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Interim Report as of 30 June 2009

HSH NORDBANK

HSH NORDBANK GROUP AT A GLANCE

Income statement (€ m)	1 Jan. – 30 June 2009	1 Jan. – 30 June 2008
Net income before taxes	–530	155
Income after taxes / Group net income / loss	–559	137

Balance sheet (€ bn)	30 June 2009	31 Dec. 2008
Total assets	197.6	208.3
Business volume	219.8	237.7

Capital ratios[1] (%)	30 June 2009	31 Dec. 2008
Tier 1 capital ratio	9.8	7.5
Regulatory capital ratio	15.5	11.6

Employees	30 June 2009	31 Dec. 2008
Total	4,478	5,070
Germany	3,698	4,087
abroad	780	983

Long-term Ratings	Unguaranteed liabilities	Guaranteed liabilities[2]	Public sector Pfandbriefe	Ship Pfandbrief
Moody's	A2[3]	Aa1[3]	Aaa	Aa3
Standard & Poor's	BBB+[4]	AA–[4]	–	–
Fitch	A[3]	AAA[3]	–	–

[1] including market risk positions
[2] Liabilities covered by the guarantee obligation
[3] stable
[4] negative outlook

HSH NORDBANK AG – INTERIM REPORT

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LADIES AND GENTLEMEN,

Over the past few months essential foundations have been laid for a comprehensive realignment of HSH Nordbank. In the second quarter of 2009 our focus was on the recapitalisation of the Bank by its shareholders Hamburg und Schleswig-Holstein. This strengthened our capital base by EUR 3 billion. In addition, the two states are also reducing our risk-weighted assets with a financial guarantee and insuring against future risks for the Bank of up to EUR 10 billion. Together, these two elements give us a solid and competitive Tier 1 capital ratio of 9.8% as of 30 June.

We also achieved the first tangible success in terms of our restructuring, which is intended to deliver a drastic cut in administrative expenses by 2012. We already succeeded in reducing costs in the first half of 2009 by 11%, which is above budget. As well as consistent savings in operating expenses this is also the result of the job cuts in Germany and abroad, for which we signed a works council agreement in April.

A further cause for satisfaction is the fact that we almost doubled income in the first half of the year. Successful transactions in our client businesses made a contribution here, as did write-ups on securities. The latter were partly due to the progress made in winding down our problematic legacy portfolios. We also benefited from the more amicable performance of the financial markets recently. We increased our loan loss provisions significantly in response to the effects of the crisis on key economic sectors for the Bank. This increase in provisions is the reason for the negative result as of 30 June; however, thanks to the sharp rise in income it was still better than anticipated in our budget for 2009.

We are currently giving high priority to creating the organisational conditions for separating the non-strategic portfolios and those which are to be scaled back further. As a first step we want to establish an internal unit by the end of the year which is detached from our core areas and reports separately. The second step is to legally hive off this segment and we are currently examining the various options for this.

Our detailed restructuring plan is to be presented to the European Commission at the end of August for final approval under state-subsidy regulations. The recapitalisation completed in the second quarter has already been provisionally approved as emergency aid.

Ladies and gentlemen, the steps taken in recent months have put us on track to lead HSH Nordbank towards a stable future. The consequences of the economic and financial crisis will certainly continue to leave their mark on our financial statements until well into 2010, however. Although the business environment remains difficult for us, looking at the progress achieved and the systematic restructuring of the Bank, I am confident that we will accomplish a successful relaunch.

Prof. Dr. Dirk Jens Nonnenmacher
Chairman of the Management Board of HSH Nordbank AG

INTERIM MANAGEMENT REPORT OF HSH NORDBANK GROUP

BUSINESS AND UNDERLYING CONDITIONS

Global economy stabilises

The global economy's downward trend slowed considerably over the course of the first half of 2009. The mood amongst companies and consumers brightened as a result — albeit from a very low starting point. The purchasing manager index showed a renewed expansion of industrial production in China as early as March. But in industrialised countries too, the steps taken by governments and central banks to support the markets began to take effect and there were increased signs that the economy was stabilising. In the USA the additional public expenditure caused gross domestic product to contract only slightly, despite having fallen again sharply in the first quarter.

In the euro zone the impulse provided by governments' economic stimulus programmes was somewhat milder. The economy here also suffered particularly from the decline in external trade, but private investment and consumption sank as well. Gross domestic product registered an especially sharp fall in Germany, as the economy was hit comparatively hard by the drop in foreign demand.

Banking sector discovers silver lining

The situation in the banking sector improved in the first half of the year. The recovery on the capital markets bolstered securities trading. Banks also benefited from the steep yield curve. However, repeated write-downs on securities and the rising default risk in the lending business weighed on results. At EUR 114 billion, banks' worldwide losses were much lower in the first half of 2009 than in the second half of 2008, when they lost EUR 316 billion, according to figures provided by Bloomberg.

Persistent worries about a credit squeeze in Germany led to a law enabling the creation of bad banks, intended to improve the equity position of the remainder. Structured securities and entire business units can now be transferred to new legal entities using two different models.

Revival on financial markets

Financial markets regained their composure over the course of the first half-year. For example, the rates for three-month, unsecured interbank loans fell sharply, and risk premiums on the bond market declined. There was also a flurry of new issuance. Since hitting bottom at the beginning of the year, yields on ten-year government bonds picked up again sharply, particularly in the USA, but also in the euro zone, as investor confidence gradually returned and supply pressures increased.

In contrast, yields on two-year government papers hardly budged, in the expectation that central banks' low interest rate policies would continue for some time. The US Federal Reserve has maintained its prime rate at 0 — 0.25 % since the end of 2008, while the ECB cut its prime rate between December 2008 and early May 2009 from 2.5 % to 1 % and has kept it there since. As well as cutting interest rates, the Fed, the Bank of Japan and the Bank of England also began to exert an influence on longer-term interest rates and to provide additional liquidity by purchasing government bonds. The ECB also further expanded its package of measures. It introduced a 12-month tender and started buying covered bonds in early July. Over the year a volume of EUR 60 billion is planned.

In the first quarter the euro initially fell sharply against the US Dollar to USD 1.25 as the ECB continued to cut interest rates and concerns emerged about national budgets in some countries in the euro zone. The euro subsequently settled back to levels above USD 1.40, as demand for the US dollar as a safe haven diminished together with investors' aversion to risk.

After reaching lows in early March the stock markets put in an impressive performance. Fears in the first two months of the year that the financial and global economic crisis would be prolonged depressed share prices considerably, but they recovered again at the first signs that the real economy was stabilising. Measured from their respective lows, both the Dax and the Dow Jones registered rises of around 30% up to the end of the second quarter. Share prices climbed again recently as reports for the second quarter started to come in.

Recapitalisation of HSH Nordbank completed

The foundations for a comprehensive realignment of HSH Nordbank were set in the first half-year 2009. Once a new business concept had been adopted and restructuring initiated in the first months of the year, the steps necessary for the Bank's future in the second quarter focussed on putting the recapitalisation into effect.

The States of Hamburg and Schleswig-Holstein successfully completed a capital increase to recapitalise HSH Nordbank and provided a guarantee protecting the Bank from risks.

The capital increase of EUR 3 billion was fully paid in and recorded in the Commercial Register by the end of July. Both States subscribed for new ordinary shares in the Bank via a special fund, which was established as a public-sector agency (HSH Finanzfonds AöR). The agency is funded equally by both Hamburg and Schleswig-Holstein. It raised the funds required for the capital injection by issuing debt instruments on capital markets.

The stake held by the two States of Hamburg and Schleswig-Holstein, including HSH Finanzfonds AöR, rose as a result of the transactions to 85.5%. Funds advised by J.C. Flowers now hold 9.2% and the savings banks in Schleswig-Holstein hold 5.3% of HSH Nordbank's equity.

Both States are also reinsuring future risks for the Bank with a second-loss default guarantee for up to EUR 10 billion. The guarantee takes effect, from 1 April 2009, if the risks in defined portfolios exceed a first-loss portion for the Bank of EUR 3.2 billion. This reduces the Bank's regulatory risk-weighted assets.

Thanks to the two elements of the recapitalisation (capital increase and guarantee), HSH Nordbank's Tier 1 capital, which had fallen to EUR 5.6 billion following the loss in 2008, rose again substantially to EUR 8.7 billion. This enabled government equity capital requirements to be met at the end of the first half of 2009. As of 30 June 2009 the Tier 1 capital ratio for HSH Nordbank Group (including the market risk position) went up to 9.8% as a result of the two transactions. This improved capital base is a vital cornerstone for the successful reorientation and sustainable existence of the Bank.

The concept of realigning the Bank requires the approval of the European Commission. A detailed restructuring plan is to be presented to the European Commission by the end of August 2009 for review under state-subsidy regulations. The recapitalisation carried out in the second quarter of 2009 has already received provisional approval as emergency aid.

New Supervisory Board convened

The first meeting of the newly constituted Supervisory Board took place in early July. The board is now made up of numerous independent economic and financial experts. This represents a clear signal for a fundamental new beginning. The new shareholder representatives include former management board members from sectors which are vital for the Bank. The former spokesperson of the Board of Deutsche Bank and renowned banking expert Hilmar Kopper has taken on the role of Chairman of the Supervisory Board.

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 successful initial savings at the end of the first half-year. Administrative expenses fell year-on-year by 11% and by 8% compared with budget for the period. 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. In accordance with the status as of 30 June 2009, by the end of the year around 520 full-time jobs will be shed. Of the total, 304 relate to posts in Germany and 216 to those in offices abroad and at subsidiaries. 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

Our 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 for the Bank. By the end of the first half-year specific portfolios have 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 segment 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.

BUSINESS DEVELOPMENTS

Earnings situation

Income statement (€ m)	Note	2009	January–June Following adjustment 2008	Change in %
Interest income		12,045	16,519	-27.1
Interest expense		-11,145	-15,700	-29.0
Net interest income	(5)	**900**	**819**	**9.9**
Loan loss provisions	(6)	-1,195	-130	> 100
Net interest income after loan loss provisions		**-295**	**689**	**> -100**
Net commission income	(7)	106	100	6.0
Result from hedging	(8)	90	-14	> -100
Net trading income	(9)	516	-52	> -100
Net income from financial investments	(10)	-313	-141	>100
Administrative expenses	(11)	-436	-490	-11.0
Other operating income	(12)	24	63	-61.9
Restructuring expenses		-72	–	–
Expenses for government guarantees		-150	–	–
Net income before taxes		**-530**	**155**	**> -100**
Income tax expense		-29	-18	61.1
Net income after taxes / Group net income / loss		**-559**	**137**	**> -100**
Group net income attributable to minority interests		-22	-8	> 100
Group net income attributable to HSH Nordbank shareholders		-537	145	> -100

EARNINGS NEARLY DOUBLED

HSH Nordbank nearly doubled total earnings, i.e. the sum of net interest income, net commission income, result from hedging, net trading income and net income from financial investments to EUR 1,299 million in the first half year 2009 (last year: EUR 712 million). This performance is mainly due to write-ups on securities, the result from hedging and higher net interest income.

Net interest income

Net interest income increased year-on-year by EUR 81 million to EUR 900 million in the period from January to June 2009. The earnings contribution from the Bank's lending departments went up strongly, despite less new business. In addition to exchange rate effects, particularly in Shipping, higher margins on existing loans and lending based on commitments from 2008 contributed to the increase. The significant fall in short-term interest rates also enabled positive results to be achieved with money market transactions, a large proportion of which consists of maturity transformation. By contrast, income from equity financed investments and participations fell significantly compared with last year.

Net commission income

Net commission income for the first half-year came to EUR 106 million and was therefore around 6% higher than last year (EUR 100 million). This gratifying rise is partly due to lower commission expenses compared with last year. Last year greater expenses were incurred for securitisation transactions to relieve the balance sheet. Higher commission expenses also resulted from issuing government-guaranteed bonds. The sharp fall in the Bank's new business had an impact on the income side, although one large-volume transaction mitigated the decline. Particularly, commissions in the securities and lending businesses registered a drop.

Result from hedging

The result from hedging, which is generated by hedging relationships which are not fully effective, was much better than last year (EUR –14 million) at EUR 90 million. The rise was caused by the sharp fall in short-term interest rates compared with last year.

Net trading income

The gradual reduction of the securities in the Credit Investment Portfolio (CIP) and the brighter mood on financial markets had a significantly positive impact on net trading income. The reversal of write-downs as well as realised gains, positive effects resulting from lower counterparty risk and valuation effects in part for liabilities categorised as Designated at Fair Value all contributed to net trading income of EUR 516 million. Last year net trading income was EUR –52 million as a result of higher write-downs. The valuation of foreign currency items resulted in greater expenses.

Net income from financial investments

Net income from financial investments was negative at EUR –313 million, due to higher write-downs on the CIP and on equity holdings. Last year the loss came to EUR 141 million. The more stable conditions on financial markets were visible here too: losses from the CIP were lower in the second quarter than in the first. For details on the development of the Credit Investment Portfolio, please refer to the risk report in this interim report.

Significant increase in loan loss provisions

The main reason for HSH Nordbank's negative net income for the half-year is the significant rise in loan loss provisions. This in turn is due to the difficult state of the economy and the tense situation at many companies. We therefore increased loan loss provisioning for the first six months of 2009 by EUR 1,195 million. Last year under better conditions merely EUR 130 million were added. The risk provisioning includes individual value allowances and provisions of EUR 809 million as well as portfolio value allowances of EUR 387 million.

Welcome fall in administrative expenses

Administrative expenses reflected the cost-cutting measures initiated last year and pursued in the first half of 2009. Personnel costs accounted for EUR 19 million and other operating expenses for EUR 35 million of the total reduction of EUR 54 million to EUR 436 million (last year: EUR 490 million). Lower other operating expenses are partly due to lower costs for advertising, fees and travel expenses. The absence of special payments, job cuts and changes in the scope of consolidation all contributed to the lower personnel expenses.

Restructuring expenses

Additional restructuring expenses of EUR 72 million were incurred in the course of the realignment for severance payments and advisory fees. Restructuring expenses of EUR 172 million were previously recognised in the Group financial statements for 2008.

Expenses for government guarantees

We incurred expenses of EUR 50 million (last year: EUR 0) for guarantees from the Special Fund Financial Market Stabilization (SoFFin) in the first half of 2009. As of 30 June 2009 HSH Nordbank had used EUR 17 billion of the total available framework of EUR 30 billion. Expenses of EUR 100 million have been incurred for the default guarantee of EUR 10 billion from HSH Finanzfonds AöR since the second quarter. HSH Nordbank pays an annual fee of 4% for the arrangement.

Result better than budget

Market developments led to significantly higher loan loss provisions, resulting in a net income before taxes of EUR –530 million (last year: profit of EUR 155 million), which was nevertheless better than the Bank's budget for the first half-year due to the clear improvement in net trading income and higher net interest income. After having deducted income tax expenses of EUR –29 million, the result was a Group net loss of EUR 559 million (last year: Group net income of EUR 137 million).

Net assets and financial situation

(€ m)	Note	06/30/2009	Following adjustment 12/31/2008	Change in %
Assets				
Cash reserve		692	1,419	–51.2
Loans and advances to banks	(14)	21,915	23,340	–6.1
Loans and advances to customers	(15)	117,327	117,431	–0.1
Loan loss provisions	(16)	–3,591	–2,751	30.5
Positive market values of hedge derivates	(17)	2,215	2,807	–21.1
Positive adjustment item from portfolio fair value hedges		356	427	–16.6
Assets Held For Trading	(18)	20,161	26,663	–24.4
Financial investments	(19)	36,106	36,511	–1.1
Intangible assets	(20)	254	246	3.3
Tangible assets	(21)	107	114	–6.1
Investment property	(22)	311	285	9.1
Current tax assets		491	572	–14.2
Deferred tax assets	(23)	769	726	5.9
Other assets	(24)	455	472	–3.6
Total assets		**197,568**	**208,262**	**–5.1**

Liabilities				
Liabilities to banks	(25)	56,653	61,391	–7.7
Liabilities to customers	(26)	51,977	52,397	–0.8
Securitised liabilities	(27)	54,070	58,200	–7.1
Negative market value of hedge derivatives	(28)	1,214	2,194	–44.7
Negative adjustment item from portfolio fair value hedges		1,155	1,159	–0.3
Liabilities Held For Trading	(29)	15,027	17,587	–14.6
Provisions	(30)	1,634	1,412	15.7
Current tax obligations		81	101	–19.8
Deferred tax obligations		46	14	> 100
Other Liabilities	(31)	1,768	1,795	–1.5
Subordinated capital	(32)	9,440	9,962	–5.2
Equity	(33)	4,503	2,050	> 100
Share capital		2,460	881	> 100
Capital reserve		1,509	88	> 100
Retained earnings		1,683	1,354	24.3
Revaluation reserve		–545	–562	–3.0
Currency translation reserve		–85	–85	0.0
Group profit/loss		–537	329	> –100
Total before minority interests		4,485	2,005	> 100
Minority interests		18	45	–60.0
Total liabilities		**197,568**	**208,262**	**–5.1**

BALANCE SHEET DETERMINED BY THE FINANCIAL CRISIS

During the first half of 2009 the continued winding-down of securities portfolios and the difficult situation of the financial and lending markets affected key line items in HSH Nordbank's balance sheet. As at 30 June 2009, total assets fell by 5.1% to EUR 197,568 million (31 December 2008: EUR 208,262 million).

Given the limited amount of new lending business in the first six months of the current financial year, loans and advances to customers stayed at EUR 117,327 million, which is roughly the same as at year-end 2008 (–0.1%). In contrast, loans and advances to banks fell sharply by 6.1% to EUR 21,915 million.

Accumulated loan loss provisions increased by 30.5% in comparison with year-end 2008, reaching EUR 3,591 million (31 December 2008: EUR 2,751 million). This was mainly due to a rise of EUR 830 million in risk provisioning for loans and advances to customers, which was made up in roughly equal parts of individual and portfolio value allowances. By contrast, the much lower accumulated loan loss provisions for banks only went up slightly by EUR 10 million. A drop in portfolio value allowances to EUR 9 million (31 December 2008: EUR 48 million) was offset by net additions of EUR 49 million due to higher default risks.

Assets Held For Trading fell substantially by 24.4% to EUR 20,161 million. This decline stems largely from the bonds and debentures in the trading portfolio and derivatives. Continued winding-down and reclassifications among financial investments at the beginning of the second quarter reduced debentures and other fixed-income securities to EUR 3,723 million (–49.0%). The positive market values of Held For Trading derivatives also fell significantly to EUR 16,280 million (31 December 2008: EUR 18,844 million), partly due to a fall in the volume of derivatives and partly due to the deliberate use of netting to reduce counterparty risk.

Financial investments shrank slightly by EUR 405 million (–1.1%) to EUR 36,106 million. Debentures and other fixed-income securities accounted for the largest portion (EUR –536 million). This decline is due to the continued winding-down of the Credit Investment Portfolio in particular. Equity holdings rose slightly by EUR 98 million.

The largest items on the liabilities side of HSH Nordbank's balance sheet are liabilities to banks, liabilities to customers and securitised liabilities.

Liabilities to banks fell by 7.7% to EUR 56,653 million (31 December 2008: EUR 61,391 million) in the light of a difficult interbank market. Higher liabilities to central banks were only able to compensate for the lower bank deposits to a limited extent. In contrast, liabilities to customers only sank slightly by 0.8% to EUR 51,977 million (31 December 2008: EUR 52,397 million) thanks to stable client deposits.

Securitised liabilities fell again in the first half of 2009. As of 30 June 2009 they came to EUR 54,070 million or 7.1% below the year-end figure of EUR 58,200 million. Basically, the Bank's reduced placement of securities in the first half-year was the cause of this decrease.

The liabilities Held For Trading, which mainly consist of negative market values of derivatives in the trading portfolio, fell in line with the positive market values of derivatives by EUR 2,560 million to EUR 15,027 million (31 December 2008: EUR 17,587 million).

The Group's subordinated capital totalled EUR 9,440 million as of 30 June 2009 (31 December 2008: EUR 9,962 million).

HSH Nordbank's equity was bolstered by EUR 3 billion by the capital increase carried out in the second quarter 2009 to reinforce HSH Nordbank's equity base.

The negative revaluation reserve improved slightly by EUR 17 million compared with 31 December 2008, coming to EUR –545 million as of 30 June 2009. This is largely due to an increase in value of AFS securities in the Credit Investment Portfolio (EUR +81 million). By contrast, equity capital was diminished by the negative net income for the half-year.

Off-balance sheet liabilities sank overall by a substantial EUR 7,166 million to EUR 22,260 million (last year: EUR 29,426 million). Contingent liabilities fell sharply (EUR –975 million), as did irrevocable loan commitments (EUR –6,191 million). In conjunction with the decrease in total assets, overall business volume fell by 7.6% to EUR 219,828 million as of 30 June 2009.

Tier 1 capital up to EUR 8.7 billion following recapitalisation

After having fallen as a result of the net loss recorded in 2008, total Tier 1 capital for the Group rose to EUR 8.7 billion as of 30 June 2009 following the recapitalisation in the second quarter (31 December 2008: EUR 8.4 billion). Total regulatory capital came to EUR 13.8 billion (31 December 2008: EUR 12.9 billion). The capitalisation measures improved the Tier 1 capital ratio (including market risk position) substantially to 9.8% (31 December 2008: 7.5%) and the regulatory capital ratio went up to 15.5% (31 December 2008: 11.6%). The ratios as of 31 December 2008 do not reflect the Group net loss of EUR 2.7 billion for 2008, as the financial statements had not yet been approved at this point.

Regulatory figures

(%)	06/30/2009	12/31/2008
Solvency ratio	16.2	12.2
Regulatory capital ratio	15.5	11.6
Tier 1 capital ratio	10.6	8.3
Tier 1 capital ratio (including market risk positions)	9.8	7.5

Refinancing at HSH Nordbank: new SoFFin bond issued

In July HSH Nordbank issued its third bond with a maturity of three years guaranteed by the Special Fund Financial Market Stabilization (SoFFin) to cover its refinancing requirements. Together with the three and two-year bonds issued in January and April respectively, worth EUR 3 billion each, this brings the Bank's tally of SoFFin guaranteed bonds placed on the capital market to EUR 9 billion. Other debt instruments with a volume of EUR 8 billion and maturities of less than one year have been deposited with the ECB to bolster the Bank's collateral pool for money market transactions.

This means that HSH Nordbank has issued a total of EUR 17 billion of SoFFin guaranteed bonds out of the guarantee framework of EUR 30 billion provided. SoFFin cleared the entire guarantee line for issuance in April once the States of Hamburg and Schleswig-Holstein had approved the Bank's restructuring and recapitalisation concept.

In the first half-year HSH Nordbank was also able to distribute unsecured debt instruments with longer-term maturities for around EUR 1.5 billion, as well as covered bonds for around EUR 0.8 billion, via private placements, mainly with domestic investors. The resolutions passed on the recapitalisation and the implementation of the capital increase and risk shielding by the end of June facilitated the refinancing considerably and resulted in more funds being raised from unsecured bonds. Longer-term funding was also increasingly raised from central banks, e.g. a volume of EUR 5 billion with a maturity of twelve months.

In addition to the measures described above, restricting new business also improved the refinancing and liquidity situation. Disposing of and restructuring assets, increasing the scope for collateralised refinancing and increasing the cover pool for issuing Pfandbriefe will also give the Bank access to further funds.

At the beginning of May 2009, the rating agency Standard & Poor's downgraded its long- and short-term ratings for German federal state banks. HSH Nordbank's long-term rating was reduced by two levels to BBB+ and its short-term rating was corrected downwards by one notch to A-2. The downgrade of our short-term rating to A-2 resulted in the Bank losing time deposits, especially from US money market funds, as their investment guidelines only allow them to purchase paper rated A-1, so they did not renew their deposits with HSH Nordbank when they expired. The Bank received much better ratings from the agencies

Moody's and Fitch: Moody's gives long-term creditworthiness an A2 and at Fitch the long-term rating is A. For comparison, each of these is two rating grades better than the rating from S & P.

The risk report contains more detailed information on the liquidity and risk position of the Bank.

SEGMENTS

HSH Nordbank divides its business into five segments. The segment Transportation & Energy reflects the international specialisation in the shipping, transportation and energy sectors. The segment Real Estate covers our commitments in the property business. Our corporate and private customers in Northern Germany are the focus of our Corporate & Private Banking segment. Capital market activities and savings banks business are carried out in the segment Financial Markets & Institutions. The segment Corporate Center shows the performance of overall Bank operations which are not allocated to the other segments.

The segments concentrating on traditional lending business reported higher loan loss provisions in the first half of 2009 due to the rise in default risks. Despite difficult underlying conditions and limited new business, income was increased in some areas. The necessary write-downs in the Credit Investment Portfolio are disclosed in the Financial Markets & Institutions segment. The performance of the individual segments is described in detail in the following sections.

OVERVIEW OF SEGMENT PERFORMANCE

Segments			**Transportation & Energy**		**Real Estate**	**Corporate & Private Banking**		**Financial Markets & Institutions**		**Corporate Center**
Divisions (€ m)		Shipping	Trans-portation	Energy	Real Estate Clients	Corporate Clients	Private Banking	Financial Markets	Savings Banks	Corporate Center
Total income	**H1 - 2009**	201	98	61	209	221	27	473	17	-160
	H1 - 2008	172	102	55	205	259	36	-223	21	-110
Net income before taxes	**H1 - 2009**	-371	10	13	-56	-168	-2	216	9	-318
	H1 - 2008	125	81	45	107	73	6	-360	10	-164
Average equity	**H1 - 2009**	575	333	108	494	807	27	718	15	63
	H1 - 2008	491	433	125	600	1,223	35	1,154	11	144

TRANSPORTATION & ENERGY SEGMENT

The Transportation & Energy segment — which includes the Shipping, Transportation and Energy business units — posted net income before taxes of EUR –348 million for the first half of 2009 (last year: EUR 251 million).

Transportation & Energy (€ m)	H1 – 2009	H1 – 2008	Change in %
Net interest income	323	236	36.9
Net commission income	43	52	-17.3
Net trading income	37	39	-5.1
Net income from financial investments	-43	2	–
Total income	**360**	**329**	**9.4**
Loan loss provisions	-595	25	–
Administrative expenses	-113	-104	8.7
Other operating income	–	1	-100.0
Net income before taxes	**-348**	**251**	**–**
Average equity	1,016	1,049	-3.1

Shipping

Difficult market conditions restrict new business

Since the end of 2008 the state of the major shipping markets has worsened considerably. While business was still brisk last year, new business dried up almost completely in the first six months of 2009.

The situation was particularly fraught in container shipping. Current handling figures from the ports suggest that a fall in demand of around 9 % is to be expected for the full year 2009. At the end of June more than 500 container ships lay idle. On some routes this reduction in container tonnage meant that the demand for cargo capacity could not be met in full. Despite this overall fall in freight capacity, the pressure of competition and the large number of ships still to be delivered will limit opportunities for shipping companies to impose higher charter rates in the short term.

The market for bulk carriers, also known as bulkers, has since recovered significantly from the slump at the start of the year. In some cases charter rates have even been unusually high, which has strengthened the liquidity of the bulker shipping companies. This is offset by a considerable number of outstanding deliveries, which could hobble the recovery. The weak state of the economy is also dampening demand for oil tankers, which now have to make-do with considerably lower freight rates. As the tanker shipping companies recorded good earnings in recent years, however, they mostly have sufficient liquidity reserves.

Container vessels account for the largest segment of the fleet financed by HSH Nordbank, at around 42 %. Bulk carriers account for a further 20 % and oil tankers for 9 %.

Earnings higher

In spite of the tense situation on the market the business unit Shipping was able to increase income again to EUR 201 million in the first half of 2009 (last year: EUR 172 million). The main driver was net interest income, which improved to EUR 197 million (last year: EUR 130 million) due to higher margins and the movement of the US Dollar against the Euro. Even last year's very good net commission and net trading income of EUR 42 million went up to EUR 51 million in spite of limited new business so far in 2009. In addition to exchange rate effects this also stemmed from slightly higher lending commissions and cross-selling income. On the other hand write-downs on equity holdings led to net income from financial investments of EUR –47 million.

Loan loss provisions bulked up

We made loan loss provisions of EUR 515 million in the first half of 2009 to account for the current state of the market and forecast developments. This increase in loss provisioning brought net income before taxes down to EUR –371 million, well below last year's figure of EUR 125 million.

Transportation

Aviation sector makes adjustments to capacity

The challenging environment for the transportation sector, with lower traffic, overcapacities, falling revenue and higher financing costs, forced many airlines to cut their capacities in the first half of 2009. At the same time the fleets' increasing move towards more fuel-efficient aircraft generated greater demand for modern and efficient technology. The economic downturn also impacted investment in airport and seaport infrastructure, although public private partnerships were less affected and the railway market is currently one of the more stable sectors.

Limited new business takes its toll

In this difficult environment the business unit Transportation generated income of EUR 98 million (last year: EUR 102 million). Net interest income delivered the largest share of income, benefiting from last year's expansion of our business. Net commission and net trading income were well below last year's figures due to limited new business in the first six months of 2009, although our tailored capital market solutions were still in demand and contributed to income. As the economic environment made risk provisioning of EUR 53 million necessary (last year: release of EUR 17 million), the realised net income for January to June 2009 was EUR 10 million (last year: EUR 81 million).

Energy

Income improvements

The business unit Energy was able to increase its income in the first half-year to EUR 61 million (last year: EUR 55 million). The rise is primarily due to net interest income, which came to EUR 48 million as of the end of June (last year: EUR 33 million). On the income side the business unit benefited especially from numerous wind and solar energy projects which we were able to initiate last year thanks to our market-leading position and have continued to support in the first half of the current year. In the first six months of 2009 the long-term growth market for renewable energy was temporarily but severely hit by the financial and economic crisis, so that we reported a substantially lower level of new business in this period. Our current focus is mainly on smaller, high-quality wind and solar projects in Germany and Europe. The decline in business was reflected in lower net commission and net trading income. After loan loss provisioning of EUR 27 million (last year: release of EUR 9 million), net income before taxes came to EUR 13 million compared with EUR 45 million for the same period last year.

REAL ESTATE SEGMENT

The Real Estate segment covers HSH Nordbank's lending to the property sector as well as the operations of its subsidiary HSH Real Estate AG. In the first half of 2009 we generated income of EUR 209 million (last year: EUR 205 million) in this segment. Net income before taxes fell to EUR –56 million in the reporting period, following a profit of EUR 107 million in the same period last year.

Real Estate (€ m)	H1 – 2009	H1 – 2008	Change in %
Net interest income	185	172	7.6
Net commission income	24	12	100.0
Net trading income	9	16	–43.8
Net income from financial investments	–9	5	–
Total income	**209**	**205**	**2.0**
Loan loss provisions	–182	–24	–
Administrative expenses	–72	–85	–15.3
Other operating income	–11	11	–
Net income before taxes	**–56**	**107**	**–**
Average equity	494	600	–17.7

Property financing business: Fewer deals on real estate markets

Property markets were characterised by a sharp fall in deal volumes in the first half of 2009, with very few new projects being launched. For this reason, and in view of the ongoing difficult refinancing opportunities, the volume of new business remained very low in the first half of 2009. The business unit Real Estate Clients was nevertheless able to increase its income from property finance to EUR 211 million (last year: EUR 188 million) in the first six months of the year. This was largely due to higher margins consistent with the risks. Commission income and net trading income also made a significant positive contribution to income. On the other hand the economic downturn made higher loan loss provisions of EUR 170 million necessary (last year: EUR 24 million). We reduced administrative expenses to EUR 54 million (last year: EUR 63 million) by continuing to pare down the organisational structure and scale back foreign activities as part of the realignment.

HSH Real Estate AG

HSH Real Estate AG reported a negative result due to write-downs and provisions, particularly in the closed-end fund business. Fund business with institutional clients put in a gratifying performance. Our subsidiary LB Immo Invest recorded cash inflows of EUR 137 million for real estate special funds in the first five months. According to statistics from the industry association Bundesverband Investment und Asset Management (BVI) to the end of May 2009, this is the second-highest figure of all real estate special funds in Germany. In response to the altered environment, HSH Real Estate AG will in future be focusing on services in the field of project development exclusively.

CORPORATE & PRIVATE BANKING SEGMENT

The Corporate & Private Banking segment combines the business units Corporate Clients and Private Banking. At EUR –170 million, the segment's net income before taxes in the first six months of 2009 remained well below the previous year's figure of EUR 79 million.

Corporate & Private Banking (€ m)	H1 – 2009	H1 – 2008	Change in %
Net interest income	203	215	–5.6
Net commission income	44	55	–20.0
Net trading income	7	14	–50.0
Net income from financial investments	–6	11	–
Total income	**248**	**295**	**–15.9**
Loan loss provisions	–323	–105	–
Administrative expenses	–92	–112	–17.9
Other operating income	–3	1	–
Net income before taxes	**–170**	**79**	**–**
Average equity	834	1,258	–33.7

Corporate Clients

Fall in demand for credit

The first half of 2009 was typified by selective lending and modest demand for credit on the part of companies. Faced with the economic downturn many clients postponed their planned investments and their working capital requirements were lower, in contrast, ensuring their liquidity had a high priority.

Earnings down compared to last year

Earnings for the business unit Corporate Clients were nevertheless high at EUR 221 million (last year: EUR 259 million). The main contribution again came from net interest income, which amounted to EUR 187 million (last year: EUR 193 million). Risk-adjusted margins in particular had a positive impact. Net trading income and net commission income were below last year's strong figures, principally due to the lower volume of new business. Strict cost management enabled us to cut administrative expenses year-on-year by EUR 15 million to EUR 68 million.

Greater risk provisioning

In view of the difficult economic situation and higher default risks we increased loan loss provisions substantially to EUR 319 million (last year: EUR 104 million). This figure includes value allowances for individual risks as well as a large volume of portfolio value allowances. A large proportion of the value adjustments relates to foreign lending and the LBO business. Despite the respectable income generated in the first half-year, net income before taxes fell to EUR –168 million (last year: EUR 73 million).

Private Banking

Pressure on earnings

Operating income in the business unit Private Banking totalled EUR 27 million for the first half of 2009 (last year: EUR 36 million). This drop was largely due to significantly lower income from the deposits business. This in turn was primarily caused by falling interest rate margins prompted by dwindling current interest rates and intense competition for client deposits. Thanks to a positive margin trend, we generated higher income in the lending business. Income was also up in foreign currency and precious metal trading thanks to demand. Given the difficult economic environment, we stepped up risk provisioning to EUR 4 million (last year: EUR 1 million). However, we cut administrative expenses to EUR 24 million (last year: EUR 29 million). Due to the deterioration in the earnings situation and increased provisioning, we posted a loss before taxes of EUR 2 million (last year: positive net income before taxes of EUR 6 million).

FINANCIAL MARKETS & INSTITUTIONS SEGMENT

The Financial Markets & Institutions segment comprises the divisions Capital Markets Credit, Capital Markets Structuring & Trading, Capital Markets Clients, Asset & Investment Management and Group Treasury along with the Credit Investment Portfolio (CIP) and the business unit Savings Banks. In total, the segment posted net income before taxes of EUR 225 million (last year: EUR –350 million). This included write-downs on the CIP amounting to EUR 209 million (last year: EUR 511 million). Detailed information about the CIP can be found in the risk report.

Financial Markets & Institutions (€ m)	H1 – 2009	H1 – 2008	Change in %
Net interest income	489	233	109.9
Net commission income	-2	20	–
Net trading income	263	-241	–
Net income from financial investments	-260	-214	21.5
Total income	**490**	**-202**	**–**
Loan loss provisions	-67	-1	–
Administrative expenses	-149	-152	-2.0
Other operating income	1	5	-80.0
Expenses for government guarantees	-50	–	–
Net income before taxes	**225**	**-350**	**–**
Average equity	733	1,165	-37.1

Financial Markets

Positive result

In the first half of 2009, HSH Nordbank's Financial Markets divisions posted net income before taxes of EUR 425 million excluding write-downs from the CIP. This is a clear improvement on the result for the first half of the previous year (EUR 151 million). Financial Markets profited greatly from the soaring yield curve triggered by the financial crisis. As a result, the contribution made by the active management of the Bank's balance sheet was also up. Trading transactions for customers, income from the sale of hedging instruments, the reduction of securities portfolios at attractive conditions and the greater volatility in the trading portfolio also had a positive effect. Reductions in income primarily resulted from write-downs on financial investments.

The cross-selling profit — which is largely included in the income posted by the Bank's client business units — continued to make an important contribution towards stabilising HSH Nordbank's profitability. Despite a sharp year-on-year drop in new lending, focusing on greater penetration of the customer base had a positive effect and prevented a steeper fall in income. Adjustments in our customers' risk and investment strategies were the main reason for our success.

Financial Markets increased its risk provisioning for loan portfolios to EUR 68 million (last year: EUR 1 million). This was largely due to heightened risks in transactions with foreign banks.

Administrative expenses fell slightly in the wake of ongoing job cuts, especially at foreign branches and as a result of centralising activities at the Bank's headquarters. Administrative expenses amounted to EUR 140 million (last year: EUR 141 million).

Savings Banks

Investors markedly cautious

Business with savings banks was again shaped by the difficult capital market environment in the first half of 2009. Demand for investment products from savings banks and their clients was restrained, leading to a decrease in our commission income. Net interest income remained unchanged despite the planned reduction in the refinancing business with savings banks and municipalities. The prime reasons for this were high inflows of short-term liquidity along with non-recurrent effects. Administrative expenses were cut to EUR 9 million (previous year: EUR 11 million). On balance, net income before taxes of EUR 9 million as at June 2009 fell just short of the previous year's figure of EUR 10 million.

CORPORATE CENTER

The Corporate Center segment is divided into Corporate Investments and Corporate Services. Corporate Investments includes income from central portfolios and strategic participations along with equity financed investment. Corporate Services comprises overall bank costs and results from corporate and service divisions which are not allocated to other segments. The Corporate Center's net income before taxes fell to EUR –318 million (previous year: EUR –164 million) in the first half of 2009, chiefly due to lower net interest income and net trading income.

Corporate Center (€ m)	H1 – 2009	H1 – 2008	Change in %
Net interest income	–118	–91	29.7
Net commission income	–	–3	–100.0
Net trading income	–35	–	–
Net income from financial investments	–7	–16	–56.3
Total income	**–160**	**–110**	**45.5**
Loan loss provisions	–12	–57	–78.9
Administrative expenses	–12	–39	–69.2
Other operating income	38	42	–9.5
Restructuring expenses	–72	–	–
Expenses for government guarantees	–100	–	–
Net income before taxes	**–318**	**–164**	**93.9**
Average equity	63	144	–56.3

OUTLOOK

The following section should be read in conjunction with the other chapters in this interim report and with the outlook and risk report contained in the 2008 annual report.

Global economy recovering

Following the worst recession since the 1930s, the global economy is on the road to recovery. We expect it to grow again slightly in the second half of the year. On balance, however, the economic performance in 2009 is expected to come in below the previous year's. We anticipate moderate growth in 2010, which will be driven largely by the newly industrialising countries as their growth dynamic picks up pace once again. By contrast, industrialised countries will scarcely be able to grow, as rising unemployment, the ongoing process of reducing debt and surplus capacities will dampen consumer and investment demand.

Despite the economic stabilisation, banks can be expected to suffer from increased defaulting on company and consumer loans until well into 2010 while problematic securities will also continue to have an impact. Streamlining bank balance sheets and restoring confidence in the financial sector will therefore remain on the agenda.

As economic developments are taking place at a sluggish pace, we expect the US Federal Reserve and the European Central Bank to wait until the second half of 2010 or later to increase prime rates again. This should prompt a rise in returns on two-year government securities much sooner. The rise in returns for longer-term government bonds should outstrip that of two-year securities — especially in the USA — if investors demonstrate growing concern about the high budget deficits and possible increases in inflation. Over the year, this should also cause the US Dollar to weaken against the Euro again.

Following the very positive performance seen recently, many stock market valuations are once again relatively high in relation to the profit estimates, given the ongoing uncertainty. As long as the current economic forecasts do not prove too pessimistic by and large, an adjustment phase is likely in the coming months. On balance, risk premiums on company bonds can be expected to fall further by the end of 2010. However, they will not drop as sharply as in the second quarter of 2009.

Challenging credit environment for HSH Nordbank

Despite the Bank's successful realignment as regards its recapitalisation, restructuring and cost cutting — and the economic trend towards stabilisation — business conditions will remain very challenging for HSH Nordbank in the coming months. The real-economy crisis in markets which are important for the Bank already prompted a significant rise in our loan loss provisions in the first half of the year. As many of the relevant markets, such as shipping, are still facing problems, we expect default risks to remain high in the second half. This will impact on the Bank's earnings situation via allocations to loan loss provisions.

By contrast, we expect the operating earnings situation to be pleasing on the whole, still based in part on improved, risk-adequate margins and successful cross-selling, e.g. with risk management and investment products. This should have a positive effect. However, the chance of HSH Nordbank posting substantial increases in income remains limited in the near future, given the low demand for credit and difficult refinancing conditions. Pressure on the Bank's securities business is expected to decrease further as the Bank continues to wind down problematic existing portfolios and the mood on the financial markets improves. The moves to reduce personnel expenses and other operating expenses are expected to ease the situation again noticeably in the second half. However, as planned, a significant loss must be expected for 2009 as a whole due to the credit situation.

OUTLOOK FOR THE SEGMENTS

Economic and financial market developments shape our expectations for the individual segments. The effects of these developments on future opportunities and risks differ from segment to segment as the specific market conditions vary. Due to the economic downturn, high risk provisioning requirements are to be expected in all areas of lending. The risk report provides details of the default risks.

Shipping: excess capacities still a problem

The number of newbuildings being cancelled or postponed has increased in all market segments in recent months. The volume of order cancellations, postponements and ship breaking reported tallies with our expectations. We expect to see a further rise, which will only markedly relieve the markets if there is also a positive impulse on the demand side.

Alongside the drop in income, excess capacities are a growing problem. All in all, liquid and dry bulk shipping can be expected to bottom out sooner due to more dynamic developments in Asia, while container shipping – which is heavily dependent on private consumption in industrialised countries – will continue to face major challenges. How the tanker markets develop will be shaped to a great extent by oil price movements. We expect the underlying conditions to remain difficult until the end of 2010 and to impact on the division's results.

Transportation: aviation faces further challenges

Following the caution shown by banks in recent quarters, the financing markets can be expected to relax gradually as the year progresses. This will increase the availability of capital for investments in the transportation sector. In 2009, the aviation industry will have to overcome significant losses. These are bound to have an effect on the results posted by HSH Nordbank's Transportation division. However, it is to be expected that capacity reductions and improved fleet efficiency will have a mitigating effect and lay the foundations for more robust industry developments in the future. Based on HSH Nordbank's extensive expertise in the transportation sector, we are continuing to extend our range of advisory and capital market services.

Energy: greater market growth

As the overall situation gradually begins to improve following the crisis, higher growth rates can once again be expected for the installed capacity in the market for renewable energy. This market should also grow overall in 2009, albeit much more modestly than in previous years. In the second half of the year, we expect to see some degree of recovery, ushering in slightly higher market activity. Wherever possible, we want to help our customers to implement attractive projects in this field without losing sight of the potential risks.

Real Estate Clients: low transaction volume

In the further course of 2009, transaction volumes in the real estate markets will remain low in the light of the economic downturn and the difficult situation for banks on the refinancing markets. It is noticeable that take-up and prime rents for office properties are declining. On the other hand, the markets for residential properties are currently very stable. In the second half of the year, the financing business will continue to focus on extensions for existing customers. We will take a very selective approach to new business.

HSH Real Estate AG will continue to concentrate on fund transactions particularly for institutional investors. The relevant fund-related services – such as asset and property management, conceptualisation, acquisitions/disposals and research – will be provided for the fund subsidiaries on a centralised basis. It remains HSH Real Estate AG's objective to significantly increase its property assets under management as a leading investment and asset manager.

Corporate Clients: recovery expected in 2010

In the second half of 2009, we will continue to feel the economic consequences on the corporate clients business keenly. We expect to see a noticeable increase in credit demand in 2010, when the economy as a whole stabilises. Our services for medium-sized corporate clients continue to focus on tailored solutions which comprise far more than traditional lending, such as capital structure optimisation, liquidity management and risk management in the fields of interest rates, currencies and commodities. For this reason, our solutions form the basis for partnerships which foster long-term customer loyalty.

Private Banking: noticeable recovery

At the end of the first half, our customers became noticeably more willing to invest following the positive developments seen on the financial markets. Investors are currently focusing primarily on forms of investment which retain value. We have developed products which answer these needs, and they have been well received by the market. Due to the business environment, earnings at HSH Nordbank's Private Banking division can be expected to remain under pressure for some time, however.

Savings Banks: increasing demand

Following a downswing in the first half of 2009, we expect the demand from savings bank clients for attractive financial products twinned with high-quality advice to grow again in the second half-year. HSH Nordbank is adjusting its product range to meet its customers' changing needs. Providing high-quality investment products will remain at the heart of the deposits business with savings banks and public-sector clients. Our Savings Banks division also focuses on loan portfolio management, the syndicated lending business and growing the hedging instruments business for the savings banks' corporate clients.

Financial Markets: focus on client business and refinancing

In addition to supporting the Bank's core areas and institutional clients, the Financial Markets division will keep concentrating on strengthening the Bank's refinancing activities and building confidence in the new business model on the capital markets in the second half of 2009. Further expanding the Group's risk management will be another focal point. Our cross-selling business has been increasingly successful in recent years and should help to permanently grow and diversify our income. We also hope to achieve this by expanding our business with the Bank's network partners and their customers, especially as regards risk hedging instruments.

As part of our moves to suspend capital market transactions with no direct customer link, we have discontinued our activities in the fields of credit trading, portfolio solutions and — insofar as client business is not affected — the financial institutions group. The planned separation of non-strategic activities leads us to expect lower charges and considerably more stable results for the Financial Markets divisions' core activities in future.

RISK REPORT

The Bank's material risks include default, liquidity, market and operational risks. The methods, instruments and processes used to manage these risks are described in detail in the risk report which forms part of our 2008 annual report.

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 in the previous year and at the beginning of 2009. However, HSH Nordbank is still feeling the effects of the financial market and economic crisis.

In the first half of 2009, a fundamental realignment of the Bank was initiated in conjunction with recapitalisation and risk shielding measures by its shareholders. This is designed to permanently safeguard HSH Nordbank's capacity for future business. Details on the progress made with implementation to date can be found in the section of this management report entitled "Recapitalisation of HSH Nordbank completed".

Since the end of 2008, the Bank has been able to draw on a guarantee issued by the government-run Special Fund Financial Market Stabilization (SoFFin) to cover its refinancing requirements for bond issues. Please see the "Liquidity risk" section of the risk report and the "Refinancing at HSH Nordbank: new SoFFin bond issued" section of the "Net assets and financial situation" chapter for details.

HSH Nordbank's risk-bearing capacity was reinstated as of 30 June 2009 following implementation of the capital increase and the guarantee transaction in the second quarter. Loan loss provisions totalled EUR 1,195 million in the first half of 2009.

Rating downgrade

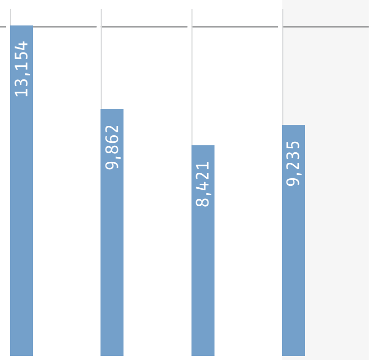
In early May 2009, the rating agency Standard & Poor's downgraded our long and short-term ratings to BBB+ and A-2 respectively. These downgrades also affected our liquidity and risk situation. However, the Bank had already initiated various measures since April 2009 to prepare itself for the expected additional impact on the liquidity situation when it became apparent that its rating would be downgraded. With the help of these measures, HSH Nordbank was able to stabilise its liquidity situation in spite of the rating downgrades. Further information of the consequences of the rating downgrades can be found in the "Liquidity risk" section of the risk report and in the "Refinancing at HSH Nordbank: new SoFFin bond issued" section of the "Net assets and financial situation" chapter.

Risk-bearing capacity

When monitoring our risk-bearing capacity, we regularly compare 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.

The risk coverage potential developed as follows in the course of the last four quarters:

Economic risk coverage potential	09/30/08	12/31/08	03/31/09	06/30/09
€ m				



Liable equity	14,639	14,515	14,549	14,232
Deductible from guarantee transaction	–	–	–	–3,200
Unrealised gains / losses (net)	–1,485	–4,653	–6,128	–1,797
Total	**13,154**	**9,862**	**8,421**	**9,235**

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 and came to EUR 9,235 million as at 30 June 2009. This increase resulted from two contrary effects: the equity injection boosted the risk coverage potential, while the Bank's deductible associated with the guarantee transaction reduced it.

The economic capital required for default risks fell considerably as a result of the guarantee provided by the States of Hamburg and Schleswig-Holstein. It was EUR 2,971 million on the reporting date (31 December 2008: EUR 6,629 million).

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 items 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 we acquired in the course of 2008. Our analyses showed that the liquidity maturity transformation risk was overestimated in the previous year due to the conservative LVaR approach we used. For the first time, our 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. Overall, compared to the figure calculated on 31 December 2008 using the refined method, the LVaR as at 30 June 2009 fell by EUR 397 million to EUR 508 million. The risk coverage potential does not include 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 market crisis — as the loss is not quantifiable. The "Liquidity risk" section contains further details, including information on managing the risk of insolvency.

The market risk rose in the first half of the year to EUR 539 million — a EUR 211 million increase on 31 December 2008.

Operational risks have been identified using the standard approach defined in the German Solvency Regulation (SolvV) since 2008. The relevant economic capital required amounted to EUR 261 million as at 30 June 2009 (31 December 2008: EUR 291 million).

The total economic risk fell markedly due to the abovementioned effects. It came to EUR 4,279 million on the reporting date (31 December 2008: EUR 9,016 million). The diagram below shows how the total economic risk developed over the course of the last four quarters:

Economic capital required

€ bn	Default risk	Market risk	Liquidity risk	Operational risk	Total
09/30/08	6.2	0.4	0.4	0.3	7.3
12/31/08	6.6	0.3	1.8	0.3	9.0
03/31/09	7.9	0.6	1.1	0.3	9.8
06/30/09	3.0	0.5	0.5	0.3	4.3

On the reporting date, the utilisation of the risk coverage potential totalled 46%. The risk-bearing capacity had therefore been reinstated at the end of June 2009 after having been virtually non-existent between the end of 2008 and the Bank's recapitalisation. The risk-bearing capacity developed as follows over time:

Group risk-bearing capacity

€ bn	Utilisation (economic capital required)	Availability (economic risk coverage potential)	Utilisation in %	Stress test utilisation in %
09/30/08	7.3	13.2	55	106
12/31/08	9.0	9.9	91	180
03/31/09	9.8	8.4	117	243
06/30/09	4.3	9.2	46	79

In addition to calculating the utilisation of the risk coverage potential on the reporting date, we examine its utilisation after taking into account stress penalties for default, market and liquidity risks. After the total risk at Group level considerably exceeded the stress-tested risk coverage potential in the previous quarters, the Bank's risk-bearing capacity had been reinstated as at 30 June 2009, even in the simulated stress scenarios.

Once the Bank's strategic realignment has taken a more concrete shape, new risk limits for the individual types of risk will be derived for 2009 from the risk coverage potential.

Default risk

Although recovery trends could recently be identified, the credit environment was dominated by the effects of the financial and real economic crisis in the first half of 2009. This resulted in the Bank accumulating much higher loan loss provisions than in the first half of 2008. The Bank still expects the uncertain economic situation to lead to a sharp increase in default rates throughout its loan portfolio. Details on the existing loan loss provisions can be found in figures 6 and 16 of the explanatory notes.

Consequences of the real economic crisis

In recent months, the difficult economic environment had a growing effect on our risk provisioning requirements and the quality of our loan portfolios. For example, the economic capital required for default risks — without taking into account the guarantee issued by the States of Hamburg and Schleswig-Holstein — rose sharply in the first half of 2009 on the back of negative rating migrations and rising loss given defaults. In the same period, risk provisioning increased again in all segments, having already been relatively high in 2008. For an overview, please refer to the table "Development of loan loss provisions".

Development of loan loss provisions (€ m)	Loan loss provisioning 1 Jan – 30 Jun 2009	1 Jan – 30 Jun 2008
Transportation & Energy	-595	25
Real Estate	-182	-24
Corporate & Private Banking	-323	-105
Financial Markets & Institutions	-67	-1
Corporate Center	-12	-57
Reconciliation	-16	32
Group	**-1,195**	**-130**

At Group level, the net allocations to loan loss provisions totalled EUR 1,195 million in the first half of 2009 (30 June 2008: EUR 130 million). The Transportation & Energy segment accounted for the largest increase, followed by Corporate & Private Banking and Real Estate.

Considering the uncertain economic situation, we expect the portfolio credit risks to remain high in the second half of 2009, accompanied by considerable provisioning requirements. The "Segments" and "Outlook" chapters of this interim management report contain detailed information on how the individual divisions developed and our expectations for the 2009 calendar year.

Further winding-down of the Credit Investment Portfolio

In the wake of the financial market crisis, the Credit Investment Portfolio had a severe impact on HSH Nordbank. As a result, the Bank decided in September 2008 to wind down the Credit Investment Portfolio in a way which would not cause excessive slippage or damage income. By utilising market opportunities, the portfolio's total exposure was reduced by approximately 13% in the first half of 2009. It came to EUR 18,914 million as at 30 June 2009, taking exchange rate effects into account. The volume was EUR 21,836 million on 31 December 2008 and EUR 29,968 million at year-end 2007.

After recognising a total negative effect of EUR 2.9 billion on the Group income statement in the financial years 2007/2008, further effects were felt in the first half of 2009. These were recognised in the income statement to the sum of EUR 0.2 billion. The revaluation reserve was relieved somewhat by a EUR 81 million write-back.

As at 30 June 2009, the Group's total Credit Investment Portfolio also included unrealised losses totalling EUR 1.7 billion (31 December 2008: EUR 1.8 billion). According to IFRS, unrealised losses arise within the IFRS asset category "Loans And Receivables" (LAR) from market value losses which are not categorised as credit-related and permanently impairing value.

The main impact on P & L in the first half of 2009 resulted from structured products such as RMBS of home equity loans (securitised private US property loans) and collateralised loan obligations (CLOs; securitised European and US corporate client loans). By contrast, market gains were generated on synthetic CDOs. These were recognised in the income statement thanks to the disposal of a number of items.

On 30 June 2009, we published additional information[1)] focusing on the Credit Investment Portfolio and leveraged loans in line with a recommendation by the Financial Stability Forum on behalf of the G-7 finance ministers and central bank governors. The special publication can be found on our website, www.hsh-nordbank.de, under "Investor Relations".

Liquidity risk

HSH Nordbank breaks its liquidity risk down into the risk of insolvency and maturity transformation risk. The maturity transformation risk also forms part of our risk-bearing capacity concept and has already been described in detail above. The risk of insolvency represents the possibility of the Bank being unable to fulfil its own due pay-ment obligations or refinancing requirements either in full or to the extent planned. To measure the refinancing requirements, the Bank's liquidity-related transactions are converted into cash flows and portrayed in maturity ranges together with the payments made and received (liquidity development report). The differences

[1)] Not part of the interim management report or the review.

between inpayments and outpayments serve as a metric for the risk. These gaps are limited and monitored on a day-to-day basis.

The difficult situation on the money and capital markets has eased somewhat in recent months. Secured funding — e. g. by means of repo transactions — became increasingly easy in the second quarter. However, unsecured funding can still only be generated to a limited extent. Overall, the refinancing situation for banks remained strained. In conjunction with the rating downgrades, this market situation had a negative impact on HSH Nordbank's liquidity situation in the first half of 2009 and resulted in a greater utilisation of its liquidity potential. We therefore drew more heavily on liquidity provided by central banks through secured lending of our collateral pool. We also increased the collateral pool (e. g. by depositing commercial loans) and the cover pool for Pfandbrief issues. Unsecured deposits by banks and non-banks fell in the reporting period, especially following the rating downgrades. However, we were able to use secured short-term funding to compensate for this decrease. All in all, our liquidity position on 30 June 2009 was better than at the end of 2008.

In addition to the normal-case liquidity development report, which is drawn up based on business proceeding in a normal market environment, we have been conducting a market liquidity stress test since autumn 2008 to take into account the ongoing critical market development. The table below shows the relative utilisation of the liquidity potential in the normal-case and stress liquidity development report for various cumulative liquidity gaps on 30 June 2009 and 30 December 2008. In each case, utilisation corresponds to the proportion of the whole liquidity coverage potential accounted for by the cumulative gap. This also takes the utilisation of central bank lending into account.

Limitation of the cumulative liquidity gaps
Utilisation of the upper limit (%)

	Normal case		Stress case	
	06/30/2009	12/30/2008	06/30/2009	12/30/2008
Day 1	10	0	15	4
Day 7	19	38	31	50
Day 14	29	52	47	67
Week 3	31	56	54	79
Week 4	34	52	61	79
Week 8	53	58	86	94
Month 3	61	78	96	129
Month 6	65	72	98	128
Month 9	70	71	110	138
Month 12	66	65	110	138

Compared to year-end 2008, the liquidity situation had eased on 30 June 2009. In the normal-case assessment, the liquidity potential is utilised by a maximum of 70% in the ninth month. According to the stress liquidity development report, the liquidity potential is not exhausted in the short term (up to six months), which is particularly relevant for the risk of insolvency. The 110% transgressions seen in the ninth and twelfth months also represent the maximum utilisation on the reporting date.

At the end of April 2009, HSH Nordbank successfully placed its second benchmark bond backed by the Special Fund Financial Market Stabilization (SoFFin) with a two-year term and a volume of EUR 3 billion. In mid-July 2009, we issued another SoFFin-guaranteed benchmark bond. The issue had a volume of EUR 3 billion and a term of three years. This enabled us to significantly improve our liquidity situation within this maturity range. We also received EUR 5 billion from the ECB in June 2009 as part of a one-year tender. Assuming the markets keep calming down and once we have possibly made further use of the guarantee furnished by SoFFin, we still expect sufficient long-term funding and long-term money market funding to reduce the utilisation rates again despite the rating downgrade in May 2009.

As part of the ongoing further development of our liquidity risk controlling, we examined the components of the liquidity coverage potential for the risk of insolvency and adjusted them in line with the difficult market situation. All else being equal, this significantly reduced the liquidity coverage potential. For example, the procedure further developed in 2008 for calculating haircuts on our securities portfolios was implemented throughout the Group. We utilise the haircuts stipulated by the central banks for ECB-eligible marketable assets and loan notes. We now apply a 100% haircut to non-ECB-eligible structured products. This takes the significant changes to market liquidity into account. We have also improved the market-based portrayal of the potential secured funding arising from Pfandbrief issues by taking a more conservative view of surplus coverage. In addition to this, the potential unsecured funding is incorporated into the liquidity coverage potential much more restrictively. The table above takes the effects arising from these adjustments into account for the period to 30 June 2009.

The regulatory indicator for liquidity risks is the liquidity ratio stipulated in the German Liquidity Regulation (LiqV). At between 1.17 and 1.72, it remained above the regulatory minimum of 1.0 at all times during the reporting period. The average figure for the first half of 2009 was 1.41 (2008: 1.25).

Market risks affecting trading and banking book items

HSH Nordbank uses a value-at-risk approach (99.0% confidence, 1-day holding period, 250 days of data history) to measure and control market risks. The following table shows how the individual types of market risk developed in the first half of 2009. As at 30 June 2009, the market risk affecting our trading book items totalled EUR 6.4 million, while the risk for our banking book was EUR 51.8 million. Taking into account risk-reducing correlating effects, the aggregate market risk totalled EUR 53.5 million. The increase in the total market risk since year-end 2008 principally resulted from the expansion of the Pfandbrief spread in the Group Treasury portfolios and the heightened foreign exchange risk. The latter was prompted by the increased volatility of the exchange rates incorporated into the evaluation. Major exchange rate fluctuations were seen, especially in the EUR/USD exchange rate in March 2009. In the course of monitoring the risk-bearing capacity, this value-at-risk was upscaled to the figure of EUR 539 million when aggregating the individual risk types to identify the total risk.

	Interest rate risk		Foreign exchange risk		Equity risk		Commodity risk		Market risk (aggregate)	
Daily Value-at-Risk (€ m)	**1 Jan – 30 Jun 2009**	**1 Jan – 30 Dec 2008**	**1 Jan – 30 Jun 2009**	**1 Jan – 30 Dec 2008**	**1 Jan – 30 Jun 2009**	**1 Jan – 30 Dec 2008**	**1 Jan – 30 Jun 2009**	**1 Jan – 30 Dec 2008**	**1 Jan – 30 Jun 2009**	**1 Jan – 30 Dec 2008**
Average	39.8	22.5	27.9	10.3	6.1	10.3	0.3	0.5	53.9	27.0
Maximum	47.8	34.7	47.3	27.0	9.9	15.2	1.7	1.3	66.8	48.2
Minimum	24.8	13.1	12.2	3.9	3.3	4.4	0.0	0.1	27.9	16.8
End of period	38.3	24.9	25.5	10.7	6.6	4.4	0.5	0.2	53.5	24.0

The Group is exposed to other risks as detailed in the 2008 annual report. These remained largely unchanged in the year to date.

INTERIM FINANCIAL STATEMENTS OF HSH NORDBANK GROUP

STATEMENT OF COMPREHENSIVE INCOME OF HSH NORDBANK GROUP

for the period 1 January to 30 June 2009

Income statement (€ m)	Note	January – June 2009	Following adjustment January – June 2008	Change in %
Interest income		12,045	16,519	-27.1
Interest expenses		-11,145	-15,700	-29.0
Net interest income	(5)	**900**	**819**	**9.9**
Loan loss provisions	(6)	-1,195	-130	>100
Net interest income after loan loss provisions		**-295**	**689**	**>-100**
Net commission income	(7)	106	100	6.0
Result from hedging	(8)	90	-14	>-100
Net trading income	(9)	516	-52	>-100
Net income from financial investments	(10)	-313	-141	>100
Administrative expenses	(11)	-436	-490	-11.0
Other operating income	(12)	24	63	-61.9
Restructuring expenses		-72	–	–
Expenses for government guarantees		-150	–	–
Net income before taxes		**-530**	**155**	**>-100**
Income tax expenses		-29	-18	61.1
Income after taxes / Group net income / loss		**-559**	**137**	**>-100**
Group net income attributable to minority interest		-22	-8	>100
Group net income attributable to HSH Nordbank shareholders		-537	145	>-100

Earnings per share (€)	Note	January – June 2009	Following adjustment January – June 2008
Earnings per share (undiluted)	(13)	-5.51	2.07
Earnings per share (diluted)		-4.64	2.07
Number of shares (millions)		**93**	**70**
Weighted average of shares outstanding		17	–
Weighted average of shares outstanding adjusted for the anticipated conversion		110	70

Abridged statement of comprehensive income (€ m)	January – June 2009	Following adjustment January – June 2008
Income after taxes **Group net income / loss**	**–559**	**137**
Change in		
revaluation reserve (before taxes)	54	–285
of which exchange rate effects	–29	–18
Currency translation reserve	–	–71
Actuarial gains (before taxes)	–	56
Income taxes not recognised in the income statement	–37	35
of which exchange rate effects	3	–
Net earnings for the period recognised and not recognised in the income statement	**–542**	**–128**
Net earnings for the period attributable to minority interests	–22	–7
Net earnings for the period attributable to HSH Nordbank shareholders	–520	–121

BALANCE SHEET OF HSH NORDBANK GROUP

as at 30 June 2009

(€ m)	Note	06/30/2009	Following adjustment 12/31/2008	Change in %
Assets				
Cash reserve		692	1,419	-51.2
Loans and advances to banks	(14)	21,915	23,340	-6.1
Loans and advances to customers	(15)	117,327	117,431	-0.1
Loan loss provisions	(16)	-3,591	-2,751	30.5
Positive market values of hedge derivatives	(17)	2,215	2,807	-21.1
Positive adjustment item from portfolio fair value hedges		356	427	-16.6
Assets Held For Trading	(18)	20,161	26,663	-24.4
Financial investments	(19)	36,106	36,511	-1.1
Intangible assets	(20)	254	246	3.3
Tangible assets	(21)	107	114	-6.1
Investment properties	(22)	311	285	9.1
Current tax assets		491	572	-14.2
Deferred tax assets	(23)	769	726	5.9
Other assets	(24)	455	472	-3.6
Total assets		**197,568**	**208,262**	**-5.1**

(€ m)	Note	06/30/2009	Following adjustment 12/31/2008	Change in %
Liabilities				
Liabilities to banks	(25)	56,653	61,391	-7.7
Liabilities to customers	(26)	51,977	52,397	-0.8
Securitised liabilities	(27)	54,070	58,200	-7.1
Negative market values of hedge derivatives	(28)	1,214	2,194	-44.7
Negative adjustment item from portfolio fair value hedges		1,155	1,159	-0.3
Liabilities Held For Trading	(29)	15,027	17,587	-14.6
Provisions	(30)	1,634	1,412	15.7
Current tax obligations		81	101	-19.8
Deferred tax obligations		46	14	>100
Other liabilities	(31)	1,768	1,795	-1.5
Subordinated capital	(32)	9,440	9,962	-5.2
Equity	(33)	4,503	2,050	>100
Share capital		2,460	881	>100
Capital reserve		1,509	88	>100
Retained earnings		1,683	1,354	24.3
Revaluation reserve		-545	-562	-3.0
Currency translation reserve		-85	-85	0.0
Group profit/loss		-537	329	>-100
Total before minority interests		4,485	2,005	>100
Minority interests		18	45	-60.0
Total liabilities		**197,568**	**208,262**	**-5.1**

STATEMENT OF CHANGES IN EQUITY

Statement of changes in equity
(€ m)

	Share capital
As at 1 January 2008	**702**
Group net income	–
Changes not recognised in the income statement	–
Changes recognised in the income statement	–
Exchange rate changes	–
Dividend payments and distributions	–
Change in retained earnings	–
Changes in the scope of consolidation	–
As at 30 June 2008	**702**
Group net loss	–
Changes not recognised in the income statement	–
Changes recognised in the income statement	–
Exchange rate changes	–
Capital increases	179
Change in retained earnings	–
Change in the capital reserve	–
Changes in the scope of consolidation	–
Transactions with shareholders	–
Changes due to restatements	–
As at 31 December 2008	**881**
As at 1 January 2009	**881**
Group net loss	–
Changes not recognised in the income statement	–
Changes recognised in the income statement	–
Exchange rate changes	–
Dividend payments and distributions	–
Capital increases	1,579
Change in retained earnings	–
As at 30 June 2009	**2,460**

Capital reserve	Retained earnings	of which: actuarial profit / loss acc. to IAS 19	Currency translation reserve	Revaluation reserve	Group profit / loss	Total before minority interests	Minority interests	Total
2,317	1,505	95	-114	-180	50	4,280	88	4,368
–	–	–	–	–	145	145	-8	137
–	38	38	–	-384	–	-346	-2	-348
–	–	–	–	159	–	159	–	159
–	–	–	-71	-7	–	-78	1	-77
–	-175	–	–	–	–	-175	-6	-181
–	50	–	–	–	-50	–	–	–
–	3	–	–	–	–	3	–	3
2,317	1,421	133	-185	-412	145	3,988	73	4,061
–	–	–	–	–	-2,814	-2,814	-27	-2,841
–	16	16	–	-14	–	2	–	2
–	–	–	–	-152	–	-152	–	-152
–	–	–	100	-4	–	96	–	96
806	–	–	–	–	–	985	–	985
–	-58	–	–	–	58	–	–	–
-3,035	–	–	–	–	3,035	–	–	–
–	-17	–	–	20	–	3	5	8
–	-8	–	–	–	–	-8	-6	-14
–	–	–	–	–	-95	-95	–	-95
88	1,354	149	-85	-562	329	2,005	45	2,050
88	1,354	149	-85	-562	329	2,005	45	2,050
–	–	–	–	–	-537	-537	-22	-559
–	–	–	–	-146	–	-146	–	-146
–	–	–	–	171	–	171	–	171
–	–	–	–	-8	–	-8	–	-8
–	–	–	–	–	–	–	-5	-5
1,421	–	–	–	–	–	3,000	–	3,000
–	329	–	–	–	-329	–	–	–
1,509	1,683	149	-85	-545	-537	4,485	18	4,503

ABRIDGED CASH FLOW STATEMENT OF HSH NORDBANK GROUP

Abridged cash flow statement (€ m)	2009	Following adjustment 2008
Cash and cash equivalents as at 1 January	1,419	1,197
Cash flow from operating activities	–2,825	591
Cash flow from investing activities	–382	–787
Cash flow from financing activities	2,483	–615
Effect of exchange rate changes	–1	–
Effects of changes in the scope of consolidation	–2	–
Cash and cash equivalents as at 30 June	692	386

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

The cash flow from operating activities is calculated using the indirect method. This involves adjusting Group net income/loss for non-cash expenses (added) and income (subtracted) and recognising cash changes in assets and liabilities used for operating activities.

EXPLANATORY NOTES

General information

1. BASIS OF PREPARATION

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

The interim financial statements as at 30 June 2009 were prepared in accordance with the IFRS as decreed and published by the International Accounting Standards Board (IASB) and as adopted by the European Union. Application of IAS 34 (Interim Reporting) was given particular consideration.

Basically, the same accounting and valuation methods were applied to the interim financial statements as to the group financial statements of HSH Nordbank AG as at 31 December 2008.

According to IAS 34.C4, HSH Nordbank AG does not prepare actuarial reports for pension obligations for the purpose of interim financial statements and has used the data from the most recent opinion as of 31 December 2008.

In the current financial year the following accounting standards were applied for the first time:

IFRS 8	(Segment Reporting)
IAS 1	(rev. 2007) (Presentation of Financial Statements)
IAS 20	(Accounting for Government Grants and Disclosure of Government Assistance)

Implementation of these standards did not have any significant effect on the interim financial statements.

These interim financial statements were subjected to a review.

All findings up to 19 August 2009 were taken into consideration.

2. CAPITALISATION MEASURES

I. EXPLANATORY NOTE ON THE GOING CONCERN ASSUMPTION

In accordance with resolutions by the state parliaments of Hamburg and Schleswig-Holstein, the shareholders of HSH Nordbank implemented transactions in the second quarter 2009 to bolster the Bank's equity in order to safeguard its continued existence and capacity for future business. The transactions ensure that the regulatory capital requirements are met and contractual obligations towards the Special Financial Market Stabilization Fund (SoFFin) relating to the Tier 1 capital ratio are satisfied.

These involve an increase in shareholders' equity and the arrangement of a guarantee framework by HSH Finanzfonds AöR, a public-sector agency specifically set up for this purpose by the shareholders the State of Schleswig-Holstein (SH) and the Free and Hanseatic City of Hamburg (FHH). The guarantee from this agency is in turn covered by a further guarantee from the public-sector shareholders.

The European Commission has approved these transactions for a limited period as emergency aid in the interest of financial market stability. By the end of August 2009 the Bank is going to present the European Commission a sustainable concept for the future, which the Commission will subject to a conclusive review.

II. CAPITAL INCREASE

At an extraordinary General Meeting held on 20 May 2009 the Bank's owners voted to increase its equity capital by € 3 billion. All the new shares were subscribed by HSH Finanzfonds AöR. The capital was fully paid in June 2009.

The capital increase took effect when it was entered in the Commercial Register on 25 June 2009.

III. ARRANGEMENT OF A GUARANTEE FRAMEWORK

In addition to the capital increase, on 2 June 2009 the State of Schleswig-Holstein and the Free and Hanseatic City Hamburg granted HSH Nordbank a guarantee framework of € 10 billion via HSH Finanzfonds AöR in order to mitigate the effects of the current turmoil on the financial markets. The contract governing the guarantee framework is subject to approval by the European Commission under state-subsidy regulations.

As of the inception date the guarantor insures effective defaults under debt instruments of HSH Nordbank AG and its subsidiary HSH Nordbank Securities S.A., Luxembourg and SIV Carrera Capital Finance Limited, Jersey, recognised in the Group financial statements as of 31 March 2009 and selected in line with defined criteria, to the extent that they exceed a first loss piece held by the Bank.

Derivatives, debt instruments with embedded derivatives required to be separated under IAS 39 and equity instruments are not covered by the guarantee. The guarantee also does not cover mere fluctuations in market values and losses on the disposal of non-impaired assets. The guarantee is denominated in euros and any foreign exchange risk on liabilities issued in other functional currencies remains with HSH Nordbank.

The guarantor is liable for defaults in excess of individual risk provisions recognised as of 31 March 2009 on individual commitments and a first loss piece of € 3.2 billion on the insured reference portfolio. Only losses above and beyond this amount are insured up to a maximum of € 10 billion as a second loss. HSH Nordbank and the guarantor can agree jointly to reduce the first loss piece amount of € 3.2 billion.

The default on an individual commitment is equal to the outstanding amount, at most the amount repayable as of 31 March 2009, plus all interest owed and other ancillary payments. Losses allocated under the guarantee must be examined and authorised by the guarantor before the default is acknowledged.

The guarantee comes into effect on 2 June 2009 and expires when it is returned to the guarantor after the last reference commitment in the insured portfolio has been met irrevocably and in full or has resulted in an acknowledged default for the full amount. HSH Nordbank can reduce the guarantee to € 4 billion by termination of tranches of up to € 3 billion per year from 1 January 2010 until the end of 2013. The guarantee can be cancelled in full from 2014 onwards. Once the maximum amount has been reduced it cannot be increased again.

The initial guarantee from the States of Schleswig-Holstein and Hamburg is recognised in the group financial statements as a financial guarantee in accordance with IAS 39.9.

If during restructuring and workout proceedings steps consistent with the guarantee are taken in relation to the insured commitments which preclude the recognition of the insurance agreement in the financial statements as a financial guarantee in line with IAS 39.9, the commitment can be transferred to a sub-guarantee within the framework agreement that falls within the definition of a credit derivative for IFRS accounting purposes, subject to the approval of a trustee appointed by the guarantor. The maximum guaranteed amount is not altered by creating the sub-guarantee, as the sum of the individual amounts is always the same.

Once the credit derivative has been created the guarantee premium is divided pro rata among the sub-guarantees. Recognition and measurement of the derivative takes place in accordance with IAS 39.

As of 30 June 2009 the guarantee did not act as an insurance for the purposes of the balance sheet as the cumulative write-downs of the insured reference portfolio based on impairments were lower than the first-loss piece to be borne by the bank.

In exchange for the guarantee HSH Nordbank pays a premium of 4% p.a. on the guaranteed amount outstanding at a given date. The expenses for the guarantee premium are disclosed under "Expenses for government guarantees". The premiums are recognised in profit and loss as an expense pro rata temporis.

3. ADJUSTMENTS TO PREVIOUS YEAR'S FIGURES

These financial statements include adjustments (restatements) to some of the figures shown in the interim group financial statements as of 30 June 2008. These relate to restatements which already resulted in adjustments to the previous year's figures in the group financial statements as of 31 December 2008.

The adjustments were evaluated in line with IAS 8 and classified as restatements according to IAS 8.41 et seq.

The following tables show the effects of the adjustments, including the effects on income taxes, on the main items of the income statement and on earnings per share.

Adjustments H1 2008 (€ m)	January – June 2008		
	Before adjustment	Adjustment	Following adjustment
Net interest income	799	20	819
Loan loss provisions	–131	1	–130
Net trading income	–64	12	–52
Net income from financial investments	–164	23	–141
Other items (excluding adjustments)	–341	–	–341
Net income before taxes	**99**	**56**	**155**
Income tax expense	22	–40	–18
Income after taxes / Group net income	**121**	**16**	**137**
Net income attributable to minority interests	–8	–	–8
Group net income attributable to HSH Nordbank shareholders	129	16	145

Adjustments H1 2008	January – June 2008 Before adjustment	Adjustment	Following adjustment
Group net income attributable to HSH Nordbank shareholders – undiluted	129	16	145
Group net income attributable to HSH Nordbank shareholders – diluted	129	16	145
Number of shares (millions)			
Average number of shares outstanding – undiluted	70	–	70
Weighted average of shares outstanding adjusted for the anticipated conversion – diluted	70	–	70
in €			
Earnings per share (undiluted)	1.84	0.23	2.07
Earnings per share (diluted)	1.84	0.23	2.07

Adjustments have also been made to the segment reporting as a result of the restatements within the income statement.

In addition to the matters already disclosed in accordance with IAS 8.41 et seq. some of the figures presented in the group financial statements as of 31 December 2008 have been restated in the interim group financial statements as of 30 June 2009 based on the standard mentioned above. The adjustments to the comparative values for the balance sheet are fully documented in this chapter. Significant changes to the notes or other components of the financial statements are listed separately insofar as they are not related to the presented balance sheet changes.

- A cross-currency interest rate swap with the option of being discharged at any time without compensation for its current market value need only have been recognised for the amount of pro rata interest. In fact the transaction was recognised at its market value (including pro rata interest). Assets Held For Trading and net trading income were therefore presented as being € 139 million too high. Deferred tax liabilities of € 44 million were recognised for the transaction — deferred tax obligations were therefore adjusted, reducing the expenses recognised in the income statement. The adjustments recognised in the income statement had the net effect of reducing the Group profit as at 31 December 2008 by € 95 million. This then came to € 329 million instead of € 424 million. Since the transaction took place in the second half of 2008, the adjustments had no effect on the comparable figures in the income statement as at 30 June 2008.
- In Note 37 the table “Impaired financial assets and associated collateral” was restated. This adjustment also affected the table “Credit quality of financial instruments which are neither impaired nor overdue”.
- In Note 42 the comparable figure for financial investments of HSH Nordbank Group held by non-consolidated subsidiaries was reduced by € 679 million.

4. SCOPE OF CONSOLIDATION

In addition to the parent company HSH Nordbank AG, Hamburg/Kiel, 53 (31 December 2008: 57) companies have been consolidated. This includes 17 (31 December 2008: 18) special-purpose entities which should be consolidated according to the provisions of SIC 12.

The following subsidiaries or special-purpose entities are included in the group financial statements of HSH Nordbank AG:

Fully consolidated subsidiaries

		Location	Share of equity capital in %
Company			
1	Adessa Grundstücksverwaltungsgesellschaft mbH & Co Vermietungs KG	Kiel	0.0
2	Carrera Capital Finance Ireland Limited	Dublin	0.0
3	Carrera Capital Finance Limited	Jersey	0.0
4	CPM Luxembourg S.A. 2)	Luxembourg	3.2
5	CPM Securitisation S.A. 2)	Luxembourg	3.2
6	Ealing Investments Limited	London	100.0
7	Endor 8. Beteiligungs GmbH & Co. KG 5)	Hamburg	94.8
8	Equilon GmbH	Hamburg	100.0
9	Foxtrot Funding I Limited	Dublin	0.0
10	Hambornberg Immobilien- und Verwaltungs-GmbH 3)	Duisburg	52.7
11	Hamborner Aktiengesellschaft 4)	Duisburg	52.7
12	HGA Capital Grundbesitz und Anlage GmbH 5)	Hamburg	100.0
13	HSH Asset Management S.A. 2)	Luxembourg	100.0
14	HSH Corporate Finance GmbH	Hamburg	100.0
15	HSH Investment Management S.A. 2)	Luxembourg	100.0
16	HSH N Composits GmbH	Kiel	100.0
17	HSH N Finance (Guernsey) Limited	Guernsey	100.0
18	HSH N Funding I 6)	Grand Cayman	64.4
19	HSH N Funding II	Grand Cayman	55.6
20	HSH Nordbank Private Banking S.A. 2)	Luxembourg	100.0
21	HSH Nordbank Securities S.A.	Luxembourg	100.0
22	HSH Money EuroPlus 1)	Luxembourg	100.0
23	HSH Private Equity GmbH	Hamburg	100.0
24	HSH RE Beteiligungs GmbH 5)	Hamburg	100.0
25	HSH Real Estate AG	Hamburg	100.0
26	International Fund Services & Asset Management S.A. 2)	Luxembourg	51.6
27	Jantar GmbH	Hamburg	100.0
28	LB Immo Invest GmbH 5)	Hamburg	99.7
29	Leashold Verwaltungs GmbH & Co. KG	Hamburg	100.0
30	Lebus L.P.	Grand Cayman	71.6

Fully consolidated subsidiaries		Location	Share of equity capital in %
Company			
31	Mesitis GmbH	Hamburg	100.0
32	Minerva GmbH	Lockstedt	100.0
33	Minimoa GmbH	Hamburg	100.0
34	Nubes GmbH	Lockstedt	100.0
35	Neptune Finance Partner S.à.r.l.	Luxembourg	100.0
36	Neptune Finance Partner II S.à.r.l.	Luxembourg	100.0
37	Neptune Ship Finance (Luxembourg) S.à.r.l. & Cie, S.e.c.s.	Luxembourg	100.0
38	Perseus Investment Limited Partnership	Jersey	100.0
39	Pregu GmbH	Hamburg	100.0
40	Poseidon Funding Limited	Jersey	0.0
41	Rasmus Purchase No. 1 Limited	Jersey	0.0
42	Rasmus Purchase No. 2 Limited	Jersey	0.0
43	Rasmus Purchase No. 3 Limited	Jersey	0.0
44	Rasmus Purchase No. 4 Limited	Jersey	0.0
45	Rasmus Purchase No. 6 Limited	Jersey	0.0
46	Rasmus Purchase No. 7 Limited	Jersey	0.0
47	Rasmus Purchase No. 8 Limited	Jersey	0.0
48	Resparc Funding Limited Partnership I	Hong Kong	0.0
49	Resparc Funding Limited Partnership II	Jersey	0.0
50	Resparc Funding Limited Partnership III	Jersey	0.0
51	Sotis S.à.r.l. 2)	Luxembourg	100.0
52	Swift Capital 1 Europäische Fondsbeteiligungen GmbH & Co. KG	Hamburg	99.5
53	Thestor GmbH	Hamburg	100.0

1) Shares in special funds
2) A subsidiary of HSH Nordbank Securities S.A.
3) A subsidiary of Hamborner Aktiengesellschaft
4) A subsidiary of HSH RE Beteiligungs GmbH
5) A subsidiary of HSH Real Estate AG
6) A subsidiary of HSH N Composits GmbH

In addition to the changes in the scope of consolidation mentioned in the interim financial statements as of 31 March 2009, the following change took place in the reporting period:

The fund AHL 2 was dissolved as at 20 May 2009.

Notes on the income statement

5. NET INTEREST INCOME

Net interest income
(€ m)

	January – June 2009	January – June 2008
Interest income from		
lending and money market transactions	2,629	3,721
fixed-income securities	629	977
trading transactions	127	336
derivative financial instruments	8,559	11,324
unwinding	49	17
Current income from		
equities and other non-fixed-income securities	27	30
unconsolidated subsidiaries	3	7
equity holdings	18	102
other holdings	4	5
Subtotal interest income	**12,045**	**16,519**
of which attributable to financial instruments not categorised as HFT or DFV according to IAS 39	3,257	4,747
Interest expenses for		
liabilities to banks	700	1,262
liabilities to customers	991	1,384
securitised liabilities	991	1,611
subordinated capital	188	247
trading activities	5	–
derivative financial instruments	8,270	11,196
Subtotal interest expenses	**11,145**	**15,700**
of which attributable to financial instruments not categorised as HFT or DFV according to IAS 39	2,666	4,152
Total	**900**	**819**

Interest income and expenses from trading and hedge derivatives are recognised in interest income and expenses from derivative financial instruments.

Net interest income also contains income and expenses from amortisation of positive and negative adjustment items from portfolio fair value hedges and the corresponding items from the dissolution of the underlying transactions which contributed to the adjustment items.

In case of unchanged payment expectations, a change in the present value of impaired loans and advances (unwinding) occurs over time. The interest income from such loans and advances is calculated as the present value by adding accrued interest using the original effective interest rate.

6. LOAN LOSS PROVISIONS

Loan loss provisions (€ m)	January – June 2009	January – June 2008
Expenses from allocations to loan loss provisions	1,300	328
Income from releases of loan loss provisions	321	233
Direct write-downs	8	4
Recoveries on loans and advances previously depreciated	9	8
Expenses from allocations to provisions in the lending business	269	43
Income from releases of provisions in the lending business	52	4
Total	**1,195**	**130**

Loan loss provisions in the lending business relate exclusively to assets which are categorised as Loans And Receivables (LAR).

7. NET COMMISSION INCOME

Net commission income (€ m)	January – June 2009	January – June 2008
Commission income from		
lending business	65	79
securities business	17	27
guarantee business	26	31
foreign business	8	8
payments and account transactions	3	3
Other fees and commission income	31	31
Subtotal commission income	**150**	**179**
Commission expenses from		
ending business	10	9
securities business	16	16
guarantee business	1	20
foreign business	3	2
payments and account transactions	1	1
Other commission expenses	13	31
Subtotal commission expenses	**44**	**79**
Total	**106**	**100**

Commission income and expenses also include income and expenses from financial instruments in the categories Designated at Fair Value (DFV) and Held For Trading (HFT). Financial instruments measured at fair value and not recognised in the income statement accounted for € 110 million (previous year: € 103 million) of net commission income. Financial instruments measured at fair value and recognised in the income statement accounted for € –4 million (previous year: € –3 million) of net commission income.

8. RESULT FROM HEDGING

The change in value attributable to the hedged risk for designated underlying and hedge instruments in effective hedging relationships is recognised in the results on hedge accounting. The item contains the corresponding profit/loss contributions from micro and portfolio fair value hedging relationships.

Result from hedging (€ m)	January – June 2009	January – June 2008
Fair value changes from hedge instruments	399	–316
Micro fair value hedges	76	7
Portfolio fair value hedges	323	–323
Fair value changes from hedged items	–309	302
Micro fair value hedges	–79	–14
Portfolio fair value hedges	–230	316
Total	90	–14

9. NET TRADING INCOME

Net trading income comprises realised income and the valuation result of financial instruments in the categories Held For Trading (HFT) and Designated at Fair Value (DFV). Income from foreign currency transactions, credit derivatives and commodities is taken into account under other products. Gains and losses on currency translation are also recorded in this item of the income statement.

Interest income from financial instruments in the categories Designated at Fair Value (DFV) and Held For Trading (HFT) are shown under net interest income.

	Debentures and interest rate derivatives		Equities and equity derivatives		Other products		Total	
Net trading income (€ m)	January – June 2009	January – June 2008	January – June 2009	January – June 2008	January – June 2009	January – June 2008	January – June 2009	January – June 2008
Realised gains/losses								
Held For Trading	101	2	–14	25	–33	3	54	30
Designated at Fair Value	–229	–16	–1	–1	2	–	–228	–17
Subtotal	–128	–14	–15	24	–31	3	–174	13
Valuation result								
Held For Trading	713	–361	44	–206	–95	83	662	–484
Designated at Fair Value	39	177	–9	243	–2	–1	28	419
Subtotal	752	–184	35	37	–97	82	690	–65
Total	624	–198	20	61	–128	85	516	–52

In the reporting period, € –59 million (previous year: € –505 million) of changes in the fair value of financial assets in the category Designated at Fair Value (DFV) related to credit spread changes, and not to changes in market interest rates. Cumulatively, € –1,040 million (previous year: € –968 million) was attributable to changes in the credit spread.

In the case of liabilities in the category of Designated at Fair Value (DFV), the change in value attributable to credit spread changes and not to changes of market interest rates amounted to € 232 million in the reporting period (previous year: € 99 million). Cumulatively, € 574 million (previous year: € 111 million) was attributable to changes in the credit spread.

The parameters used to calculate measurement changes in HSH Nordbank's DFV assets and liabilities (e.g. interest rate curves) were refined during the reporting period. The alterations had a positive impact of € 44 million on net trading income.

10. NET INCOME FROM FINANCIAL INVESTMENTS

In addition to any realised gains and losses from financial investments in the categories of Loans And Receivables (LAR) and Available For Sale (AFS), write-downs and write-ups are recognised under this item as part of impairment losses or reversals of impairment losses. In the case of Available For Sale (AFS) financial investments, only write-ups on debt instruments are recognised in the income statement and only up to a maximum of their historical cost.

The net loss results from negative valuations due to the ongoing financial market crisis and mainly relates to the credit investment portfolio.

Net income from financial investments (€ m)	January – June 2009	January – June 2008
Available For Sale (AFS) financial investments		
realised gains / losses (–)	11	20
write-downs	103	47
write-ups	4	29
Subtotal	–88	2
Loans And Receivables (LAR) financial investments		
realised gains / losses (–)	–17	10
write-downs	270	222
write-ups	37	61
Subtotal	–250	–151
Additions to portfolio revaluation	3	6
Releases from portfolio revaluation	28	14
Total	–313	–141

11. ADMINISTRATIVE EXPENSES

Administrative expenses (Mio. €)	January – June 2009	January – June 2008
Personnel expenses	223	242
Other operating expenses	194	229
Depreciation on tangible and intangible assets	19	19
Total	436	490

12. OTHER OPERATING INCOME

Other operating income (€ m)	January – June 2009	January – June 2008
Other operating income	65	89
Other operating expenses	41	26
Total	**24**	**63**

13. EARNINGS PER SHARE

To calculate earnings per share, the Group net income attributable to HSH Nordbank shareholders is divided by the weighted average number of ordinary shares outstanding during the reporting period. The calculation was based on non-rounded values.

Earnings per share	January – June 2009	January – June 2008
Attributable Group net income (€ m) – undiluted	-537	145
Attributable Group net income (€ m) – diluted	-537	145
Number of shares (millions)		
Average number of ordinary shares outstanding – undiluted	93	70
Dilution effects from:		
convertible bonds	17	–
potentially dilutive ordinary shares	17	–
Weighted average of shares outstanding adjusted for the anticipated conversion – diluted	110	70
in €		
Earnings per share (undiluted)	-5.51	2.07
Earnings per share (diluted)	-4.64	2.07

Notes on the balance sheet

14. LOANS AND ADVANCES TO BANKS

Loans and advances to banks
(€ m)

	06/30/2009	12/31/2008
Due daily	7,076	6,070
Other loans and advances	14,839	17,270
Total before loan loss provisions	**21,915**	**23,340**
Loan loss provisions	420	410
Total after loan loss provisions	**21,495**	**22,930**

15. LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers
(€ m)

	06/30/2009	12/31/2008
Retail customers	2,921	3,086
Corporate clients	103,776	103,760
Public authorities	10,630	10,585
Total before loan loss provisions	**117,327**	**117,431**
Loan loss provisions	3,171	2,341
Total after loan loss provisions	**114,156**	**115,090**

16. LOAN LOSS PROVISIONS

Loan loss provisions
(€ m)

	06/30/2009	12/31/2008
Loans and advances to banks	420	410
Loans and advances to customers	3,171	2,341
Loan loss provisions for balance sheet items	**3,591**	**2,751**
Provisions in the lending business	689	472
Total	**4,280**	**3,223**

The development of total loan loss provisions for banks during the reporting period was as follows:

Development of total loan loss provisions for banks (€ m)	Individual value allowances		Portfolio value allowances		Total	
	06/30/2009	**12/31/2008**	**06/30/2009**	**12/31/2008**	**06/30/2009**	**12/31/2008**
As at 1 January	**362**	**–**	**48**	**7**	**410**	**7**
Additions	76	362	–	41	76	403
Releases	22	–	38	–	60	–
Utilisation	–	–	–	–	–	–
Transfers	-3	–	–	–	-3	–
Unwinding	-2	–	–	–	-2	–
Currency exchange rate changes	–	–	-1	–	-1	–
As at 30 June 2009/31 December 2008	**411**	**362**	**9**	**48**	**420**	**410**

The development of total loan loss provisions for customers during the reporting period was as follows:

Development of total loan loss provisions for customers (€ m)	Individual value allowances		Portfolio value allowances		Total	
	06/30/2009	**12/31/2008**	**06/30/2009**	**12/31/2008**	**06/30/2009**	**12/31/2008**
As at 1 January	**1,670**	**1,121**	**671**	**401**	**2,341**	**1,522**
Additions	805	1,230	419	284	1,224	1,514
Releases	259	403	2	11	261	414
Utilisation	80	257	–	–	80	257
Transfers	-2	–	–	–	-2	–
Unwinding	-47	-36	–	–	-47	-36
Changes in the scope of consolidation	–	6	–	–	–	6
Currency exchange rate changes	-4	9	–	-3	-4	6
As at 30 June 2009/31 December 2008	**2,083**	**1,670**	**1,088**	**671**	**3,171**	**2,341**

The value allowances only affect items classified as Loans And Receivables (LAR).

17. POSITIVE MARKET VALUES OF HEDGE DERIVATIVES

This item shows the positive market value of derivatives which are used in hedge accounting. At present, only interest rate and cross-currency interest rate swaps are included as hedge instruments. If a derivative is only designated in hedge accounting on a partial basis, this item contains the corresponding part of the derivative's fair value. In these cases, the remainder is stated under assets Held For Trading. Hedge accounting is only utilised for interest rate risks.

Positive market value of hedge derivatives

(€ m)	06/30/2009	12/31/2008
Positive market values of derivatives from micro fair value hedges	360	270
Positive market values of derivatives from portfolio fair value hedges	1,855	2,537
Total	2,215	2,807

There is a direct connection between the development of this item and the negative market value of hedge derivatives. The overall development of these items is influenced both by the expansion and alteration of portfolio compositions and by the interest rate trend on the euro and US dollar capital market.

18. ASSETS HELD FOR TRADING

Only financial assets belonging to the category of Held For Trading (HFT) are recognised under assets Held For Trading. These essentially comprise financial instruments Held For Trading purposes including accrued interest and derivatives with a positive market value which are either not designated as derivative hedge instruments or are used as hedging instruments without meeting the requirements for hedge accounting in accordance with IAS 39.

Assets Held For Trading

(€ m)	06/30/2009	12/31/2008
Debentures and other fixed-income securities	3,723	7,275
Equities and other non-fixed-income securities	108	125
Positive market values from derivative financial instruments	16,280	18,844
Other assets Held For Trading	50	419
Total	20,161	26,663

The main causes of the decline in the carrying amount of debentures and other fixed-income securities in the reporting period were a reduction of assets and the reclassification of HFT securities as LAR as of 1 April 2009 (see Note 35).

19. FINANCIAL INVESTMENTS

In particular, financial instruments belonging to the categories of Available For Sale (AFS) and securities belonging to the categories of Loans And Receivables (LAR) and furthermore securities belonging to the category Designated at Fair Value (DFV) are recognised under financial investments. This item includes financial instruments not Held For Trading purposes: debentures and other fixed-income securities, shares and other non-fixed-income securities, holdings in unconsolidated subsidiaries and joint ventures and associated companies not recognised pro rata or at equity in the Group financial statements.

Financial investments

(€ m)	06/30/2009	12/31/2008
Debentures and other fixed-income securities	33,919	34,455
Equities and other non-fixed-income securities	957	956
Equity holdings	1,038	940
Interests in affiliated companies	192	160
Total	**36,106**	**36,511**

20. INTANGIBLE ASSETS

Software acquired or developed inhouse and goodwill acquired are recognised under intangible assets.

Intangible assets

(€ m)	06/30/2009	12/31/2008
Goodwill	135	135
Software	102	94
Software developed inhouse	63	57
Software acquired	39	37
Other intangible assets	17	17
Total	**254**	**246**

21. TANGIBLE ASSETS

Land and buildings, operating equipment and leased assets under operating leases where the Group is lessor are stated as tangible assets.

Tangible assets

(€ m)	06/30/2009	12/31/2008
Land and buildings	47	48
Plant and equipment	40	47
Leasing objects	18	19
Assets under construction	2	–
Total	**107**	**114**

22. INVESTMENT PROPERTIES

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

Investment properties
(€ m)

	06/30/2009	12/31/2008
Investment properties	311	285
Total	311	285

23. DEFERRED TAX ASSETS

Of the deferred tax assets of € 769 million (31 December 2008: € 726 million), € 0 million (31 December 2008: € 80 million) are tax loss carry-forwards in Germany. HSH Nordbank's business model, strategic adjustments and the resultant future cash flows ensure that tax assets maintain their value to their capitalised amount.

24. OTHER ASSETS

Other assets
(€ m)

	06/30/2009	12/31/2008
Accrued income	61	57
Claims on equity holdings and affiliated companies	19	16
Claims from other taxes	18	19
Claims for fund transactions	12	17
Tenant loans	10	9
Other claims from securities commission business	–	3
Other assets	335	351
Total	455	472

25. LIABILITIES TO BANKS

Liabilities to banks
(€ m)

	06/30/2009	12/31/2008
Due daily	3,349	7,763
Other liabilities with a defined maturity	53,304	53,628
Total	**56,653**	**61,391**

The liabilities to banks fell by 7.7% to € 56,653 million (31 December 2008: € 61,391 million) in the light of a difficult interbank market. Higher liabilities to central banks were only able to compensate for the lower bank deposits to a limited extent.

26. LIABILITIES TO CUSTOMERS

Liabilities to customers
(€ m)

	06/30/2009	12/31/2008
Savings deposits	85	90
Other liabilities		
due daily	8,454	9,102
term liabilities	43,438	43,205
Total	**51,977**	**52,397**

27. SECURITISED LIABILITIES

Securitised liabilities
(€ m)

	06/30/2009	12/31/2008
Debentures issued	50,661	53,499
Money market instruments issued	2,622	3,863
Other securitised liabilities	787	838
Total	**54,070**	**58,200**

Repurchased own debentures of € 17,909 million (31 December 2008: € 13,256 million) were deducted from the securitised liabilities. These were primarily own issues guaranteed by the SoFFin which were repurchased to manage market liquidity.

Repurchased own money market instruments of € 352 million (31 December 2008: € 1,418 million) and own other securitised liabilities amounting to € 0 million (31 December 2008: € 7 million) were also deducted from this item.

28. NEGATIVE MARKET VALUES OF HEDGE DERIVATIVES

This item shows the negative market values of derivatives which are stated in hedge accounting. At present, only interest rate and cross-currency interest rate swaps are included as hedge instruments. If a derivative is only designated in hedge accounting on a partial basis, this item contains the corresponding part of the derivative's fair value. In these cases, the remainder is stated under liabilities Held For Trading. Hedge accounting is only utilised for interest rate risks.

Negative market value of hedge derivatives
(€ m)

	06/30/2009	12/31/2008
Negative market value of derivatives from micro fair value hedges	323	397
Negative market value of derivatives from portfolio fair value hedges	891	1.797
Total	1.214	2.194

There is a direct connection between the development of this item and the positive market value of hedge derivatives. The overall development of these items is influenced both by the expansion and alteration of portfolio compositions and by the interest rate trend on the euro and US dollar capital market.

29. LIABILITIES HELD FOR TRADING

Only financial obligations belonging to the category of Held For Trading (HFT) are recognised under liabilities Held For Trading. This primarily comprises derivatives with a negative market value which are either not designated as derivative hedge instruments or which are used as hedging instruments, but do not meet the requirements of hedge accounting in accordance with IAS 39. Delivery commitments from short sales of securities are also recognised in this category.

Liabilities Held For Trading
(€ m)

	06/30/2009	12/31/2008
Negative fair value arising from derivative financial instruments		
Interest rate-based transactions	13,125	12,746
Currency-based transactions	1,155	3,759
Other transactions	617	1,008
Securities delivery commitments	130	74
Total	15,027	17,587

30. PROVISIONS

Provisions
(€ m)

	06/30/2009	12/31/2008
Provisions for pensions and similar obligations	564	563
Provisions in the lending business	689	472
Provisions for restructuring	153	131
Provisions for litigation risks and litigation costs	30	30
Provisions for personnel expenses	14	23
Other provisions	184	193
Total	1,634	1,412

Of the provisions in the lending business, € 74 million (31 December 2008: € 60 million) relate to portfolio value allowances and € 93 million (31 December 2008: € 44 million) to individual value allowances for avals, guarantees and letters of credit. They also include portfolio value allowances of € 78 million (31 December 2008: € 84 million) and individual value allowances of € 423 million (31 December 2008: € 284 million) for irrevocable credit commitments.

The net change in pension obligations of € 1 million is made up of payments for pension obligations of € 19 million and additions of € 20 million.

31. OTHER LIABILITIES

Other liabilities
(€ m)

	06/30/2009	12/31/2008
Collateral for guarantees given	1,250	1,286
Liabilities to personnel	74	36
Accrued expense	48	56
Liabilities for outstanding invoices	44	57
Other tax liabilities	10	7
Other	342	353
Total	1,768	1,795

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

32. SUBORDINATED CAPITAL

Subordinated capital comprises subordinated liabilities, silent participations and profit participation capital. Based on their contractual structure and financial character, the participations by typical silent partners represent debt as per IAS 32, which is why they are recognised in the balance sheet as subordinated capital.

Subordinated capital
(€ m)

	06/30/2009	12/31/2008
Subordinated liabilities	5,378	5,518
Silent participations	1,599	1,720
Profit participation capital	2,463	2,724
Total	**9,440**	**9,962**

33. EQUITY

Equity
(€ m)

	06/30/2009	12/31/2008
Share capital	2,460	881
Capital reserve	1,509	88
Retained earnings	1,683	1,354
Gains from pensions and similar obligations not recognised in the income statement	222	222
Deferred taxes on gains from pensions and similar obligations not recognised in the income statement	-73	-73
Revaluation reserve	-545	-562
Currency translation reserve	-85	-85
Group balance sheet profit/loss	-537	329
Equity before minority interests	**4,485**	**2,005**
Minority interests	18	45
Total	**4,503**	**2,050**

In connection with measurements to safeguard the HSH Nordbank Group's continued existence and capacity for future business and to ensure it complies with regulatory capital requirements, the shareholders implemented a capital increase in the second quarter in accordance with resolutions by the state parliaments of Hamburg and Schleswig-Holstein.

The capital increase ratified at the extraordinary general meeting on 20 May 2009 comprises a cash capital increase totalling € 3 billion achieved by issuing 157,894,737 new shares with a € 10.00 nominal share in the share capital at an issue price of € 19.00 each. The agreed surcharge of € 9.00 per share was transferred to the capital reserve in full.

All the new shares were subscribed by HSH Finanzfonds AöR. The capital had been fully paid in within June 2009. The capital increase took effect when it was entered in the Commercial Register on 25 June 2009.

As a result of the capital increase, the HSH Nordbank Group's share capital rose by € 1,579 million to € 2,460 million (31 December 2008: € 881 million). The capital reserve increased by € 1,421 million to € 1,509 million (31 December 2008: € 88 million).

Development in ordinary shares
(no. of shares)

	2009	2008
Number at the beginning of the year	88,122,631	64,495,640
Conversion of non-voting preference shares into ordinary shares	0	5,725,207
Capital increase	157,894,737	17,901,784
Number at the end of the period	**246,017,368**	**88,122,631**

Segment reporting of HSH Nordbank Group

Segment reporting of HSH Nordbank Group (€ m / %)		Transportation and Energy	Real Estate	Corporate & Private Banking	Financial Markets and Institutions	Corporate Center	Other / Reconciliation	Group
Total income	06/30/2009	**360**	**209**	**248**	**490**	**−160**	**152**	**1,299**
	06/30/2008	**329**	**205**	**295**	**−202**	**−110**	**195**	**712**
Loan loss provisions	06/30/2009	−595	−182	−323	−67	−12	−16	−1,195
	06/30/2008	25	−24	−105	−1	−57	32	−130
Administrative expenses	06/30/2009	−113	−72	−92	−149	−12	2	−436
	06/30/2008	−104	−85	−112	−152	−39	2	−490
Other operating income	06/30/2009	–	−11	−3	1	38	−1	24
	06/30/2008	1	11	1	5	42	3	63
Restructuring expenses	06/30/2009	–	–	–	–	−72	–	−72
	06/30/2008	–	–	–	–	–	–	–
Expenses for government guarantees	06/30/2009	–	–	–	−50	−100	–	−150
	06/30/2008	–	–	–	–	–	–	–
Net income before taxes	06/30/2009	**−348**	**−56**	**−170**	**225**	**−318**	**137**	**−530**
	06/30/2008	**251**	**107**	**79**	**−350**	**−164**	**232**	**155**
Average equity	06/30/2009	1,016	494	834	733	63	137	3,277
	06/30/2008	1,049	600	1,258	1,165	144	−1	4,215
Cost/income ratio (CIR) in %	06/30/2009	31.4%	34.4%	37.1%	30.4%	N/M	–	33.6%
	06/30/2008	31.6%	41.5%	38.0%	N/M	N/M	–	68.8%
Return on equity (ROE) before taxes and restructuring in %	06/30/2009	−68.5%	−22.7%	−40.8%	75.0%	−463.5%	–	−18.8%
	06/30/2008	47.9%	35.7%	12.6%	−60.1%	−227.8%	–	7.4%

Based on the risk-adjusted capital commitment, the planned capital benefit is distributed among the segments from the Corporate Center segment.

In addition, planned Group overheads are allocated from the Corporate Center segment to the segments on the basis of the risk-adjusted capital requirement (50%) and the proportion of directly attributable costs (50%).

Average (reported) equity is allocated to the segments on the basis of the risk-adjusted economic capital requirement.

The cost/income ratio represents the quotient between administrative expenses and total income.

The return on equity is based on the relationship between average equity and net income before taxes less restructuring expenses and expenses for government guarantees.

With the conversion of segment reporting to IFRS 8, the Corporate Center segment is now presented separately, and no longer under Other/Reconciliation.

For a detailed explanation of the individual segments, see the management report.

In total income, the following changes in presentation of the segments result in reconciliation differences:
– Net income from hedges is reported in accordance with internal risk management principles on the basis of internal transactions. No allocation of the income statement result from hedging to individual segments is carried out.
– Credit effects on DFV liabilities in net trading income are not attributed to any segments.

Notes on financial instruments

34. CARRYING AMOUNTS OF FINANCIAL INSTRUMENTS BY IAS 39 CATEGORIES

Carrying amounts of financial instruments by IAS 39 categories (€ m)								30 June 2009
						Without IAS 39 category		
	LAR	AFS	DFV	HFT	LIA	Hedge accounting (fair value)	Other	Total
Assets								
Cash reserve	–	–	–	–	–	–	692	692
Loans and advances to banks	21,503	50	362	–	–	–	–	21,915
Loans and advances to customers	115,826	–	1,373	–	–	–	–	117,199
Finance lease business	–	–	–	–	–	–	128	128
Positive market values of hedge derivatives	–	–	–	–	–	2,215	–	2,215
Assets Held For Trading	–	–	–	20,161	–	–	–	20,161
Financial investments	19,304	13,789	3,013	–	–	–	–	36,106
Other assets	455	–	–	–	–	–	–	455
Total assets	**157,088**	**13,839**	**4,748**	**20,161**	**–**	**2,215**	**820**	**198,871**
Liabilities								
Liabilities to banks	–	–	312	–	56,341	–	–	56,653
Liabilities to customers	–	–	3,569	–	48,408	–	–	51,977
Securitised liabilities	–	–	5,231	–	48,839	–	–	54,070
Negative market values of hedge derivatives	–	–	–	–	–	1,214	–	1,214
Liabilities Held For Trading	–	–	–	15,027	–	–	–	15,027
Subordinated capital	–	–	2,125	–	7,315	–	–	9,440
Other liabilities	–	–	–	–	1,768	–	–	1,768
Total liabilities	**–**	**–**	**11,237**	**15,027**	**162,671**	**1,214**	**–**	**190,149**

Carrying amounts of financial instruments by IAS 39 categories (€ m)								31 December 2008
						Without IAS 39 category		
	LAR	AFS	DFV	HFT	LIA	Hedge accounting (fair value)	Other	Total
Assets								
Cash reserve	–	–	–	–	–	–	1,419	1,419
Loans and advances to banks	22,842	50	448	–	–	–	–	23,340
Loans and advances to customers	116,025	–	1,264	–	–	–	–	117,289
Finance lease business	–	–	–	–	–	–	142	142
Positive market values of hedge derivatives	–	–	–	–	–	2,807	–	2,807
Assets Held For Trading	–	–	–	26,663	–	–	–	26,663
Financial investments	13,229	19,933	3,349	–	–	–	–	36,511
Other assets	472	–	–	–	–	–	–	472
Total assets	**152,568**	**19,983**	**5,061**	**26,663**	**–**	**2,807**	**1,561**	**208,643**
Liabilities								
Liabilities to banks	–	–	367	–	61,024	–	–	61,391
Liabilities to customers	–	–	3,699	–	48,698	–	–	52,397
Securitised liabilities	–	–	5,803	–	52,397	–	–	58,200
Negative market values of hedge derivatives	–	–	–	–	–	2,194	–	2,194
Liabilities Held For Trading	–	–	–	17,587	–	–	–	17,587
Subordinated capital	–	–	1,949	–	8,013	–	–	9,962
Other liabilities	–	–	–	–	1,795	–	–	1,795
Total liabilities	**–**	**–**	**11,818**	**17,587**	**171,927**	**2,194**	**–**	**203,526**

35. RECLASSIFICATION AS PER IAS 39 (REV. 2008)

Due to the global financial market crisis and its consequences for the measurement of securities portfolios, HSH Nordbank AG is utilising the revisions of IAS 39 (rev. 2008). In this regard, assets which fulfil the relevant conditions were reclassified as Loans And Receivables (LAR) if there was no intention at the time of reclassification to sell or hold them in the short term and they were set to be held for the foreseeable future.

The effects of these reclassifications on the interim group financial statements are shown below.

In the third quarter of 2008, financial instruments in the categories Held For Trading (HFT) and Available For Sale (AFS) were reclassified as Loans And Receivables (LAR).

		30 June 2009	
(€ m)	Carrying amount at the time of reclassification	Carrying amount	Fair value
Reclassification of HFT to LAR	1,020	870	843
Reclassification of AFS to LAR	1,841	1,597	1,632
Total financial assets which were reclassified as LAR	**2,861**	**2,467**	**2,475**

Further assets were reclassified in the second quarter of 2009. These are shown in the following table.

		30 June 2009	
(€ m)	Carrying amount at the time of reclassification	Carrying amount	Fair value
Reclassification of HFT to LAR	399	398	399
Reclassification of AFS to LAR	6,336	6,343	6,347
Total financial assets which were reclassified as LAR	**6,735**	**6,741**	**6,746**

The effective interest rate applied to financial instruments in the Held For Trading (HFT) category ranged from 1.209 % to 5.056 %. The effective interest rate for financial instruments in the Available For Sale (AFS) category was between 0.869 % and 4.995 %. The expected repayment amounts total € 6,859 million.

Prior to reclassification, an unrealised valuation result of € 3 million was recorded in the income statement for the HFT category assets (previous year: € 6 million). In 2009, the assets categorised as AFS contributed € –42 million towards the revaluation reserve before being reclassified (previous year: € –15 million).

The table below illustrates the effects which all the financial investments reclassified to date would have had on the income statement and the revaluation reserve if they had not been reclassified. Additionally the actual effects on the income statement are also shown.

Income from the reclassified assets (€ m)	January – June 2009
Valuation result potentially generated without reclassification	22
Revaluation reserve potentially generated without reclassification	10
Actual result in the income statement	117

Without reclassification, a valuation result of € –26 million would have been generated in the 2008 financial year along with a revaluation reserve of € –69 million.

36. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair values of financial instruments (€ m)	Carrying amount	Fair value	06/30/2009 Difference	Carrying amount	Fair value	12/31/2008 Difference
Assets						
Held For Trading (HFT)						
Assets Held For Trading	20,161	20,161	–	26,663	26,663	–
Designated at Fair Value (DFV)						
Loans and advances to banks	362	362	–	448	448	–
Loans and advances to customers	1,373	1,373	–	1,264	1,264	–
Financial investments	3,013	3,013	–	3,349	3,349	–
Available For Sale (AFS)						
Loans and advances to banks	50	50	–	50	50	–
Financial investments	13,789	13,789	–	19,933	19,933	–
Loans And Receivables (LAR)						
Loans and advances to banks	21,083	21,319	236	22,432	22,414	-18
Loans and advances to customers	112,655	115,251	2,596	113,684	114,791	1,107
Financial investments	19,304	19,044	-260	13,230	12,492	-738
Other assets	455	455	–	472	472	–
Excluding IAS 39 category						
Cash reserve	692	692	–	1,419	1,419	–
Positive market values of hedge derivatives	2,215	2,215	–	2,807	2,807	–
Finance lease business	128	128	–	142	142	–
Total assets	**195,280**	**197,852**	**2,572**	**205,893**	**206,244**	**351**

Fair values of financial instruments (€ m)	Carrying amount	Fair value	06/30/2009 Difference	Carrying amount	Fair value	12/31/2008 Difference
Liabilities						
Held For Trading (HFT)						
Liabilities Held For Trading	15,027	15,027	–	17,587	17,587	–
Designated at Fair Value (DFV)						
Liabilities to banks	312	312	–	367	367	–
Liabilities to customers	3,569	3,569	–	3,699	3,699	–
Securitised liabilities	5,231	5,231	–	5,803	5,803	–
Subordinated capital	2,125	2,125	–	1,949	1,949	–
Other liabilities (LIA)						
Liabilities to banks	56,341	56,386	45	61,024	60,944	–80
Liabilities to customers	48,408	48,538	130	48,698	48,933	235
Securitised liabilities	48,839	47,934	–905	52,397	51,269	–1,128
Other liabilities	1,768	1,768	–	1,795	1,795	–
Subordinated capital	7,315	4,466	–2,849	8,012	5,293	–2,719
Excluding IAS 39 category						
Negative market values of hedge derivatives	1,214	1,214	–	2,194	2,194	–
Total liabilities	190,149	186,570	–3,579	203,525	199,833	–3,692

The fair value of financial instruments for which there is an active market is based on the stock exchange or market price as at the balance sheet date. If there is no active market for the financial instruments in question, the fair value is calculated using recognised valuation models. Especially in the case of receivables and liabilities carried on the balance sheet at amortised acquisition cost, fair value is determined by discounting cash flows in line with rating-based spreads. The carrying amount for current receivables and liabilities (e. g. current deposits) is the fair value.

The carrying amount of the loans and advances to banks and customers which are categorised as Loans And Receivables (LAR) is shown less the risk provisioning reported, since the fair value also reflects possible impairments.

37. CREDIT RISK ANALYSIS OF FINANCIAL ASSETS AND INFORMATION ON COLLATERAL

I. CREDIT QUALITY OF FINANCIAL INSTRUMENTS WHICH ARE NEITHER IMPAIRED NOR OVERDUE

The table below provides information on the credit quality of financial instruments which were neither impaired nor overdue as at the balance sheet date. The table provides a breakdown of the instruments by category and counterparty rating.

Credit quality (€ m)	1 (AAA) to 1 (AA–)		1 (A+) to 1 (A–)		2 to 5		6 to 9	
	06/30/2009	12/31/2008	06/30/2009	12/31/2008	06/30/2009	12/31/2008	06/30/2009	12/31/2008
Held For Trading (HFT)								
Assets Held For Trading	5,273	9,810	4,607	4,057	2,997	4,102	4,719	7,617
Designated at Fair Value (DFV)								
Loans and advances to banks	242	281	96	118	2	9	17	33
Loans and advances to customers	919	793	363	334	6	25	64	94
Financial investments	2,017	2,101	797	884	14	67	141	248
Available For Sale (AFS)								
Loans and advances to banks	21	23	15	11	4	5	9	11
Financial investments	7,646	9,791	523	1,611	1,465	2,757	2,418	4,326
Loans And Receivables (LAR)								
Loans and advances to banks	7,380	6,332	2,685	3,442	2,275	1,949	7,272	9,432
Loans and advances to customers	24,317	23,923	11,320	11,198	23,864	29,234	29,798	33,631
Financial investments	4,083	2,575	1,901	1,205	4,007	3,146	5,003	3,620
Other assets	102	103	47	48	100	126	125	145
Total	**52,000**	**55,732**	**22,354**	**22,908**	**34,734**	**41,420**	**49,566**	**59,157**

Credit quality (€ m)	10 to 12		13 to 15		16 to 18		Other	
	06/30/2009	12/31/2008	06/30/2009	12/31/2008	06/30/2009	12/31/2008	06/30/2009	12/31/2008
Held For Trading (HFT)								
Assets Held For Trading	1,342	564	883	336	339	177	–	–
Designated at Fair Value (DFV)								
Loans and advances to banks	–	3	5	4	–	–	–	–
Loans and advances to customers	–	8	20	10	–	–	–	–
Financial investments	–	21	44	28	–	–	–	–
Available For Sale (AFS)								
Loans and advances to banks	–	–	1	1	–	–	–	–
Financial investments	27	201	471	63	86	–	–	–
Loans And Receivables (LAR)								
Loans and advances to banks	246	254	355	252	485	377	–	–
Loans and advances to customers	7,771	5,710	6,482	2,667	5,091	3,080	–	–
Financial investments	1,305	615	1,089	287	855	332	–	–
Other assets	33	25	27	12	21	13	–	–
Total	**10,724**	**7,401**	**9,377**	**3,660**	**6,877**	**3,979**	**–**	**–**

II. CARRYING AMOUNTS OF OVERDUE, UNIMPAIRED FINANCIAL ASSETS

The table below shows financial assets which are overdue but not impaired as at the balance sheet date. The carrying amounts are compared to the renegotiated lending volume and the collateral provided. The assets are broken down into categories. Where a category is not explicitly listed, there were no assets overdue in that category.

Carrying amounts of overdue, unimpaired financial assets (€ m)	Overdue < 3 mths		Overdue 3–6 mths		Overdue 6–12 mths		Overdue > 12 mths		Fair value of collateral		Renegotiated volume	
	06/30/2009	12/31/2008	06/30/2009	12/31/2008	06/30/2009	12/31/2008	06/30/2009	12/31/2008	06/30/2009	12/31/2008	06/30/2009	12/31/2008
Loans And Receivables (LAR)												
Loans and advances to banks	35	22	–	–	–	–	–	–	30	27	–	–
Loans and advances to customers	629	1,711	434	47	235	27	93	79	467	1,345	402	231
Total	**664**	**1,733**	**434**	**47**	**235**	**27**	**93**	**79**	**497**	**1,372**	**402**	**231**

Ten days after the balance sheet date of 30 June 2009, payments in the amount of € 6 million had been received for transactions with a total carrying amount of € 478 million. Assets are already deemed overdue if payment is delayed by one day.

The overdue but unimpaired loan portfolio is backed by collateral in the form of real estate liens, pledge agreements and assignments. The assignments mainly comprise physical collateral as security.

Restructured lending transactions are considered renegotiated if an assessment occurs in the course of the renegotiation of the contractual terms as a result of changes to the interest rate structure, maturity and/or other terms agreed.

III. IMPAIRED FINANCIAL ASSETS AND ASSOCIATED COLLATERAL

The table below shows all impaired financial assets and the associated collateral pledged as at the balance sheet date. The financial assets are broken down by category.

Impaired financial assets and collateral (€ m)	Gross carrying amount of impaired financial assets		Impairment		Carrying amount of financial assets after impairment		Fair value of collateral for impaired financial assets	
	06/30/2009	**12/31/2008**	**06/30/2009**	**12/31/2008**	**06/30/2009**	**12/31/2008**	**06/30/2009**	**12/31/2008**
Loans And Receivables (LAR)								
Loans and advances to banks	770	782	411	362	359	420	–	–
Loans and advances to customers	5,793	4,718	2,091	1,684	3,702	3,034	1,745	1,691
Financial investments [1]	2,140	2,389	1,077	939	1,063	1,450	–	46
Available For Sale (AFS)								
Financial investments [1]	1,652	1,788	500	605	1,152	1,181	–	–
Total	**10,355**	**9,677**	**4,079**	**3,590**	**6,276**	**6,085**	**1,745**	**1,737**

[1] The financial investments categorised as LAR and AFS are shown in the balance sheet as net values, i. e. as carrying amounts after impairment.

38. CREDIT RISK EXPOSURE

The maximum credit risk exposure is based on both the IFRS carrying amounts shown in note (36), which take into account loan loss provisions amounting to € 3,591 million (previous year: € 2,751 million), and the off-balance-sheet business set out in note (39).

For details of collateral received, see note (41).

Credit risk exposure (€ m)	Carrying amount / nominal volume 06/30/2009	12/31/2008
Assets		
Held For Trading (HFT)		
Assets Held For Trading	20,161	26,663
Designated at Fair Value (DFV)		
Loans and advances to banks	362	448
Loans and advances to customers	1,373	1,264
Financial investments	3,013	3,349
Available For Sale (AFS)		
Loans and advances to banks	50	50
Financial investments	13,789	19,933
Loans And Receivables (LAR)		
Loans and advances to banks	21,083	22,432
Loans and advances to customers	112,655	113,684
Financial investments	19,304	13,230
Other assets	455	472
Without IAS 39 category		
Cash reserve	692	1,419
Positive market values of hedge derivatives	2,215	2,807
Finance lease business	128	142
Subtotal balance sheet business	**195,280**	**205,893**
Off-balance-sheet business		
Without IAS 39 category		
Contingent liabilities	5,333	6,308
Irrevocable loan commitments	16,927	23,118
Subtotal off-balance-sheet business	**22,260**	**29,426**
Total credit risk exposure	**217,540**	**235,319**

39. CONTINGENT LIABILITIES AND IRREVOCABLE CREDIT COMMITMENTS

Off-balance-sheet business (€ m)	06/30/2009	12/31/2008
Contingent liabilities	5,333	6,308
Irrevocable credit commitments	16,927	23,118
Total	**22,260**	**29,426**

Other disclosures

40. REPORT ON DERIVATIVE TRANSACTIONS

Derivative financial instruments were used increasingly and to a significant extent for the purposes of efficient risk hedging, exploiting market opportunities and meeting the special financing needs of customers. We engage in derivatives business first and foremost with banks based in an OECD country.

The nominal volume of derivative transactions, which is broken down by risk and maturity structure in the following tables, amounted to € 695,391 million as at the balance sheet date (31 December 2008: € 744,291 million).

In addition to the derivatives set out in the tables, credit derivatives are also entered into in order to hedge credit risks. The volume for which the HSH Nordbank Group acted as guarantee (buyer) or guarantor (seller) for credit default swaps amounted to € 4,917 million (buyer) and € 3,586 million (seller) as at the balance sheet date (31 December 2008: € 5,480 million and € 5,011 million).

I. VOLUMES

Derivative transactions with interest rate risks (€ m)	Nominal value	
	06/30/2009	12/31/2008
Interest rate swaps	532,529	536,054
FRAs	10,090	20,375
Interest rate options		
long positions	2,728	3,624
short positions	2,222	1,890
Caps, floors	32,812	33,495
Exchange-traded contracts	1,081	1,492
Other forward interest rate transactions	5,350	6,347
Total	**586,812**	**603,277**

Derivative transactions with interest rate and currency risks (€ m)	Nominal value	
	06/30/2009	12/31/2008
Cross currency swaps	**43,793**	**36,611**

Derivative transactions with currency risks (€ m)	Nominal value	
	06/30/2009	12/31/2008
Forward exchange transactions	49,298	82,520
Currency options		
long positions	4,106	5,931
short positions	3,716	5,471
Total	**57,120**	**93,922**

Derivative transactions with equity and other price risks (€ m)	Nominal value	
	06/30/2009	12/31/2008
Equity options		
long positions	1,260	2,232
short positions	2,239	3,672
Forward equity transactions	94	599
Exchange-traded contracts	402	893
Equity/index-based swaps	2,224	2,652
Commodity contracts	1,447	433
Total	**7,666**	**10,481**

II. MATURITIES

Maturities (€ m)	Interest rate risks		Interest rate and currency risks		Currency risks		Equity / other price risks	
	06/30/2009	12/31/2008	06/30/2009	12/31/2008	06/30/2009	12/31/2008	06/30/2009	12/31/2008
Residual maturity								
up to 3 months	96,333	114,367	32,442	25,597	37,656	59,256	815	1,610
3 months to 1 year	91,278	85,255	2,395	1,082	13,863	28,266	1,968	2,232
1 year to 5 years	216,757	210,226	5,119	5,981	4,827	5,561	2,999	3,617
more than 5 years	182,444	193,429	3,837	3,951	774	839	1,884	3,022
Total	586,812	603,277	43,793	36,611	57,120	93,922	7,666	10,481

41. DISCLOSURES ON COLLATERAL TRANSFERRED AND RECEIVED

I. TRANSFERRED COLLATERAL

HSH Nordbank had transferred assets amounting to € 62,921 million (31 December 2008: € 59,902 million) as collateral as at 30 June 2009.

Collateral transferred by the Bank are primarily assets which have been transferred to the reserve stock in order to collateralise the placement of Pfandbriefe in accordance with the German Pfandbrief Act (PfandBG) and the Public Pfandbrief Act (ÖPG). In addition, assets like securities, loan notes and other loans for the short-term collateralisation of money market loans have been deposited as collateral with domestic and foreign commercial and central banks.

HSH Nordbank enters into repurchase agreements as part of (national and international) bilateral repo framework contracts. The liabilities associated with this are recognised in the balance sheet as liabilities to banks and customers. The repurchase agreements are monitored for collateralisation in the form of daily measurement of the transactions. In the event of certain premises, the counterparty is authorised to demand that HSH Nordbank deposits further collateral. The collateral provided is subject to full transfer of rights, i.e. the guarantee can treat it like the owner and, in particular, effect dispositions in the form of transfers of ownership or pledges. If, after HSH Nordbank has provided collateral, the market situation changes to the extent that there is surplus cover, HSH Nordbank is entitled to demand a release of collateral from the counterparty. In the case of securities collateral, securities of the same type and quality ("the same class") must be provided in return without any burdens. If securities collateral is provided, the collateral may not be returned in the form of liquid funds.

In the case of triparty repo transactions, the above-mentioned conditions and collateralisation procedures are to be applied simultaneously between HSH Nordbank and the counterparty, while the transactions are carried out via a triparty agent.

Money market loans are first and foremost collateralised against the pledging and transfer of securities to the pledged securities account of the European Central Bank. Loan notes and other loans are not pledged to the European Central Bank, but are assigned silently. An interim resale or pledge is not possible.

II. COLLATERAL RECEIVED IN REPO TRANSACTIONS

HSH Nordbank received financial and non-financial assets with a fair value of € 5,515 million (31 December 2008: € 5,308 million) in collateral from guarantors through repurchase agreements, securities lending transactions and triparty repo transactions. These assets are not subject to any disposal or liquidation restrictions and include cash collateral of € 2,155 million (31 December 2008: € 3,465 million) received by HSH Nordbank in the reporting period. No transactions relating to this collateral were resold or pledged in 2008 or 2009.

HSH Nordbank enters into repurchase agreements, securities lending transactions and triparty repo transactions on the basis of standardised framework contracts with selected counterparties. The same conditions and collateralisation procedures apply as to transferred collateral.

III. OTHER COLLATERAL RECEIVED

No assets arising from the liquidation of collateral were capitalised during the reporting period (31 December 2008: € 0 million).

To boost refinancing in the capital market, HSH Nordbank received a government liquidity guarantee of € 30 billion from the Special Fund Financial Market Stabilization (SoFFin). The guarantee is equivalent to an absolute suretyship with no benefit of discussion. The non-current debentures worth € 6 billion issued as at 30 June 2009 are guaranteed in full by the SoFFin. These guaranteed debentures have maturities ranging between three months and three years.

The expenses incurred as a result of the guarantee being granted and provided are recognised in the income statement under expenses for government guarantees.

Please refer to Note (2) for details of the € 10 billion guarantee framework granted to HSH Nordbank and two of its Group companies by the State of Schleswig-Holstein and the Free and Hanseatic City of Hamburg via HSH Finanzfonds AöR.

42. LOANS AND ADVANCES AND LIABILITIES TO EQUITY HOLDINGS AND AFFILIATED COMPANIES AS WELL AS TO OTHER RELATED COMPANIES AND PARTIES

As part of ordinary business operations, transactions with unconsolidated equity holdings and affiliated companies and with other related companies and parties are carried out according to generally accepted market terms and conditions.

I. SUBSIDIARIES

Subsidiaries – assets
(€ m)

	06/30/2009	12/31/2008
Loans and advances to customers	607	856
Assets Held For Trading	38	45
Financial investments	367	403
Other assets	15	11
Total	**1,027**	**1,315**

Subsidiaries – liabilities
(€ m)

	06/30/2009	12/31/2008
Liabilities to customers	83	165
Securitised liabilities	–	102
Other liabilities	4	1
Total	87	268

Subsidiaries – income statement
(€ m)

	06/30/2009	06/30/2008
Net interest income	15	11
Result from hedging	-1	–
Net trading income	-15	4
Net income from financial investments	-53	–
Total	-54	15

II. ASSOCIATED AND OTHER RELATED COMPANIES

Associated and other related companies – assets
(€ m)

	06/30/2009	12/31/2008
Loans and advances to banks	177	800
Loans and advances to customers	1,109	996
Assets Held For Trading	32	40
Financial investments	1,133	1,123
Other assets	4	5
Total	2,455	2,964

Associated and other related companies – liabilities
(€ m)

	06/30/2009	12/31/2008
Liabilities to banks	246	141
Liabilities to customers	136	128
Securitised liabilities	100	–
Negative market values of hedge derivatives	–	2
Liabilities Held For Trading	10	8
Other liabilities	2	1
Total	494	280

Associated and other related companies – income statement
(€ m)

	06/30/2009	06/30/2008
Net interest income	20	32
Net commission income	1	–
Net trading income	-3	4
Net income from financial investments	-14	–
Total	4	36

III. RELATED PARTIES AND COMPANIES

Listed below are the transactions with related parties and companies not already included under associated and other related companies:

Related parties and companies – assets
(€ m)

	06/30/2009	12/31/2008
Loans and advances to customers	802	787
Positive market values of hedge derivatives	22	23
Assets Held For Trading	41	277
Financial investments	560	429
Total	1,425	1,516

Related parties and companies – liabilities
(€ m)

	06/30/2009	12/31/2008
Liabilities to customers	1,640	1,175
Securitised liabilities	508	508
Negative market values of hedge derivatives	9	15
Liabilities Held For Trading	46	40
Total	2,203	1,738

Related parties and companies – income statement
(€ m)

	06/30/2009	06/30/2008
Net interest income	5	10
Result from hedging	-9	-3
Net trading income	12	12
Net income from financial investments	–	-2
Expenses for government guarantees	-100	–
Total	**-92**	**17**

43. MEMBERS OF EXECUTIVE BODIES AND THEIR RESPONSIBILITIES

The Supervisory Board was re-appointed on 1 July 2009 and new elections were held for the committee members. The following list shows the current make-up of these bodies:

I. THE SUPERVISORY BOARD OF HSH NORDBANK GROUP

Hilmar Kopper, Rothenbach
Former spokesperson for the Board of Deutsche Bank AG
Chairman

Olaf Behm, Hamburg
Employee of HSH Nordbank AG
Deputy Chairman

Sabine-Almut Auerbach, Lübeck
District secretary, ver.di Southern Holstein district

Astrid Balduin, Kiel
Employee of HSH Nordbank AG

Hans-Werner Blöcker, Helmstorf
Managing Director of Vereinigte Asphalt-Mischwerke GmbH & Co. KG

Berthold Bose, Hamburg
Regional financial services representative, ver.di Hamburg district

Detlev Bremkamp, München
Former member of the Board of Allianz AG Holding

Jürgen Friedland, Kiel
Employee of HSH Nordbank AG

Jens-Peter Gotthardt, Morrege
Employee of HSH Nordbank AG

Torsten Heick, Rellingen
Employee of HSH Nordbank AG

Oke Heuer, Kiel
Director of Internal Auditing, Savings Bank and Giro Centre Association for Schleswig-Holstein

Dr. Rainer Klemmt-Nissen, Hamburg
Senate Director, Ministry of Finance of the Free and Hanseatic City of Hamburg

Lutz Koopmann, Altenholz
CEO of Investitionsbank Schleswig-Holstein

Dr. Joachim Lemppenau, Korschenbroich
Former CEO of Volksfürsorge Versicherung

Manfred Lener, Kiel
Employee of HSH Nordbank AG

Rieka Meetz-Schawaller, Kiel
Employee of HSH Nordbank AG

Dr. Hans Reckers, Bad Homburg (as of 01.11.09)
Former member of the Board of Deutsche Bundesbank

Edda Redeker, Kiel
ver.di northern district

Ravi S. Sinha, London
Member of the Board of J.C. Flowers & Co. LLC

Bernd Wrede, Hamburg
Former CEO of Hapag Lloyd AG

(a) Members of the Risk Committee

Dr. Hans Reckers (as of 01.11.09)
Chairman

Ravi S. Sinha
Deputy Chairman

Astrid Balduin

Olaf Behm

Torsten Heick

Manfred Lener

Dr. Rainer Klemmt-Nissen

Hilmar Kopper

(b) Members of the Audit Committee

Dr. Joachim Lemppenau
Chairman

Lutz Koopmann
Deputy Chairman

Olaf Behm

Jürgen Friedland

Jens-Peter Gotthardt

Oke Heuer

Hilmar Kopper

Rieka Meetz-Schawaller

(c) Members of the Executive Committee

Hilmar Kopper
Chairman

Ravi S. Sinha

Olaf Behm

Oke Heuer

Dr. Rainer Klemmt-Nissen

Lutz Koopmann

Rieka Meetz-Schawaller

(d) Members of the Mediation Committee

Hilmar Kopper
Chairman

Dr. Rainer Klemmt-Nissen

Olaf Behm

Manfred Lener

II. MEMBERS OF THE MANAGEMENT BOARD OF HSH NORDBANK GROUP

Prof. Dr. Dirk Jens Nonnenmacher
Chairman
Divisional responsibilities: Corporate Communication, Corporate Development/Management, Corporate Office and Marketing, Legal and Group Compliance, Tax, Finance, Group Risk Management, Credit Risk Manage-

ment, since 28 April 2009 also temporarily responsible for: IT / Organisation, Human Resources, Internal Audit, Transaction Services
Born 1963

Peter Rieck
Deputy Chairman
Divisional responsibilities: Energy, Shipping, Transportation
Born 1952

Joachim Friedrich
Divisional responsibilities: Group Treasury, Asset and Investment Management, Capital Markets Clients, Capital Markets Structuring & Trading, Capital Markets Credits
Born 1964

Frank Roth
Divisional responsibilities: IT / Organisation, Human Resources, Internal Audit, Transaction Services (until 27 April 2009)
Born 1959

Bernhard Visker
Divisional responsibilities: Corporate Clients, Real Estate Clients, Private Banking, Savings Banks
Born 1966

Hamburg / Kiel, 19 August 2009

Nonnenmacher Rieck

Friedrich Visker

Review report

TO HSH NORDBANK AG, HAMBURG AND KIEL

We have reviewed the condensed interim consolidated financial statements of the HSH Nordbank AG, Hamburg and Kiel — comprising the balance sheet, the statement of comprehensive income, statement of changes in equity, condensed cash flow statement, and selected explanatory notes — together with the interim group management report of the HSH Nordbank AG, Hamburg and Kiel, for the period from January 1st to June 30th 2009 that are part of the semi annual financial report according to § 37 w WpHG („Wertpapierhandelsgesetz“: „German Securities Trading Act“). The preparation of the condensed interim consolidated financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company’s Board of Managing Directors. Our responsibility is to issue a review report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

We performed our review of the condensed interim consolidated financial statements and the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, and that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an auditor's opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, nor that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Hamburg, August 19th 2009

KPMG AG
Wirtschaftsprüfungsgesellschaft

Krall	Madsen
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Responsibility statement by the Management Board

We hereby affirm that, to the best of our knowledge and in accordance with the applicable reporting principles for interim reporting, the interim Group financial statements give a true and fair view of the assets, financial and earnings situation of HSH Nordbank Group, and the interim Group management report includes a fair review of the development and performance of the business and the position of HSH Nordbank Group, together with a description of the principal opportunities and risks associated with the expected development of HSH Nordbank Group in the rest of the year.

Hamburg/Kiel, 19 August 2009

Nonnenmacher	Rieck
Friedrich	Visker

IMPRINT

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Internet: www.hsh-nordbank.com

The interim report is also available for download on the internet: www.hsh-nordbank.com

This is an English translation of the original German version of the interim report.

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

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

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