzbuch (German Commercial Code)
IAA	Internal Assessment Approach
IAS	International Accounting Standards
IFRS	International Financial Reporting Standard
IRB	Internal Rating Based
IRBA	Internal Rating Based Approach
KWG	Gesetz über das Kreditwesen / Kreditwesengesetz (German Banking Act)
LGD	Loss given default
LVaR	Liquidity Value-at-Risk
M	Maturity
OECD	Organisation of Economic Cooperation and Development
P&L	Profit & Loss statement
PD	Probability of default
RechKredV	Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungen (German Bank Accounting Regulations)
RW	Risk weight
RWA	Risk-weighted assets
SFA	Supervisory Formula Approach
SoFFin	Sonderfonds Finanzmarktstabilisierung (Financial Market Stabilisation Fund)
SolvV	Solvabilitätsverordnung (German Solvency Regulation of 14 December, 2006, as amended on 14 December, 2007)
SPC	Special purpose company
VaR	Value-at-Risk
WZ	Wirtschaftszweigklassifikation (German Classification of Economic Activities)

1 INTRODUCTION

The disclosure requirements[1] under the German Solvency Regulation (Solvabilitätsverordnung - SolvV)[2] and the third pillar of the Basel Framework Agreement supplement the minimum regulatory capital requirements (Pillar 1) and the regulatory monitoring process (Pillar 2). The objective is to strengthen the market discipline of the credit institutions. This is to be achieved through a series of disclosure requirements which enable market participants to assess core information on the scope of application of the Solvency Regulation, equity, risk exposure, risk management procedures and, following on from this, the capital adequacy of the institution. In general, disclosures are on a Group level. HSH Nordbank fulfilled the disclosure requirements according to Basel II for the first time as of 31 December 2008 for the financial year 2008. Under Section 321 (1) SolvV, annual disclosures are required.

During the second quarter of 2009, HSH Nordbank implemented a capital increase funded by its shareholders, the German Federal State of Schleswig-Holstein and the Free and Hanseatic City of Hamburg. In order to be able to present the effects of this capitalisation on the minimum capital requirements as at 30 June 2009, HSH Nordbank voluntarily releases this interim disclosure report based on § 26a KWG for the reporting period 1 January through 30 June 2009.

[1] Section 26a of the German Banking Act (KWG), in conjunction with Part 5 of the SolvV, constitutes the national statutory basis of disclosure in Germany.

[2] Regulations governing the capital adequacy of institutions, groups of institutions and financial holding groups (Solvency Regulation - SolvV), as at 31.12.2007, Sections 319 to 337.

Complete compliance with the reporting requirements under § 26a KWG in conjunction with Part 5 of the SolvV is not the aim of this interim report. Rather, the focus is on a comprehensive presentation of the effects of the capital measures based on the regulatory disclosure requirements. The effects of the capital measures are primarily reflected in the counterparty default risks. Accordingly, the report presents in particular the scope of application, structure of and requirements regarding regulatory capital, and quantitative data regarding counterparty default risk. However, separate chapters on market, liquidity, operational and other risks are, by contrast, not included.

In accordance with the resolutions of the Hamburg City Parliament and the Parliament of Schleswig-Holstein, the capital measures include an increase in equity as well as the grant of a guarantee framework via the HSH Finanzfonds AöR – an institution incorporated under public law established for this purpose by the shareholders of HSH Nordbank, the German Federal State of Schleswig-Holstein and the Free and Hanseatic City of Hamburg. As a result of the capital increase, HSH Nordbank's capital base was strengthened by EUR 3,000 million. In addition, the guarantee framework reduces risk-weighted assets, in that the Bank is protected from secondary losses in the guaranteed portfolios, up to EUR 10,000 million, as soon as the risks in the collateralised portfolios exceed the agreed first loss piece held by the Bank, which amounts to EUR 3,200 million. As a result of the capital measures, an overall ratio of 15.5% and a Tier 1 capital ratio of 9.8% were achieved for the HSH Nordbank Group at the 30 June 2009 reporting date.

All representations in this report take the effects of the guarantee framework into account. To the extent it is useful with respect to individual representations or tables, an alternative calculation, which does not take the guarantee framework into account, is presented in the Appendix for informational purposes.

This interim disclosure report will be published on HSH Nordbank's website under Investor Relations. The supervisory authorities will be informed as to the date and form of publication.

2 SCOPE OF APPLICATION

HSH Nordbank AG is the parent company of the HSH Nordbank group (hereafter HSH Nordbank) as defined in Section 1 (7a) KWG. The disclosures reflect those entities belonging to the Group which form part of the regulatory consolidation group per Section 10a (1) and (2) KWG. The consolidation group recognised for financial accounting/reporting purposes under International Financial Reporting Standards (IFRS) as described in the Interim report of the HSH Nordbank Group as of 30 June 2009 differs from the regulatory consolidation group.

Besides the parent company, HSH Nordbank AG, the regulatory consolidation group includes 141 entities. The financial accounting consolidation group comprises 53 entities. 21 entities and/or portfolios are included in the financial accounting consolidation report, but are not included in the regulatory consolidation group due to their business activities. These are considered to be risk-weighted positions for regulatory purposes.

HSH Nordbank applies Section 31 (3) KWG to the entities listed below and does not include these in the consolidation under the exemption pursuant to Section 10a (6) to (12), Section 12a (1) sentence 1 and Section 13b (3) and (4) KWG:

- HSH Immobilien Management GmbH, Kiel
- HSH Invest S.A., Luxembourg
- HSH N Real I GmbH, Kiel
- HSH N Real II GmbH, Kiel
- Verwaltungs- und Treuhandgesellschaft von 1963 mbH, Kiel

The concept underlying all qualitative and quantitative information to be disclosed is the regulatory group of institutions per Section 10a KWG. Exceptions to this are indicated at the relevant points in this report.The German Commercial Code (“Handelsgesetzbuch” or “HGB”) is applied to determine the regulatory capital adequacy of HSH Nordbank and consequently also to the disclosures.

In accordance with § 320 (1) SolvV, all information disclosed within this report is subject to the principle of materiality. Information which is legally protected and/or confidential and the disclosure of which could harm HSH Nordbank’s competitive position are not part of the disclosure report.

Regarding the bank’s internal definition of the group entities to be consolidated, HSH Nordbank has decided to present material subsidiaries, in addition to HSH Nordbank AG, for the purposes of the Disclosure Report, with particular relevance for the risk provisions (Section 327 SolvV). These are HSH Nordbank Securities S.A., HSH Nordbank Private Banking S.A. and HSH Real Estate AG.

3 CAPITAL STRUCTURE AND CAPITAL REQUIREMENTS

3.1 CAPITAL MEASURES

3.1.1 Explanatory note on the going concern assumption

In order to limit the effects of the current downturn in the financial markets and in order to ensure the sustainable continued existence as well as the future viability of HSH Nordbank, the shareholders implemented measures to strengthen the capital position of the Bank during the second quarter of 2009, in accordance with the resolutions of the parliaments of the Federal State of Schleswig-Holstein and of the Free and Hanseatic City of Hamburg. The capital measures were a fundamental part of the realignment of the Bank (see Chapter 4). The package of measures ensures that the regulatory minimum capital requirements are complied with, and that the contractual obligations to the Financial Market Stabilisation Fund (SoFFin) regarding Tier 1 capital ratio are fulfilled. In particular, the measures include an increase in equity as well as the grant of a guarantee framework via the HSH Finanzfonds AöR – an institution incorporated under public law for this purpose by the shareholders of HSH Nordbank, the Federal State of Schleswig-Holstein and the Free and Hanseatic City of Hamburg. In turn this entity is backed by a counter guarantee from the public sector shareholders.

The European Commission opened its formal state aid assessment process on 22 October 2009 to evaluate the rescue measures enacted in aid of HSH Nordbank. The initiation of a formal process is standard in these circumstances, given the complexity of the measures undertaken. The German government, the federal states and the HSH Nordbank are in close contact with the European Commission. All parties involved, including the European Commission, are striving towards a swift resolution of the legal assesmant process; then the far-reaching and sustainable restructuring of the bank, which has already begun successfully, can be implemented.

3.1.2 Capital increase

The capital increase in the amount of EUR 3,000 million was approved by the owners of the Bank at an extraordinary General Meeting on 20 May 2009. All new shares were subscribed for by the HSH Finanzfonds AöR. The capital was completely paid in during June 2009.

The capital increase became effective upon its entry in the Commercial Register on 25 June 2009.

3.1.3 Provision of a guarantee framework

Risk-shielding

As a supplemental measure to the capital increase, the Federal State of Schleswig-Holstein and the Free and Hanseatic City of Hamburg granted HSH Nordbank a guarantee framework of EUR 10,000 million via the HSH Finanzfonds AöR on 02 June 2009. The guarantee framework is comprised of two legally independent guarantee contracts: a financial guarantee contract in accordance with International Accounting Standard (IAS) 39.9, and an additional partial guarantee.

The guarantor thus covers actual payment defaults on or after 2 June 2009 from a reference portfolio as at 31 March 2009, insofar as the agreed first loss piece to be borne by the Bank of EUR 3,200 million has been exceeded.

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

Reference portfolio

The HSH Finanzfonds AöR's financial guarantee relates to a reference portfolio. This is comprised of fixed maturity debt instruments of HSH Nordbank AG, as well as of its subsidiary HSH Nordbank Securities S.A., Luxemburg and of SIV Carrera Capital Finance Limited, Jersey, that are presented in the consolidated financial statement and that are selected based on defined criteria. At the disclosure reporting date, the reference portfolio had an exposure amount of EUR 148,900 million.

Derivatives, debt instruments with embedded derivatives that must be separated from their hosts within the meaning of IAS 39, and equity instruments are not covered by the guarantee. Similarly not covered by the guarantee are pure market fluctuations as well as losses realised on the sale of non-impaired assets. The foreign exchange risk resulting from the financial guarantee being granted in Euro to cover portfolios in different transactional currencies remains with HSH Nordbank.

The selection criteria for the chosen assets within the reference portfolio above result primarily from the requirements of the Federal Financial Supervisory Authority and the German central bank (Bundesbank) with regard to supervisory authority in accordance with the Solvency Regulation as well as the requirements of the

Federal State of Schleswig-Holstein and the Free and Hanseatic City of Hamburg. As a result thereof, it is possible to recognise the guarantee as a financial guarantee according to IAS 39.9 and to present it as a securitisation transaction from a regulatory standpoint; the reference portfolio was composed so as to meet these requirements.

Financial guarantee

The HSH Finanzfonds AöR's financial guarantee is structured such that credit rating-related losses within the reference portfolio from defaults are allocated to a primary loss, secondary loss and senior tranche of which the credit rating-related losses of the secondary tranche are collateralised via the financial guarantee.

HSH Nordbank’s first loss piece amounts to EUR 3,200 million. The financial guarantee provides collateral for the secondary loss tranche, i.e. the credit rating-related losses above and beyond the Bank's first loss piece within the reference portfolio are shielded up to EUR 10,000 million as a secondary loss. These risks are transferred to the HSH Finanzfonds AöR. In total, the guarantor is liable for actual defaults that exceed the individual risk provision created on 31 March 2009 related to the respective individual exposures, as well as the Bank's first loss piece amounting to EUR 3,200 million in relation to the reference portfolio.

Losses in excess of EUR 13,200 million are again borne by HSH Nordbank, i.e. the senior tranche is borne by HSH Nordbank. HSH Nordbank and the guarantor can mutually agree to reduce the Bank's first loss piece.

In light of the reorganisation (see Chapter 4), the guarantee framework was structured such that an apportionment would be possible following a potential legal segregation of the bad assets portfolios, in order to thus be able to retain the protection.

Partial guarantee

The initial guarantee of the German federal states will be recognised in the consolidated financial statement as a financial guarantee in accordance with IAS 39.9.

To the extent that, during the restructuring and winding-up process, measures in conformance with the guarantee are undertaken with respect to secured exposures that contradict the recognition of the security instrument in the balance sheet as a financial guarantee in accordance with IAS 39.9, the commitments, may with the approval of the guarantor, be transferred to a partial guarantee under the framework agreement that is treated as a credit derivative under the IFRS balance sheet regulations. The maximum amount guaranteed does not change as a result of the creation of the partial guarantee – as the sum of the individual amounts remains constant. Upon creation of the credit derivative, the guarantee premium is allocated to the partial guarantees on a pro rata basis. Recognition and measurement of the derivative is based on the provisions of IAS 39.

3.1.4 Effects of the capital measures on the regulatory capital requirements

HSH Finanzfonds AöR's guarantee framework constitutes an eligible credit protection in accordance with Section 162 ff SolvV. As it possesses the necessary characteristics, such as for example division into tranches and ranking (waterfall), it is characterised as a securitised position under the advanced IRB approach in accordance with Section 226 (1) and (5) SolvV. The determination of the risk weight of the senior tranche is accomplished using the Supervisory Formula Approach in accordance with Section 258 SolvV.

Due to its structure, a corresponding easing of the strain on regulatory capital requirements may be achieved through the HSH Finanzfonds AöR guarantee framework under Section 258 SolvV.

Based on the securitisation regulations in the SolvV, there is a choice for the first loss piece between a capital deduction and an allowance with a risk weight of 1,250%. HSH Nordbank has chosen the risk-weighted allowance, leading to lower volatility of the capital quotas. Therefore, significantly lower capital quotas than those relating to a capital deduction are accepted. The risk weight for the secondary loss tranche is 0%, and for the senior tranche was 7% at the reporting date.

Due to the deterioration of e.g. probability of default (PD), loss given default (LGD) or credit conversion factor (CCF) within the reference portfolio, regulatory capital backing for the senior tranche may also exceed 7% in future periods.

As a result of the capital increase and the provision of the guarantee framework, the following ratios are achieved for the HSH Nordbank Group (HSH Nordbank AG) on the 30 June 2009 reporting date; an overall ratio of 15.5% (14.6%) and a Tier 1 capital ratio of 9.8% (9.3%). As a result of the risk-shielding, the Group's Tier 1 capital ratio increased by 2.5%.

All representations in this report take the effects of the guarantee framework into account. Regulatory capital requirements continue to be determined without taking the guarantee framework into account, in the form of an alternative calculation, and are reported to the Federal Fincial Supervisory Authority (BaFin) and the German central bank (Bundesbank) in the form of an alternative presentation. To the extent it is useful, with respect to individual representations or tables contained in this report, the appropriate alternative calculations and/or presentations are contained in the Appendix (Chapter 6) for informational purposes.

Potential future regulatory modifications in the SolvV may result in changes with respect to the reduction in burden on capital. A consultation paper from the Basel Committee is currently circulating, in which an increase of risk weights for re-securitisations is foreseen. A re-securitisation is any securitisation transaction of which the underlying securitised portfolio (reference portfolio) itself contains securitised positions.

In order to avoid the characterisation of the overall Sunrise Transaction as a re-securitisation, a regulatory event was introduced, as a result of which all securitisations may be removed from the reference portfolio. In this event the guarantee contract provides for (among others) the possibility of dividing the guarantee framework into an additional partial guarantee for the re-securitised portfolio.

For reporting purposes, the financial guarantee has not yet had a securing effect by the reporting date, as the cumulative credit rating-related impairments within the secured reference portfolio are below the threshold of primary losses which are to be borne by the bank.

3.2 STRUCTURE OF REGULATORY CAPITAL

The following presentation of the structure of regulatory capital is in accordance with Section 10, 10a of the German Banking Act (KWG). The consolidated regulatory capital of the bank group is determined based on the aggregation method in accordance with Section 10a (6) KWG. The regulatory capital consists of Tier 1 capital (core capital), supplementary capital (Tier 2 capital) and subordinated capital (Tier 3 capital).

The components of Tier 1 capital per Section 10 (2a) KWG are set out in detail in Table 1, in accordance with Section 324 (2) SolvV. The material change in Tier 1 capital compared to 31 December 2008 is the increase in capital by EUR 3,000 million. EUR 1,600 million were paid into the share capital and EUR 1,400 million into capital reserves. The capital increase became effective upon its entry in the Commercial Register on 25 June 2009.

HSH Nordbank's supplementary capital (Tier 2 capital) consists of longer-term subordinated liabilities, unallocated loss provisions under Section 340 ff HGB, liabilities for profit participations and the eligible portion of the valuation adjustment excess in accordance with Section 10 (2b) Sentence 1 No. 9 KWG.

Tier 3 funds comprise subordinated liabilities that cannot be classified as supplementary capital for regulatory purposes because § 10 (2) sentence 4 KWG stipulates a cap.

Regulatory capital item	Amount
Subscribed capital	**3,514**
Reserves (capital reserve and other allocable reserves)	**2,234**
Interim profit (or interim loss)	**-**
Assets contributed by silent partners	**2,041**
Special reserves for general banking risks in accordance with Section 340 g of the HGB	**1,052**
(-) Other country-specific core capital components less other positions to be deducted under Section 10 (2a) sentence 2 of the KWG	**-35**
Total core capital in accordance with Section 10 (2a) of the KWG	8,806
Total amount of supplementary capital in acc. with Section 10 (2b) of the KWG and of Tier 3 funds in acc. with Section 10 (2c) of the KWG of which the eligible portion of the valuation adjustment excess for IRBA positions in acc. with Section 10 (2b) Sentence 1 No. 9 KWG	**5,090** **(194)**
Total of the positions to be deducted in accordance with Section 10 (6) and (6a) of the KWG of which expected losses in accordance with Section 10 (6a) no. 2 of the KWG	**-122** **(-34)**
Total amount of modified available capital in accordance with Section 10 (1d) sentence 1 of the KWG and of allocable Tier 3 funds in accordance with Section 10 (2c) of the KWG	13,774

Table 1: Structure of regulatory capital in € m

3.3 TERMS AND CONDITIONS OF REGULATORY CAPITAL INSTRUMENTS

As at the reporting date the regulatory capital instruments of the HSH Nordbank Group primarily comprise the following:

- The subscribed capital amounts to EUR 3,514 million. The entities to be consolidated in the regulatory consolidation group have different types of subscribed share capital depending on the legal form.
- The reserves of EUR 2,234 million consist of capital

reserves (EUR 1,541 million) and other allocable reserves (EUR 693 million). Silent participations were allocated in the amount of EUR 2,041 million. An annual distribution is payable on assets contributed by silent partners, which, according to the structure of the agreement, is dependent either on the annual net income for the year or the distributable profit. For the most part, the silent participations are for an indefinite period and cannot be cancelled by the investors. HSH Nordbank regularly has the right to cancel after the expiry of an agreed minimum period of time that is subject to the approval of the Federal Financial Supervisory Authority.

- The supplementary capital amounts to EUR 4,730 million and comprises long-term subordinated liabilities, reserves allocated in accordance with Section 340 f of the HGB, liabilities under profit participation rights and the eligible portion of the valuation adjustment excess. Profit participation capital of EUR 65 million, not including the profit participation certificates not allocable under regulatory requirements, is allocated to supplementary capital.
- Subordinated liabilities were issued in the form of loan notes, registered or bearer bonds and are denominated in EUR, US Dollar and Japanese Yen. The original maturities range from five to 40 years. The interest rates payable are between 0.8% and 6.5% p.a. In total there are subordinated liabilities in the amount of EUR 5,112 million, of which EUR 4,403 million was included in supplementary capital as at the reporting date.
- Tier 3 funds in the amount of EUR 360 million consist solely of subordinated liabilities that were not taken into account for regulatory purposes.

More detailed information on the terms and conditions on the allocable components of equity capital are set out in Table 2.

Equity instruments	Allocable total amount in € million	Residual maturity < 5 years in € m	Residual maturity > 5 years in € m	∅ Residual maturity in years	∅ Interest rate in %
Core capital					
Ordinary shares of HSH Nordbank AG	**2,460**	**-**	**-**	**-**	**-**
Allocable share capital of other entities included in the regulatory consolidation group	**1,054**	**-**	**-**	**-**	**-**
Silent participation, variable interest rate, fixed maturity	**-**	**-**	**-**	**-**	**-**
Silent participation, variable interest rate, indefinite maturity	**625**	**-**	**-**	**-**	**-**
Silent participation, fixed interest rate, indefinite maturity	**1,273**	**-**	**-**	**-**	**7.8**
Silent participation, fixed interest rate, fixed maturity	**143**	**118**	**25**	**5**	**6.8**
Silent participations (total of smaller participations)	**-**	**-**	**-**	**-**	**-**
Supplementary capital					
Preference shares	**-**	**-**	**-**	**-**	**-**
Profit participation certificates	**65**	**65**	**-**	**3**	**7.0**
Subordinated liabilities (before utilisation of § 10 Abs. sentence 2 of the German Banking Act (KWG)).	**5,112**	**355**	**4,857**	**10**	**3.0**

Table 2: Terms and conditions of equity instruments

3.4 REGULATORY CAPITAL REQUIREMENTS

Since the beginning of 2008, HSH Nordbank has determined the amount of regulatory capital backing required for counterparty default, market and operational risks on the basis of SolvV. Following approval from the supervisory authority, the counterparty default risk positions are determined using the Advanced IRB Approach. Consequently the Bank is applying the same parameters already being used internally in risk management and counterparty default risk management for regulatory reporting, and is utilising the associated capital relief. The amounts allocated to market risk positions are determined in accordance with the Standardised Approach. Operational risk is taken into account under the Standardised Approach. The procedures used to calculate the regulatory capital requirement are listed for each of the counterparty default risks.

The total regulatory capital requirement of EUR 7,115 million is the sum of the amounts allocated to counterparty default, market and operational risks (see Table 3, pursuant to Section 325 (2) SolvV). Positions deducted from equity are not taken into account here as a regulatory capital requirement. Pursuant to the Bundesbank circular B 40-5 / B 410-1 65.2.229.13 the data disclosed under Section 325 SolvV are geared towards the information in the reporting forms.

Counterparty default risk	Regulatory capital requirement
CSRA	
Central governments	0
Regional governments and local municipalities	0
Other public institutions	0
Multilateral development banks	0
International organisations	0
Institutions	21
Covered bonds issued by credit institutions	0
Companies	302
Retail banking	7
Positions secured by real estate	3
Investment certificates	34
Other positions	26
Past due positions	43
Advanced IRB Approach	
Central governments	13
Institutions	161
Retail banking	-
Companies	1,109
Other non-credit related assets	78
Risks from securitisation positions	
Securitisations under the CSRA	3
Securitisations under the Advanced IRB Approach	4,367
Risks arising on equity holdings	
Equity holdings based on the continued use of the old methodology/grandfathering	108
Equity holdings excluded from the IRBA on a permanent basis or for a limited period	0
Equity holdings in accordance with market approaches (IRBA)	38
Simple risk weight approach	38
Listed equity holdings	6
Not listed, but belonging to a sufficiently diversified portfolio	11
Other equity holdings	21
Internal model approach	-
Equity holdings in accordance with the PD-LGD approach	36
Market risk in the trading book	
Market risk in accordance with the	
Standardised Approach	504
Settlement risk	
Settlement risk	0
Operational risk	
Operational risk in accordance with the	
Standardised Approach	261
Total[1]	7,115

[1] The differences in amounts are due to rounding off of figures

Table 3: Regulatory capital requirements in € m

3.4.1 Credit risks

HSH Nordbank determines all the risk parameters required to calculate risk weight internally due to the use of the Advanced IRB Approach. However, as part of the temporary and/or permanent partial use, the Credit Risk Standardised Approach (CRSA) is applied to individual portfolios as well as to subsidiaries that are to be consolidated (see chapter 2). For this reason, the information on the regulatory capital requirement for credit risk is broken down between the Advanced IRB Approach and the Credit Risk Standardised Approach as well as into receivables classes in accordance with the approaches applied.

Due to the special treatment applied to equity holdings and securitisations, the regulatory capital requiremens for these portfolios are separately disclosed. In the case of equity holdings, the HSH Nordbank determines the regulatory capital backing using the PD-LGD approach and the simple risk weight method. The internal model approach is not used. Furthermore, the equity holdings already held prior to 1 January 2008 and consequently "grandfathered" (portfolio protection) pursuant to Section 338 (4) SolvV are excluded from the Advanced IRB Approach until December 31, 2017 and treated in accordance with the rules applicable to the Credit Risk Standardised Approach.

The total regulatory capital required for counterparty default risk amounts to EUR 6,350 million.

3.4.2 Market risks

HSH Nordbank currently applies the Standardised Approach for the purposes of determining the regulatory capital requirement for market risk, pursuant to Section 294 et seqq. SolvV. The regulatory capital requirement for market risk amounts to EUR 504 million as at the reporting date.

3.4.3 Operational risks

HSH Nordbank applies the Standardised Approach pursuant to Section 272 ff SolvV for the purposes of determining the regulatory capital requirement for operational risk. In total, there is a regulatory capital requirement for the Group of € 261 million as at the reporting date.

3.5 ADEQUACY OF REGULATORY CAPITAL

The adequacy of regulatory capital is determined based on the above-mentioned structure of regulatory capital and the risk-weighted assets (RWA). The overall ratio is defined per Section 3 (1) in conjunction with Section 2 (6) SolvV. The overall ratio shows the relationship between RWA for counterparty default, market and operational risks and the allocable regulatory capital. The allocable regulatory capital to be applied in the calculation is the total of the modified available capital and the Tier 3 funds utilised (Section 2 (6) sentence 3 SolvV). The prescribed minimum overall ratio is 8.0%. The core capital ratio relates the RWA for default, market and operational risks to the core capital (Tier 1) pursuant to § 10 (2a) KWG.

The overall capital ratios of both the HSH Nordbank Group as well as the subsidiaries (see Chapter 2), which are obligated to individually report the overall solvency ratio in their respective national countries of domicile, were in excess of the prescribed minimum overall capital ratio on the reporting date.

In addition to the overall numbers for the Group the solvency ratios are disclosed at the individual entity level in Table 4 pursuant to Section 325 (2) No. 5 SolvV for the following entities:

- HSH Nordbank AG, Hamburg / Kiel
- HSH Nordbank Securities S.A., Luxembourg
- HSH Nordbank Private Banking S.A., Luxembourg

Company	Overall ratio in %	Core capital ratio in %
HSH Nordbank Group	15.5	9.8
HSH Nordbank AG	14.6	9.3
HSH Nordbank Securities S.A.	13.2	11.7
HSH Nordbank Private Banking S.A.	20.2	12.0

Table 4: Capital ratios of the HSH Nordbank Group

The HSH Nordbank Group, as well as HSH Nordbank AG, refer to HGB data for the purposes of determining the overall capital requirements. However, pursuant to the provisions stipulated by the Luxembourg Supervisory Authority (Circulaire CSSF 06/251 – circular issued by the Luxembourg Financial Sector Supervisory Commission), HSH Nordbank Securities S.A. and HSH Private Banking S.A. must prepare their solvency ratios and reports on the basis of International Financial Reporting Standards (IFRS). For this reason the overall and core capital ratios of both these subsidiaries to be shown in the Interim Disclosure Report are also based on IFRS financial data.

4 RISK MANAGEMENT

The strategies, methods, instruments, processes, the structure and organisation used to manage these risks as well as the manner and scope of risk reporting are described in detail in the Disclosure Report of HSH Nordbank from 31 December 2008. The Bank's material risks include default, liquidity, market and operational risks.

Financial market and economic crisis

The situation on the money and capital markets and in the real economy has brightened somewhat recently following the slumps seen last year and at the beginning of 2009. However, HSH Nordbank is still feeling the effects of the financial and economic crisis.

In the first half of 2009, a fundamental realignment of the Bank was initiated in conjunction with capitalisation and risk-shielding measures by its shareholders. This is designed to permanently safeguard HSH Nordbank's capacity for future business. Details concerning the implementation of capitalisation can be found in chapter 3.1. Details on the progress made with the fundamental realignment project can be found at the end of this chapter.

Risk-bearing capacity

Besides calculating the adequacy of the bank's regulatory capital, the HSH Nordbank quantifies the economic risk-bearing capacity. The risk-bearing capacity consists of two components: the risk coverage potential in the narrower sense (taking into consideration the liquidity maturity transformation risk) as well as the insolvency risk. The risk of insolvency – which is a more pertinent expression of the liquidity risk for the Bank than the maturity transformation risk in the current financial crisis – is not covered by the risk coverage potential, as the loss is not quantifiable. The insolvency risk is separately calculated and managed by means of liquidity maturity statements (see details concerning liquidity risk in the Disclosure Report from 31 December 2008).

When monitoring the risk-bearing capacity, the HSH Nordbank regularly compares the economic capital required to absorb unexpected losses (total risk) with the available risk coverage potential. The risk coverage potential is calculated using the net asset value approach. In addition to equity (including changes to the net asset value), the net asset value takes factors such as unrealised gains and losses from securities, equity holdings and lending into account, along with negative P & L effects. Default, market, liquidity and operational risks are aggregated to the total economic risk, based on consistent use of the value-at-risk approach. The total risk represents the aggregated, unexpected losses during one year for which a probability of 99.9 % is not exceeded under normal market conditions. When aggregating the various risk items to calculate the total risk, no correlating factors with a risk-reducing effect are taken into account.

As a reaction to the shortage of liquidity on the markets, HSH Nordbank introduced a value-at-risk approach back in early 2008 to quantify the liquidity maturity transformation risk. This long-term / structural liquidity risk represents the risk that the refinancing costs associated with the open liquidity positions will grow. As planned, the way in which the liquidity-adjusted value-at-risk (LVaR) is calculated was refined in early 2009 based on the data the bank acquired in the course of 2008. The analyses showed that the liquidity maturity transformation risk was overestimated in the previous year due to the conservative LVaR approach used. For the first time, the imputed closing of the liquidity gaps on the reporting date also took into account the refinancing options afforded by the outstanding SoFFin guarantee (currently amounting to EUR 13 billion) and the SoFFin-guaranteed short-term funds which can be extended in 2009. These adjustments reflect the Bank's risk situation more accurately.

After feeling the impact of the net loss sustained in 2008 (incorporated into the risk coverage potential as of 31 December 2008) and processing the loss expected for the 2009 financial year (incorporated into the risk coverage potential as of 31 March 2009), the risk coverage potential recently rose again. This increase resulted from two contrary effects: the equity injection boosted the risk coverage potential, while the Bank's first loss piece associated with the Sunrise Transaction reduced it.

The total economic risk on the reporting date fell markedly compared with 31 December 2008. The main effect is due to the reduction of the economic capital required for default risks as a result of the guarantee framework provided by the States of Hamburg and Schleswig-Holstein. In the same period, the liquidity and operational risks also fell, whereas the market risk rose.

HSH Nordbank's risk-bearing capacity was restored as of 30 June 2009, following the implementation of the capital increase and the Sunrise Transaction in the second quarter. Detailed information concerning the risk-bearing capacity are published in the HSH Nordbank's interim report as of 30 June 2009.

Restructuring shows initial success

A vital element of the realignment is a substantial reduction in personnel expenses and operating expenses by means of a number of measures. They have enabled the Bank to report initial savings successes at the end of the first half year. This is the result of drastic cutbacks in operating expenses, as well as continuing with socially responsible job cuts, for which a works council agreement was signed in April 2009. A large proportion of the targeted cost savings are to come from the Bank's international sites. Further adjustments are planned there, which are to be implemented in line with the concept of outsourcing portfolios.

Project for Restructuring Unit makes progress

The Bank's new business model provides for non-strategic activities as well as portfolios without a direct link to customers (restructuring portfolios), such as the credit investment business, to be spun off from the core bank portfolios and wound down as market opportunities allow. The project is currently being implemented with a high priority by the Bank. By the end of the first half year, specific portfolios had been designated for separation and potential winding-down strategies have been developed. The first step is for the individual portfolios to be transferred to an internal Restructuring Unit. The structure and separate reporting for the Restructuring Unit are to be developed by the end of the year. Options for legally separating the Restructuring Unit as planned are currently undergoing analysis and review.

5 DEFAULT RISK

In view of HSH Nordbank's strong orientation towards the lending business, entering into, managing and limiting default risks represent some of the Bank's key tasks. Default risk is broken down into credit, country, equity holding and settlement risks. In addition to traditional credit risk, credit risk also includes counterparty and issuer risk. Settlement risk consists of advance payment risk and processing risk. All the elements of default risk referred to are taken into account within the context of the management of equity. Additional management measures are in place for concentration risks (in particular at the borrower / country level) and equity holding risks.

The organisation and methods of managing default risks as well as the type and scope of the reports with respect to counterparty default risk are discussed in detail in the Disclosure Report of HSH Nordbank from 31 December 2008.

Underlying conditions and effects of the financial and economic crisis

In the first half of 2009, conditions in the credit market were significantly influenced by the financial and economic crisis - despite initial signs of recovery now becoming visible. In recent months, the difficult economic conditions increasingly impacted the risk provision requirements and the quality of HSH Nordbank's loan portfolios. This resulted in significantly higher risk provisions when compared to the first half of 2008. The Bank continues to presume that the uncertain economic situation will lead to sharply increasing default rates in the Bank's entire loan portfolio. In light of the uncertain economic conditions, HSH Nordbank expects the credit risks in the portfolios to remain high during the second half of 2009 and risk provision requirements to remain considerable as a result. Details regarding the risk provision portfolio within the lending business, as well as developments within the individual areas of business, are presented in the Interim Report of HSH Nordbank as of 30 June 2009.

5.1 COUNTERPARTY DEFAULT RISK: GENERAL DISCLOSURE REQUIREMENTS FOR ALL FINANCIAL INSTITUTIONS

Below, exposure values of the portfolio of the HSH Nordbank Group are presented, divided into the main types of receivables (risk-bearing instruments), main regions, main sectors and contractual terms to maturity, in accordance with Section 327 (2) No. 1 to 4 of the German Solvency Regulation. The residual maturity of "1 day" includes all transactions due within one day, which also means transactions callable daily with indefinite maturity. Receivables which generally do not have fixed terms to maturity, like investment shares, are included in the last maturity range with a flat residual maturity of 10 years. On the basis of the new German Classification of Economic Activities (WZ 2008) issued by the Federal Statistical Office, HSH Nordbank introduced a refined hierarchy for the main sectors as at the reporting date. This resulted in the additional main sector "other service activities" that was not reflected in the disclosure report from 31 December 2008.

The exposure values are calculated after the application of CCFs in accordance with Sections 48 and 99 SolvV. However, with respect to the requirements stipulated in Section 327 (2) No. 1 SolvV, credit risk minimisation techniques are not included in the calculation. The credit equivalent value is shown for derivative instruments. IRBA and KSA exposure values are combined. The division does not include investment exposures (equity holdings) and securitisations. Securitisations and shareholdings are presented separately; securitisations in Chapter 5.4 and shareholdings in the Disclosure Report from 31 December 2008.

As of the reporting date, exposure values from risk-bearing instruments amounted to EUR 46,400 million. In addition, there are receivables from miscellaneous assets amounting to EUR 1,000 million. These may not be allocated to risk-bearing instruments and are therefore not presented in the following tables.

For informational purposes, the exposure values of the receivables without taking into account the guarantee framework are presented by risk-bearing instrument in the Appendix (Tables 25 through 28) in the form of alternative calculations.

	Loans	Loan commitments	Other non-derivative off-balance sheet assets	Securities	Derivative instruments
Exposure value (total)	24,647	2,333	2,142	7,734	9,562

Table 5: Exposure values by risk-bearing instruments in € m

Main region	Loans	Loan commitments	Other non-derivative off-balance sheet assets	Securities	Derivative instruments
Western Europe	21,003	1,914	1,522	6,752	7,020
North America	2,695	99	304	829	2,172
Asia Pacific Region	503	15	300	69	130
Latin America	62	28	0	66	45
Central and Eastern Europe	264	223	15	3	140
Middle East	102	52	1	0	56
African countries	16	0	0	0	0
Int. Organisations	0	0	0	10	0
Other	3	2	0	6	0
Total[1]	24,647	2,333	2,142	7,734	9,562

[1] The differences in amounts are due to rounding off figures.

Table 6: Exposure values by main regions in € m

Main sector	Loans	Loan commitments	Other non-derivative off-balance sheet assets	Securities	Derivative instruments
Credit institutions	4,058	81	192	2,907	3,858
Other financial institutions	1,201	80	769	1,446	798
Public sector	7,766	140	53	1,877	381
Private budgets	269	26	7	0	52
Properties and flats	1,749	212	59	49	854
Shipping	2,532	482	95	349	1,297
Industry	3,420	493	504	9	506
Trade and transport	1,143	234	265	185	501
Other service activities	2,220	584	199	772	1,315
Other	289	0	0	140	0
Total[1]	24,647	2,333	2,142	7,734	9,562

[1] The differences in amounts are due to rounding off figures.

Table 7: Exposure values by main sectors in € m

Contractual residual term	Loans	Loan commitments	Other non-derivative off-balance-sheet assets	Securities	Derivative instruments
Up to one day	7,897	220	28	347	2
1 day up to and including 3 months	2,864	93	30	1,530	59
3 months up to and including 6 months	366	75	38	37	60
6 months up to and incl. 1 year	1,013	263	69	207	152
1 year up to and incl. 5 years	3,625	770	1,154	2,565	2,023
Longer than 5 years	8,883	912	822	3,050	7,265
Total[1]	24,647	2,333	2,142	7,734	9,562

[1] The differences in amounts are due to rounding off figures.

Table 8: Exposure values by contractual residual terms in € m

5.2 COUNTERPARTY DEFAULT RISK: CRSA AND/OR IRBA RECEIVABLES CLASSES

In order to determine the regulatory equity requirements, both the CRSA and the Advanced IRB Approach require so-called risk-weighted exposure values (product of risk weighting and exposure value) to be created. For CRSA, the risk weighting is set globally by the supervisory authority, according to the receivables category and the external rating. Table 9 shows the CRSA exposure values before and after credit risk reduction measures in accordance with Section 328 (2) SolvV. Substitution effects mean that exposure values with risk weightings that were originally higher are replaced with those with a lower risk weighting. In contrast, the Advanced IRB Approach always calculates the risk weightings using parameters assessed internally. The IRBA receivables classes Special Financing and Participations are exceptions. In these cases it is possible to determine risk weightings using the “simple risk weighting”, where the risk weighting is set by the supervisory authorities depending on fixed criteria. However, within the HSH Nordbank Group, the simple risk weighting approach is only used partially for participations at present. Depending on whether the participation exposure is not quoted on the stock exchange but sufficiently diversified, is quoted on the stock exchange or is another participation exposure, it is assigned a risk weighting of 190%, 290% and/or 370%. These exposure values are also listed in Table 9 in accordance with Section 329 (2) SolvV. The classification does not include securitisations since they are separately disclosed.

For informational purposes, the exposure values of the following table without taking into account the guarantee framework are presented in the Appendix (Table 29) in the form of an alternative calculation.

			Total sum of exposures values
Risk weighting in %	**CRSA before credit risk reduction**	**CRSA after credit risk reduction**	**Advanced IRBA approach**
0	**174**	**175**	**-**
10	**22**	**22**	**-**
20	**1,600**	**1,308**	**-**
35	**-**	**44**	**-**
50	**27**	**65**	**-**
70	**-**	**-**	**-**
75	**167**	**112**	**-**
90	**-**	**-**	**-**
100	**5,528**	**5,479**	**-**
115	**-**	**-**	**-**
150	**367**	**351**	**-**
190	**-**	**-**	**70**
200	**-**	**-**	**-**
250	**-**	**-**	**-**
290	**-**	**-**	**27**
350	**-**	**-**	**-**
370	**-**	**-**	**72**
1250	**-**	**-**	**-**
Capital deduction	**-**	**-**	**-**
Other risk weights	**828**	**828**	**-**
Total[1]	**8,714**	**8,383**	**169**

[1] The differences in amounts are due to rounding off figures.

Table 9: CRSA / IRBA exposure values by regulatory risk weighting in € m

5.3 DERIVATIVE COUNTERPARTY DEFAULT RISKS

Derivative financial instruments have been implemented to a considerable extent to ensure efficient risk protection, to exploit market opportunities and to cover specific financing needs of customers.

HSH Nordbank Group operates its derivative business predominantly with credit institutions registered in an OECD country. The nominal value of derivative transactions totalled EUR 695,400 million on the reporting date.

5.3.1 Positive net replacement costs before and after application of credit risk reduction

Table 10 shows, according to Section 326 (2) No. 1 SolvV, to what extent HSH Nordbank Group is committed in different contract types and to what extent derivative netting agreements and collateral netting is used. The counterparty default risk according to the approach used (regulatory market assessment approach) is given in Table 11, in accordance with Section 326 (2) No. 2 SolvV.

	Positive replacement value *before* netting and collateral	Netting options	Allocable collateral	Positive replacement value *after* netting and collateral
Interest-related contracts	16,782			
Currency-related contracts	1,735			
Securities/index-related contracts	226			
Credit derivatives	148			
Other contracts	216			
Total[1]	44			
	19,151	12,421	939	5,790

[1] The differences in amounts are due to rounding off figures

Table 10: Positive replacement costs in € m

	Market assessment method
Counterparty default risk positions	9,569

Table 11: Counterparty default risk in € m

5.3.2 Credit derivatives

The credit derivates purchased for collateralising the loan portfolio of HSH Nordbank Group have been listed in accordance with Section 326 Par. 2 No. 3 in Table 12. In the two following tables, credit derivatives as part of securitisations are not included; they are described in the next section.

	Nominal value of collateral
Credit derivatives (secured party)	563

Table 12: Nominal value of credit derivatives eligible for collateral in € m

HSH Nordbank Group acts as collateral assignee and collateral assignor for credit derivatives (see Table 13 in accordance with Section 326 (2) No. 4). There are no brokerage transactions as at the reporting date.

	Use for own credit portfolio protection buyer	Use for own credit portfolio protection seller	Broker activity
Credit Default Swaps	3,183	3,710	-
Credit Linked Notes	-	-	-
Total Return Swaps	-	-	-
Credit Options	-	-	-
Other contracts	-	-	-
Total	3,183	3,710	-

Table 13: Nominal values of credit derivatives in € m

5.4 SECURITISATION

5.4.1 Aims, functions and scope of securitisation activities

HSH Nordbank is involved in many diverse business activities that contain securitisation structures. In this context, HSH Nordbank acts as originator and/or investor; it does not assume the role of a sponsor.

Securitisation transactions in which HSH Nordbank acts as originator primarily serve a risk management function, as well as reducing credit risk. By means of the targeted sale of selected receivables (traditional securitisation), overall risk is managed, in that risk concentrations are eliminated or minimised. In addition, credit risk is limited by means of synthetic securitisation through credit default swaps (CDS) and issuing and placing of credit linked notes (CLN).

During the reporting period, the synthetic securitisation transaction Sunrise, with the goal of relieving risk-weighted assets, was of primary importance. The Sunrise Transaction is explained in detail in Chapter 3.1.

Securitisation transactions that existed at the 31 December 31 reporting date are, in part, re-securitised as part of the Sunrise Transaction. Accordingly, they are not shown separately. For informational purposes, the quantitative information from this chapter, without taking into account the guarantee framework, is presented in the Appendix (Tables 30 through 32) in the form of an alternative calculation. A comparison of the information presented in this chapter with the data in the Appendix permits a quantitative assessment of the re-securitised receivables and securitisation exposures within the framework of the Sunrise Transaction.

The synthetic securitisation transaction Circle 2002 was not re-securitised. The purpose of Circle 2002 is to securitise Asset Backed Securities (ABS) in which HSH Nordbank had invested. Furthermore, HSH Nordbank concluded transactions within a securitisation programme through its Copenhagen branch (Scandinotes). Subordinated loans of Scandinavian banks were sold to single purpose vehicles, refinanced through the issuing of corresponding securities and sold on in part to external investors in the course of these transactions. As part of the Scandinotes III transaction, one tranche which is not shielded by Sunrise was repurchased by HSH Nordbank.

In addition to its role as originator, HSH Nordbank acts as investor in securitisations sponsored by third parties, where the Bank invests in securitisation tranches issued by third parties (e. g. in ABS, residential mortgage backed securities, commercial mortgage backed securities, collateralised debt obligations) or makes liquidity/credit improvements available. This portfolio was, however, partially re-securitised during 2009, leaving an exposure of EUR 716 million at the reporting date, which is not shielded by the guarantee framework.

In total, the exposure of securitised receivables with HSH Nordbank Group amounts to EUR 150,800 million as at the reporting date. For purposes of calculating exposure values in this Chapter, credit risk minimisation techniques using substitution are not taken into account. For this reason, the secondary loss tranche within the Sunrise Transaction, amounting to EUR 10,000 million, is included in the exposure values shown. As part of credit risk minimisation, the secondary loss tranche is substituted as a financial guarantee in the IRBA receivables category Central Governments.

To a limited extent, HSH Nordbank has concluded securitisation transactions whereby assets totalling EUR 1,500 million were transferred to a special purpose company (SPC) and HSH Nordbank retained all securitisation exposures. Because no risks were transferred as part of this transaction, there was no securitisation advantage achieved for regulatory purposes. The motivation for the transaction is rather an increase in the pool of central bank eligible securities for HSH Nordbank. For this reason, securitisation activities with full retention are not shown in the quantitative section.

HSH Nordbank's disclosure is consistent with the Industry Good Practice Guidelines on Pillar 3 Disclosure Requirements for Securitisation, published on 18 December 2008 by the European Banking Federation, the London Investment Banking Association, the European Savings Banks Group and European Association of Public Banks and Funding Agencies.

5.4.2 Determination of risk-weighted exposure for securitisation transaction to be considered

The methods to be used for determining regulatory capital with respect to securitisation exposures are set out in the SolvV. In the case of a transaction of an originator, an IRBA rating model must be utilised with respect to the underlying pool in order to be able to use the IRBA securitisation method. In the course of the securitisation IRBA, HSH Nordbank employs the ratings-based approach where ratings from external providers are available on the market. The ratings published by Standard & Poor’s, Moody’s or Fitch Ratings are used as qualified external ratings. With respect to securitisation exposures which do not have an eligible external rating, HSH Nordbank employs the alternative approach set out in the SolvV (Section 243 (2) to (4) for KSA securitisation exposures and Sections 255-260 SolvV for IRBA securitisation exposures).

In accordance with Section 266 (1) SolvV, with respect to KSA or IRBA securitisation exposures for which a risk weight^, of 1,250% has been determined, one may make a capital deduction in addition to the utilisation of this risk weight in order to determine the overall amount allocated to counter party default risks.

The Poseidon securitisation transaction encompasses a conduit that issues asset backed commercial paper (ABCP). With the assistance of the ABCP, notes which Poseidon acquired via the special purpose vehicles Rasmus 5 and Rasmus 9 are refinanced. The calculation of the regulatory capital requirements takes place at the level of the special purpose vehicles.

Securitisation activity	Type of securitisation	Approach	Procedure to determine the risk-weighted exposure
Carrera (ABCP-Programm) [1]	Traditional securitisation	IRBA	Risk weight in line with external rating
Circle 2002 [2]	Synthetic securitisation	IRBA	Pool backing
Poseidon (ABCP-Programm) [1]	Traditional securitisation	IRBA	
Rasmus 5	Traditional securitisation	IRBA	Risk weight in line with external rating
Rasmus 9	Traditional securitisation	IRBA	Substitution
Prime 2006-1 [1]	Traditional securitisation	CRSA	Risk weight in line with external rating
Scandinotes II [1]	Traditional securitisation	IRBA	Risk weight in line with external rating
Scandinotes III [2]	Traditional securitisation	IRBA	Risk weight in line with external rating
Scandinotes IV [1]	Traditional securitisation	IRBA	Risk weight in line with external rating
Scandinotes V [1]	Traditional securitisation	IRBA	Risk weight in line with external rating
Sunrise	Synthetic securitisation	IRBA	Formula approach under supervisory law acc. to Sect. 258 SolvV

[1] Re-securitised as part of the Sunrise Transaction [2] Partly re-securitised as part of the Sunrise Transaction

Table 14: Determination of risk-weighted exposure for securitisation transactions

An internal assessment approach (IAA) in accordance with Section 259 of the German Solvency Regulation, for the determination of risk weighting for exposures from ABCP programmes, is not applied by HSH Nordbank at present.

5.4.3 Accounting policies for securitisations

With respect to acquired securitisation exposures which fall within the scope of securities as defined by the German Bank Accounting Regulations (RechKredV), the generally applicable accounting policies for securities apply.

Original receivables of HSH Nordbank AG, which the Bank places into synthetic securitisations, continue to be reported under receivables. In the course of the impairment process, the assumption of the risks by third parties is taken into account as collateral. A write-off is undertaken to the extent the risk was not transferred in the context of the securitisation and/or where the guarantee loses recoverability.

Receivables that are assigned as part of a true sale securitisation are derecognised in the balance sheet. In this situation as well, risks retained by the Bank continue to be shown and are dealt with based on accounting policies and procedures for accounts receivable.

Since HSH Nordbank issues individual financial statements in accordance with the German Commercial Code (HGB) and group financial statements according to IFRS, Table 15 refers to both reporting rules. For such purposes, securitisation transactions that were not re-securitised are taken into account.

				IFRS	HGB
Securitisation transaction	True sale Yes/No	Approach	Disposal Yes/No	Consolidation Yes/No	Disposal Yes/No
Circle 2002	No	IRBA	No	No	-
Scandinotes III	Yes	IRBA	Yes	No	Yes
Sunrise	No	IRBA	No	-	-

Table 15: Accounting policies for receivables securitised as originators

5.4.4 Rating agencies used for securitisations

The securitisations issued by HSH Nordbank Group were rated externally in each case. The rating agencies used and the type of the receivables behind the securitisation portfolio are shown in Table 16 in accordance with Section 334 (1) No. 6 of the German Solvency Regulation. The names of the appointed rating agencies for investments in securitised assets are described in the Disclosure Report from 31 December 2008.

Securitisation transaction	Type of securitisation	Type of receivable	Rating agency
Carrera (ABCP-Programm)[1]	Traditional securitisation	ABS	Moody's, S & P
Circle 2002[2]	Synthetic securitisation	ABS	Fitch, Moody's
Poseidon (ABCP-Programm)[1]	Traditional securitisation	ABS, leasing claims	Moody's, S & P
Prime 2006-1[1]	Traditional securitisation	Profit participation rights	Fitch, Moody's, S & P
Scandinotes II[1]	Traditional securitisation	Receivables from Danish regional banks	Moody's
Scandinotes III[2]	Traditional securitisation	Receivables from Scandinavian regional banks	Moody's
Scandinotes IV[1]	Traditional securitisation	Receivables from Danish regional banks	Moody's
Scandinotes V[1]	Traditional securitisation	Receivables from Danish regional banks	Moody's

[1] Re-securitised as part of the Sunrise Transaction [2] Partly re-securitised as part of the Sunrise Transaction

Table 16: Securitisation transactions initiated by HSH Nordbank

5.4.5 Exposure values of securities receivables

Table 17 gives the exposure value of the securitised receivables of HSH Nordbank Group as at the reporting date in accordance Section 334 (2) No. 1 of the German Solvency Regulation, divided according to securitisation classification (traditional or synthetic) and according to the type of the securitised receivables.

The corresponding values without taking into account the guarantee framework are presented in the Appendix (Table 30).

Securitisation portfolio	Exposure value
Traditional securitisations	
Real estate	-
Ships	-
Retail banking	-
ABS	937
Other	200
Sub-total	1,137
Synthetic securitisations	
Real estate	-
Ships	-
Retail banking	-
ABS	43
Other	-
Sunrise	148,941
Sub-total	148,984
Total	150,121

Table 17: Exposure values of securitised receivables in € m

5.4.6 Non-performing/overdue securitised receivables and losses incurred

In the reporting period no losses were incurred for securitisation exposures where HSH Nordbank acted as originator.

5.4.7 Exposure values of retained or purchased securitisation exposures

Table 18 lists the securitisation exposures held by the Bank in accordance with Section 334 (2) No. 3 of the German Solvency Regulation. These comprise retained tranches from the Bank's own securitisation transactions (e.g. with the aim of improving credit), liquidity facilities provided by the Bank for securitisation transactions and investments in third-party securitisation transactions.

The corresponding values without taking into account the guarantee framework are presented in the Appendix (Table 31)

Securitisation items	CRSA exposure value	IRBA exposure value
Balance-sheet items		
Credit enhancements[1]	-	160
Participations in ABS transactions	82	1,645
Other balance-sheet items	-	-
Sunrise	-	148,941
Sub-total	82	150,746
Off-balance sheet items		
Liquidity facilities	-	-
Derivates	-	-
Other off-balance sheet items	-	9
Sub-total	-	9
Total	82	150,755

[1] Measures to improve credit quality

Table 18: Exposure values of retained or purchased securitisation exposures in € m

5.4.8 Risk weight ranges and exposure values of securitisation

In accordance with Section 334 (2) No. 4 SolvV, Table 19 presents the Bank's individual securitisation exposures (see Table 18) organised into risk weight ranges and the resulting capital requirements. The corresponding values without taking into account the financial guarantee are presented in the Appendix (Table 32). In accordance with Section 255 (1) Sentence 2 SolvV, the first loss pieces from the Sunrise Transaction of EUR 3,200 million, as well as from the securitisation transaction Circle 2002, are allocated with a risk weight of 1,250%. The other securitisation exposures with a risk weight of 1,250% are deducted from the regulatory capital in accordance with Section 266 (1) SolvV.

The corresponding values without taking into account the guarantee framework are presented in the Appendix (Table 32).

	Securitised items held back / purchased			
Risk weight range	CRSA exposure value	IRBA exposure value	CRSA capital requirement	IRBA capital requirement
0% to 10%	-	146,399	-	759
10% up to and including 20%	53	55	1	1
20% up to and including 50%	-	360	-	3
50% up to and including 100%	17	-	1	-
100% up to and including 350%	3	118	1	-
350% up to and including 650%	-	1	-	-
650% to 1250% excluded	-	522	-	360
1250% or capital deduction	9	3,301	-	3,243
Total[1]	82	150,755	3	4,367

[1] The differences in amounts are due to rounding off figures.

Table 19: Exposure values and capital requirements for retained or purchased securitisation items acc. to risk weight ranges in € m

5.4.9 Securitisation activities in the reporting year

In the reporting period HSH Nordbank arranged the securitisation transaction Sunrise (see section 3.1.3).

Further securitisation transactions were not arranged.

5.5 RISK MEASUREMENT FOR IRBA PORTFOLIOS

5.5.1 Exposure values according to rating ranges (excluding retail banking) under IRBA

The ratings modules are described in the disclosure report from 31 December 2008. The ratings determined under these rating modules are calibrated on a rating master scale, whereby the rating classes 16 to 18 represent default ratings. In the following analyses, the individual rating classes are presented in 7 rating ranges for greater clarity. In order to refine the combination of rating classes with a similar risk profile within a rating range, the boundaries between the rating ranges were changed from those at the 31 December 2008 reporting date. Since a large number of the receivables have a good rating, and fewer receivables are included in the lower rating classes, a finer division of rating ranges has been performed for the high quality rating classes.

Table 20 shows the distributuin on the reporting date, in accordance with Section 335 (2) SolvV.[3] The exposures values are reported in accordance with Section 99 SolvV, taking into account credit risk minimisation techniques. As part of credit risk minimisation, the secondary loss tranche is substituted as a financial guarantee in the IRBA receivables category Central governments. For this reason, the secondary loss tranche within the Sunrise Transaction, amounting to EUR 10,000 million, is included in the exposure values shown. In addition, the average probability of default (∅ PD), the average LGD (∅ LGD), as well the average risk weight (∅ RW) that result within each rating range for each receivables category are shown. All facts presented in accordance with Section 335 (2) SolvV comply with the circular of the German Bundesbank B 40-5 / B 410-1 65.2.229.13 and with the information in the reporting forms.

For informational purposes, the exposure values by rating range, and the corresponding average parameters without taking the guarantee framework into account, are presented in the Appendix (Table 33).

[3] Tables 20, 21, and 22 do not include securitisations because these are presented separately (see Chapter 5.2). In the case of participation instruments, only participations in the PD-LGD approach are used. The overall long-term participation portfolio is discussed in detail in the disclosure report of HSH Nordbank from 31 December 2008.

Receivables class IRBA	∅ PD in %	∅ LGD in %	∅ RW in %	Exposure value
Rating range 1: 1(AAAA) – 1(AA+)				
Central governments	0.0	23.8	0.1	19,989
Institutions	-	-	-	-
Companies	-	-	-	-
Participation exposures[1]	-	-	-	-
Subtotal	0.0	23.8	0.1	19,989
Rating range 2: 1(AA) – 1(A-)				
Central governments	0.1	29.1	20.7	163
Institutions	0.0	33.7	15.5	8,696
Companies	0.1	39.2	22.0	4,546
Participation exposures[1]	0.1	65.0	54.7	0
Subtotal	0.0	35.5	17.8	13,404
Rating range 3: 2 – 5				
Central governments	0.2	20.0	29.3	18
Institutions	0.2	37.0	27.2	1,045
Companies	0.2	45.6	56.1	4,799
Participation exposures[1]	0.3	69.0	122.0	26
Subtotal	0.2	44.1	51.2	5,888
Rating range 4: 6 - 9				
Central governments	0.0	100.0	100.0	0
Institutions	1.0	59.7	159.6	39
Companies	1.1	39.1	89.1	3,648
Participation exposures[1]	1.3	78.1	244.4	53
Subtotal	1.1	39.9	92.0	3,740
Rating range 5: 10 - 12				
Central governments	3.0	20.0	74.9	79
Institutions	3.3	20.1	55.7	79
Companies	3.9	38.6	125.3	1,616
Participation exposures[1]	6.7	65.0	299.2	13
Subtotal	3.9	37.2	121.3	1,788
Rating range 6: 13 - 15				
Central governments	19.6	23.6	140.3	21
Institutions	20.0	31.6	184.6	68
Companies	15.3	39.7	198.8	1,547
Participation exposures[1]	16.1	68.2	392.6	53
Subtotal	15.6	40.0	203.6	1,689
Rating range 7 (Default): 16 - 18				
Central governments	-	-	-	-
Institutions	100.0	35.0	57.1	249
Companies	100.0	45.3	73.9	2,455
Participation exposures[1]	100.0	65.0	106.0	43
Subtotal	100.0	44.7	72.9	2,748
Total (without default)[2]				
Central governments	0.0	23.8	0.8	20,270
Institutions	0.2	34.0	18.8	9,927
Companies	2.2	41.1	74.6	16,156
Participation exposures[1]	7.0	71.6	282.0	145
Total	0.8	32.1	31.1	46,498

[1] Only participations under the PD-LGD approach; with regulatory LGD of 65% or 90%; CCF = 100%

[2] The differences in amounts are due to rounding off figures

Table 20: ∅ PD, ∅ LGD, ∅ RW and exposure values in € m according to rating ranges

5.5.2 Undrawn loan commitments and average exposure values under IRBA

Based on the rating ranges described above, the assessment basis for undrawn loan commitments and the average exposure values weighted by commitment for each portfolio are given in Table 21.

For informational purposes, the corresponding values of the following table without taking into account the guarantee framework are presented in the Appendix (Table 34).

Receivables class IRBA	Central govern-ments	Institutions	Companies	Participation exposures[1]	Total[2]
Rating range 1: 1(AAAA) – 1(AA+)					
Basis for evaluation of loan commitments	803	-	-	-	803
Basis for evaluation of non-derivative assets not reported	1	-	-	-	1
∅ Exposure value of loan commitments	28	-	-	-	28
∅ Exposure value of non-derivative assets not reported	1	-	-	-	1
Rating range 2: 1(AA) – 1(A-)					
Basis for evaluation of loan commitments	0	455	929	-	1,384
Basis for evaluation of non-derivative assets not reported	15	229	235	-	479
∅ Exposure value of loan commitments	0	5	6	-	6
∅ Exposure value of non-derivative assets not reported	15	11	11	-	11
Rating range 3: 2 - 5					
Basis for evaluation of loan commitments	0	14	3,149	-	3,163
Basis for evaluation of non-derivative assets not reported	0	101	966	-	1,067
∅ Exposure value of loan commitments	0	6	21	-	21
∅ Exposure value of non-derivative assets not reported	0	50	11	-	15
Rating range 4: 6 - 9					
Basis for evaluation of loan commitments	0	0	1,560	-	1,560
Basis for evaluation of non-derivative assets not reported	0	22	526	-	548
∅ Exposure value of loan commitments	0	0	4	-	4
∅ Exposure value of non-derivative assets not reported	0	8	4	-	4
Rating range 5: 10 – 12					
Basis for evaluation of loan commitments	0	11	379	-	389
Basis for evaluation of non-derivative assets not reported	0	2	172	-	174
∅ Exposure value of loan commitments	0	7	13	-	13
∅ Exposure value of non-derivative assets not reported	0	0	4	-	4
Rating range 6: 13 – 15					
Basis for evaluation of loan commitments	0	0	175	-	175
Basis for evaluation of non-derivative assets not reported	6	1	160	-	167
∅ Exposure value of loan commitments	0	0	4	-	4
∅ Exposure value of non-derivative assets not reported	6	0	12	-	11
Rating range 7 (Default): 16 - 18					
Basis for evaluation of loan commitments	0	0	290	-	290
Basis for evaluation of non-derivative assets not reported	0	0	347	-	347
∅ Exposure value of loan commitments	0	0	10	-	10
∅ Exposure value of non-derivative assets not reported	0	0	35	-	35
Total[2]					
Basis for evaluation of loan commitments	803	479	6,481	-	7,763
Basis for evaluation of non-derivative assets not reported	22	355	2,405	-	2,783
∅ Exposure value of loan commitments	28	5	13	-	14
∅ Exposure value of non-derivative assets not reported	12	22	13	-	14

[1] Only participations under the PD-LGD approach; with regulatory LGD of 65% or 90%; CCF = 100%

[2] The differences in amounts are due to rounding off figures

Table 21: Assessment basis in € m and average exposure value of loan commitments and of non-derivative off-balance sheet assets

In the case of investment funds purchased by HSH Nordbank Group and included under the advanced IRB approach using the look-through approach (Section 83 (4) SolvV), an average risk weighting is determined mostly based on information provided on a regular basis by the capital investment companies. It is not possible to include this in the rating ranges, therefore disclosure of participation exposures contained in the investment funds is made by means of Table 22 in risk weight ranges.

Risk weight range in %	Participation exposures contained in investment funds	
	Exposure value	Regulatory capital requirements under IRBA
0 ≤ 10	-	-
>10 ≤ 20	-	-
>20 ≤ 50	-	-
>50 ≤ 100	-	-
>100 ≤ 350	26	6
>350 ≤ 650	72	21
>650 > 1250	-	-
1,250 / capital deduction	-	-
Total	98	27

Table 22: Exposure values and capital requirements for investment funds in € m

5.6 CREDIT RISK MITIGATION: OVERALL AMOUNT OF COLLATERALISED CRSA AND IRBA EXPOSURE VALUES

The following two tables show the extent of the credit risk minimisation techniques under the CRSA or Advanced IRB Approach per receivable class, in accordance with Section 336 (2) SolvV. Securitisations are not included since these are shown separately (see chapter 5.4). For CRSA, both financial and physical collateral as well as guarantees are included. The Advanced IRB Approach includes financial, physical and other collateral for determining the LGD. Guarantees and credit derivatives can either be included when determining the LGD or via so-called PD substitutions. The collateralised part of receivables is given the PD of the guarantor. However, collateral used to calculate the PD is not reported here.

An alternative calculation of the values of the following two tables is presented in the Appendix (Table 35 and Tables 36).

Receivables class CRSA	Financial collateral	Other and physical collateral	Guarantees/ derivatives
Central governments	-	-	-
Regional governments	-	-	-
Other public sector entities	-	-	-
Multilateral development banks	-	-	-
International organisations	-	-	-
Banks	-	-	-
Collateralised notes issued by banks	-	-	-
Companies	3	-	8
Retail banking	3	-	-
Items collateralised by real estate	-	79	-
Investment shares	-	-	-
Participations	-	-	-
Other items	-	-	-
Overdue items	25	7	1
Total[1]	31	87	9

[1] The differences in amounts are due to rounding off figures

Table 23: Total amount of collateralised CRSA exposure values in € m

Receivables class IRBA	Financial collateral	Other and physical collateral	Guarantees/ derivatives
Central governments	-	-	-
Banks	0	65	112
Retail banking	-	-	-
Participations	-	-	-
IRBA participation portfolio, based on default probability	-	-	-
IRBA participation portfolio, model based	-	-	-
IRBA participation portfolio, evaluated with single risk weighting	-	-	-
Companies	422	3,026	156
Other assets not related to loans	-	-	-
Total	422	3,091	268

Table 24: Total amount of collateralised IRBA exposure values (without securitisations) in € m

6 APPENDIX – ALTERNATIVE CALCULATIONS WITHOUT TAKING THE GUARANTEE FRAMEWORK INTO ACCOUNT

	Loans	Loan commitments	Other non-derivative off-balance sheet assets	Securities	Derivative instruments
Exposure value (total)	131,929	7,500	4,845	28,455	9,562

Table 25: Exposure values according to risk-bearing instruments in € m (alternative calculation without taking the guarantee framework into account)

Main region	Loans	Loan commitments	Other non-derivative off-balance sheet assets	Securities	Derivative instruments
Western Europe	107,151	5,971	3,343	25,232	7,020
North America	12,340	776	833	2,297	2,172
Asia Pacific Region	5,631	229	514	411	130
Latin America	1,262	91	22	197	45
Central and Eastern Europe	3,738	316	55	238	140
Middle East	1,477	92	60	0	56
African countries	327	22	17	0	0
Int. Organisations	0	0	0	74	0
Other	3	2	0	6	0
Total[1]	131,929	7,500	4,845	28,455	9,562

[1] The differences in amounts are due to rounding off figures.

Table 26: Exposure values according to the main regions in € m (alternative calculation without taking the guarantee framework into account)

Main sector	Loans	Loan commitments	Other non-derivative off-balance sheet assets	Securities	Derivative instruments
Credit institutions	12,825	237	485	15,992	3,858
Other financial institutions	7,122	570	1,090	2,378	798
Public sector	18,186	329	178	6,556	381
Private budgets	4,035	70	34	0	52
Properties and flats	22,206	538	265	49	855
Shipping	27,736	1,697	521	355	1,297
Industry	16,869	2,063	1,110	235	506
Trade and transport	11,620	837	629	674	501
Other service activities	11,041	1,158	533	2,076	1,315
Other	289	0	0	140	0
Total[1]	131,929	7,500	4,845	28,455	9,562

[1] The differences in amounts are due to rounding off figures.

Table 27: Exposure values according to main sectors in € m (alternative calculation without taking the guarantee framework into account)

Contractual residual term	Loans	Loan commitments	Other non-derivative off-balance-sheet assets	Securities	Derivative instruments
Up to one day	8,600	229	51	347	2
1 day up to and including 3 months	6,349	380	150	1,762	59
3 months up to and incl. 6 months	3,780	280	235	256	60
6 months up to and incl. 1 year	6,583	688	499	1,777	152
1 year up to and incl. 5 years	40,977	3,517	2,050	13,643	2,023
Longer than 5 years	65,641	2,406	1,861	10,670	7,266
Total[1]	131,929	7,500	4,845	28,455	9,562

[1] The differences in amounts are due to rounding off figures.

Table 28: Exposure values according to contractual residual terms in € m (alternative calculation without taking the guarantee framework into account)

	Total sum of exposures values		
Risk weighting in %	CRSA before credit risk reduction	CRSA after credit risk reduction	Advanced IRBA approach
0	981	991	-
10	559	559	
20	3,083	2,858	-
35	-	874	-
50	191	528	-
70	-	-	-
75	1,515	737	-
90	-	-	-
100	15,474	14,122	-
115	-	-	-
150	1,069	927	-
190	-	-	70
200	-	-	-
250	-	-	-
290	-	-	27
350	-	-	-
370	-	-	72
1250	-	-	-
Capital deduction	-	-	-
Other risk weights	828	828	-
Total[1]	23,700	22,423	169

[1] The differences in amounts are due to rounding off figures.

Table 29: CRSA / IRBA exposure values acc. to regulatory risk weighting in € m (alternative calculation without taking the guarantee framework into account)

Securitisation portfolio	Exposure value
Traditional securitisations	
Real estate	-
Ships	-
Retail banking	-
ABS	937
Other	1,224
Sub-total	2,161
Synthetic securitisations	
Real estate	-
Ships	-
Retail banking	-
ABS	43
Other	-
Sub-total	43
Total	2,204

Table 30: Exposure values of securitised receivables in € m (alternative calculation without taking the guarantee framework into account)

Securitisation items	CRSA exposure value	IRBA exposure value
Balance-sheet items		
Credit enhancements[1]	5	160
Participations in ABS transactions	4,695	4,440
Other balance-sheet items	3	8
Sub-total	4,703	4,608
Off-balance sheet items		
Liquidity facilities	-	259
Derivates	-	-
Other off-balance sheet items	-	9
Sub-total	-	268
Total	4,703	4,876

[1] Measures to improve credit quality

Table 31: Exposure values of retained or purchased securitisation exposures in € m (alternative calculation without taking the guarantee framework into account)

	Securitised items held back / purchased			
Risk weight range	CRSA exposure value	IRBA exposure value	CRSA capital requirement	IRBA capital requirement
0% to 10%	-	3,332	-	19
10% up to and including 20%	4,173	755	67	8
20% up to and including 50%	115	170	5	4
50% up to and including 100%	216	127	17	8
100% up to and including 350%	119	141	33	30
350% up to and including 650%	-	37	-	17
650% to 1250% excluded	-	-	-	-
1250% or capital deduction	81	315	5	141
Total	4,704	4,877	127	227

Table 32: Exposure values and capital requirements for retained or purchased securitisation items acc. to risk weight ranges in € m (alternative calculation without taking the guarantee framework into account)

Receivables class IRBA	∅ PD in %	∅ LGD in %	∅ RW in %	Exposure value
Rating range 1: 1(AAAA) – 1(AA+)				
Central governments	0.0	24.7	0.2	23,301
Institutions	-	-	-	
Companies	-	-	-	-
Participation exposures[1]	-	-	-	-
Subtotal	0.0	24.7	0.2	23,301
Rating range 2: 1(AA) – 1(A-)				
Central governments	0.0	22.7	15.6	922
Institutions	0.0	21.4	10.2	23,212
Companies	0.1	29.5	16.7	23,557
Participation exposures[1]	0.1	65.0	54.7	0
Subtotal	0.0	35.5	17.8	47,691
Rating range 3: 2 – 5				
Central governments	0.2	24.8	26.7	221
Institutions	0.2	26.2	25.9	3,759
Companies	0.2	31.4	37.4	32,498
Participation exposures[1]	0.3	69.0	122.0	26
Subtotal	0.2	44.1	51.2	36,503
Rating range 4: 6 - 9				
Central governments	1.6	50.0	137.5	3
Institutions	0.9	31.7	76.6	248
Companies	1.2	33.1	77.9	26,085
Participation exposures[1]	1.3	77.4	242.1	56
Subtotal	1.1	39.9	92.0	26,391
Rating range 5: 10 - 12				
Central governments	3.3	22.8	87.3	89
Institutions	4.3	23.0	71.0	409
Companies	4.5	38.0	135.9	9,746
Participation exposures[1]	6.7	65.0	299.2	13
Subtotal	4.5	37.3	133.1	10,257
Rating range 6: 13 - 15				
Central governments	19.7	27.2	164.7	196
Institutions	20.0	20.1	115.6	159
Companies	15.1	39.4	212.1	8,419
Participation exposures[1]	16.1	68.2	392.6	53
Subtotal	15.6	40.0	203.6	8,827
Rating range 7 (Default): 16 - 18				
Central governments	100.0	23.0	37.5	20
Institutions	100.0	32.6	53.1	693
Companies	100.0	43.8	71.5	6,408
Participation exposures[1]	100.0	65.0	106.0	43
Subtotal	100.0	42.8	69.8	7,165
Total (without default)[2]				
Central governments	0.2	24.6	2.7	24,732
Institutions	0.2	22.2	14.4	27,787
Companies	2.1	32.7	67.3	100,304
Participation exposures[1]	6.9	71.5	280.4	148
Total	1.5	29.5	47.5	152,970

[1] Only participations under the PD-LGD approach; with regulatory LGD of 65% or 90%; CCF = 100% [2] The differences in amounts are due to rounding off figures

Table 33: ∅ PD, ∅ LGD, ∅ RW and exposure values in € m according to rating ranges (alternative calculation without taking the guarantee framework into account)

Receivables class IRBA	Central govern-ments	Institutions	Companies	Participation exposures[1]	Total[2]
Rating range 1: 1(AAAA) – 1(AA+)					
Basis for evaluation of loan commitments	806	-	-	-	806
Basis for evaluation of non-derivative assets not reported	4	-	-	-	4
∅ Exposure value of loan commitments	28	-	-	-	28
∅ Exposure value of non-derivative assets not reported	3	-	-	-	3
Rating range 2: 1(AA) – 1(A-)					
Basis for evaluation of loan commitments	1	512	2,531	-	3,045
Basis for evaluation of non-derivative assets not reported	45	479	929	-	1,453
∅ Exposure value of loan commitments	0	7	8	-	8
∅ Exposure value of non-derivative assets not reported	8	17	44	-	34
Rating range 3: 2 - 5					
Basis for evaluation of loan commitments	0	46	8,469	-	8,515
Basis for evaluation of non-derivative assets not reported	0	119	2,253	-	2,372
∅ Exposure value of loan commitments	0	5	16	-	16
∅ Exposure value of non-derivative assets not reported	0	43	22	-	23
Rating range 4: 6 - 9					
Basis for evaluation of loan commitments	0	18	5,656	-	5,674
Basis for evaluation of non-derivative assets not reported	1	25	1,479	-	1,505
∅ Exposure value of loan commitments	0	6	10	-	10
∅ Exposure value of non-derivative assets not reported	0	7	4	-	4
Rating range 5: 10 – 12					
Basis for evaluation of loan commitments	0	135	1,223	-	1,358
Basis for evaluation of non-derivative assets not reported	0	2	385	-	388
∅ Exposure value of loan commitments	0	41	8	-	11
∅ Exposure value of non-derivative assets not reported	0	0	7	-	6
Rating range 6: 13 – 15					
Basis for evaluation of loan commitments	0	22	1,294	-	1,316
Basis for evaluation of non-derivative assets not reported	57	1	382	-	440
∅ Exposure value of loan commitments	0	6	7	-	7
∅ Exposure value of non-derivative assets not reported	19	0	8	-	9
Rating range 7 (Default): 16 - 18					
Basis for evaluation of loan commitments	18	0	771	-	789
Basis for evaluation of non-derivative assets not reported	0	0	438	-	438
∅ Exposure value of loan commitments	12	0	11	-	11
∅ Exposure value of non-derivative assets not reported	0	0	28	-	28
Total[2]					
Basis for evaluation of loan commitments	826	733	19,944	-	21,503
Basis for evaluation of non-derivative assets not reported	108	627	5,865	-	6,599
∅ Exposure value of loan commitments	27	13	12	-	12
∅ Exposure value of non-derivative assets not reported	13	21	20	-	20

[1] Only participations under the PD-LGD approach; with regulatory LGD of 65% or 90%; CCF = 100%

[2] The differences in amounts are due to rounding off figures

Table 34: Assessment basis in € m and average exposure value of loan commitments and of non-derivative off-balance sheet assets (alternative calculation without taking the guarantee framework into account)

Receivables class CRSA	Financial collateral	Other and physical collateral	Guarantees/ derivatives
Central governments	-	-	-
Regional governments	-	-	-
Other public sector entities	0	-	2
Multilateral development banks	-	-	-
International organisations	-	-	-
Banks	-	-	-
Collateralised notes issued by banks	-	-	-
Companies	878	-	93
Retail banking	51	-	7
Items collateralised by real estate	-	1,190	-
Investment shares	-	-	-
Participations	-	-	-
Other items	-	-	-
Overdue items	47	115	2
Total[1]	977	1,305	104

[1] The differences in amounts are due to rounding off figures

Table 35: Total amount of collateralised CRSA exposure values in € m (alternative calculation without taking the guarantee framework into account)

Receivables class IRBA	Financial collateral	Other and physical collateral	Guarantees/ derivatives
Central governments	-	-	-
Banks	509	283	2,537
Retail banking	-	-	-
Participations	-	-	-
IRBA participation portfolio, based on default probability	-	-	-
IRBA participation portfolio, model based	-	-	-
IRBA participation portfolio, evaluated with single risk weighting	-	-	-
Companies	5,520	38,405	1,777
Other assets not related to loans	-	-	-
Total	6,029	38,687	4,314

Table 36: Total amount of collateralised IRBA exposure values (without securitisations) in € m (alternative calculation without taking the guarantee framework into account)