Q3

Interim Report as of 30 September 2009

HSH NORDBANK

HSH NORDBANK GROUP AT A GLANCE

Income statement (€ m)	1 Jan – 30 Sep 2009	1 Jan – 30 Sep 2008
Net income before taxes	–886	–456
Net income after taxes / Group net loss	–821	–466

Balance sheet (€ bn)	30 Sep 2009	31 Dec 2008
Total assets	186.0	208.3
Business volume	206.2	237.7

Capital ratios[1] (%)	30 Sep 2009	31 Dec 2008
Tier 1 capital ratio	10.2	7.5
Regulatory capital ratio	16.0	11.6

Employees	30 Sep 2009	31 Dec 2008
Total	4,365	5,070
Germany	3,605	4,087
abroad	760	983

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

[1] including market risk positions

[2] Liabilities covered by the guarantee obligation

HSH NORDBANK AG – INTERIM REPORT

CONTENTS

LETTER FROM THE CEO	2
INTERIM MANAGEMENT REPORT OF HSH NORDBANK GROUP	4
BUSINESS AND UNDERLYING CONDITIONS	4
BUSINESS DEVELOPMENTS	7
Earnings situation	7
Net assets and financial position	10
SEGMENTS	13
OUTLOOK	21
RISK REPORT	24
INTERIM FINANCIAL STATEMENTS OF HSH NORDBANK GROUP	32
STATEMENT OF COMPREHENSIVE INCOME OF HSH NORDBANK GROUP	32
STATEMENT OF FINANCIAL POSITION OF HSH NORDBANK GROUP	34
STATEMENT OF CHANGES IN EQUITY	36
ABRIDGED CASH FLOW STATEMENT	38
Notes	39
General information	39
Notes to the income statement	44
Notes to the statement of financial position	50
Segment reporting of HSH Nordbank Group	59
Notes to financial instruments	60
Other disclosures	68
REVIEW REPORT	75
RESPONSIBILITY STATEMENT BY THE MANAGEMENT BOARD	76

LADIES AND GENTLEMEN,

HSH Nordbank ended the first nine months of the year in somewhat better shape than we had expected at the beginning of 2009 — despite total assets being significantly reduced and the economic downturn being more severe than predicted.

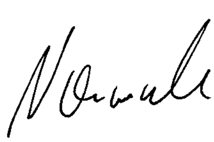
A number of factors were responsible for the Bank's earnings situation. We more than doubled total income year on year in the period under review. We are very pleased that business in our client-facing units was stable given the generally difficult economic conditions. We primarily continued to support our existing customers by providing loans, whereas we were very selective in entering into commitments with new customers. The trend in interest rates over recent months also had a positive impact. Our capital markets business benefited from the recovery of the international financial markets. Besides write-ups and gains on the sale of securities portfolios, the continued winding-down in the credit investment portfolio also led to positive results.

The success of our ongoing restructuring is also reflected in reduced administrative expenses. Drastic savings in operating expenses stand out, as do staff reductions, which were enacted in a socially acceptable manner. We have already carried out more than half of the full-time job cuts planned to be implemented by 2012. The ongoing scaling-back of our international network of offices has also contributed to more efficient cost structures.

We have once again increased the loan loss provisions to take into account the very difficult situation prevailing in some of the industries and companies which are of relevance to us. Conditions for lending will remain challenging in the immediate future, even though the outlook in key economic sectors is gradually improving in the wake of the moderate recovery in the economy.

Overall, the measures we have taken have further stabilised the situation at HSH Nordbank. At 10.2 %, our Tier 1 capital ratio is at an internationally competitive level. Our ability to independently raise funds on the capital markets has improved noticeably, and funding has become cheaper over the last few months. We do not intend to take up any more guarantees from the state's Financial Market Stabilisation Fund. The guarantee facility provided expires at the end of this year.

We will carry on with the realignment of the Bank over the coming months. A key element of our future structure is the Restructuring Unit, into which all of the non-strategic portfolios will be bundled. This unit, managed within the Bank, will already be shown transparently as a separate segment in the 2009 Annual Report. In view of all the progress we have made on our targets, I remain firmly of the opinion that HSH Nordbank will once again be profitable from 2011.



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 recovering from its lows

The global economy appears to have passed the lowest point in the deepest recession of the post-war era in the autumn of 2009. Driven by government stimulus programmes to boost domestic demand, Asian emerging market economies began to pick up as early as the spring. Since the summer, world trade, which had previously slumped, has increased and this has given an added boost to the heavily export-dependent Asian economies. After a time lag, the industrialised economies also started to stabilise in the second quarter — not least as a result of the huge stimulus programmes launched by governments and central banks. The economies of a number of countries, such as Germany and Japan, even started to grow, while in others, such as the US and the UK, there was a considerable slowdown in the trend of decline.

In the third quarter the global economy continued to pick up steam. In the euro zone this was most likely due to government stimulus programmes and an end to the substantial reduction in inventories. In the US the rise in investments in residential construction gave an additional boost to demand; this was the first rise in such investments in 14 quarters.

Clean-up of the banking sector continues

The situation of the banks has cheered up as the year has progressed. There were profits to be made in the wake of the recovery on the financial markets, especially in the capital markets business. A number of banks were in a position to repay the state aid they had received or to raise unsecured funds on the capital markets. Data from Bloomberg show the charges reported by banks for impairment losses and defaults have been falling steadily every quarter since their peak at the end of 2008. However, the relief experienced in credit investments in the wake of the economic collapse has to be set against the need to make greater provisions for defaults in traditional lending business. In view of the ongoing pressure on banks to improve their capital strength, but also because of the lower demand caused by the recession, lending to individuals in the euro zone up to September fell to below the level of the previous year.

Easing on financial markets

The recovery on the international financial markets that started in the spring continued to hold up in the third quarter. The lower rates for three-month unsecured interbank lending and the lower spreads on corporate bonds showed that investors were gradually regaining confidence. The yields on ten-year government bonds at the end of October were above their lows at the beginning of the year, both in the USA and the euro zone. The rise was not as sharp in Europe as in the USA, where the risk of inflation is higher, owing to its more expansive monetary policy and the weak dollar.

The yields on two-year government bonds were largely stable in view of expectations that interest rates will remain low for a considerable time on both sides of the Atlantic. Both the Federal Reserve and the European Central Bank have carried on with their unconventional monetary policy measures until now. The Bank of England even stepped up its purchases of government and corporate bonds in August and again in November.

The euro has been appreciating against the US dollar since February. It gained on the one hand from investors becoming less averse to risk, whereas they had previously supported the US currency as a safe haven. On the other hand, the weakness of the US dollar may also be down to carry trades against it and uncertainty on the part of investors about its long-term role as a global reserve currency.

Equity markets also continued to recover in the third quarter. Boosted by hopes of an economic revival, the DAX, DJ STOXX 50 and S&P 500 had all gained more than 50% from their lows at the beginning of March by the end of the third quarter. This performance reflects the return of more optimistic expectations. Demand by investors also provided support to the markets.

HSH Nordbank realignment on track

HSH Nordbank continues to make good progress in implementing its strategic realignment. In recent months the focus has primarily been on creating a restructuring segment and submitting a restructuring plan to the European Commission. The € 3 billion capital injection and € 10 billion financial guarantee by the federal states of Hamburg and Schleswig-Holstein in the second quarter of 2009 mean that solid foundations have already been laid for the Bank to make a successful fresh start.

As expected, the EU Commission decided in October 2009 to investigate whether the stated stabilising measures taken by the federal states to stabilise the Bank and the restructuring plan submitted in September were compatible with EU rules on state aid. The steps taken by the federal states had earlier been provisionally approved as rescue aid. The EU assessment process — which is standard in such circumstances — is likely to be completed within the next few months.

Restructuring Unit set up

A key element of the future structure is a special division, separate from our core business, containing all the portfolios intended for reduction or disposal. The total assets of the remaining core bank will be roughly halved.

The Bank made decisions in October 2009 on appointments to the management positions in the Restructuring Unit and its organisational structure. The newly created division will be run from 1 December 2009 as a separate segment within the Bank and, besides a support unit, comprise three business units: the Wind-down Loans unit will concentrate on winding down the relatively low-risk lending business; the Special Loans unit will be in charge of the intensively managed and work-out loans; while the Divestments unit will be responsible for the capital markets portfolios.

Changes to the Management Board

HSH Nordbank's Supervisory Board reinforced the Bank's management with the appointment at its meeting on 20 October 2009 of two new members to the Management Board. We succeeded in attracting the distinguished expert on risk management, Constantin von Oesterreich, to the Board: he was appointed for three years with effect from 1 November 2009 with responsibility for risk management. Also with effect from 1 November 2009, Martin van Gemmeren was appointed for three years to the Management Board as Head of the Restructuring Unit (see above). He has worked in the banking and insurance sector and was also involved in advising Dresdner Bank's Institutional Restructuring Unit in this capacity. Mr van Gemmeren has been at HSH Nordbank since October 2006, taking responsibility for a number of areas including work-out management, and has for several months been in charge of the project to establish the Restructuring Unit.

With effect from 1 December 2009, the Management Board has appointed Ulrich Voss as Chief Operating Officer with the rank of Generalbevollmächtigter. He is responsible in this capacity for the Transaction Services and IT/Organisation divisions. Mr Voss is a recognised expert in transaction banking, bank IT and restructuring.

At an extraordinary meeting held on 10 November 2009, the Supervisory Board of HSH Nordbank AG considered the legal opinion it had commissioned from Freshfields Bruckhaus Deringer LLP. After discussing it thoroughly, the Supervisory Board decided to revoke with immediate effect the appointments of Jochen Friedrich and Peter Rieck as members of the Management Board.

Cost savings better than expected

The cost-cutting measures taken in the wake of our realignment are beginning to have a noticeable effect. Administrative expenses as at 30 September were down 11 %, in excess of the expected amount. This achievement is due to drastic cutbacks in operating costs and to our progress in reducing headcount. The number of full-time jobs had been reduced by around 670 by 30 September 2009. All in all, the plan is for the number of jobs at home and abroad to fall by 1,100 by 2012.

At the end of September, the Management Board and the Works Council signed agreements on balancing interests and establishing a social compensation plan. These agreements regulate the concerns of the employees and compensatory measures related to the restructuring of HSH Nordbank. The agreements enable the forthcoming changes to be implemented quickly and accordingly represent another step towards our realignment.

BUSINESS DEVELOPMENTS

Earnings situation

Income statement (€ m)	Note	January – September 2009	January – September 2008	Change in %
Interest income		16,647	24,865	-33.1
Interest expense		-15,362	-23,597	-34.9
Net interest income	(5)	**1,285**	**1,268**	**1.3**
Loan loss provisions	(6)	-1,841	-509	> 100
Net interest income after loan loss provisions		**-556**	**759**	**> -100**
Net commission income	(7)	154	209	-26.3
Result from hedging	(8)	106	–	–
Net trading income	(9)	533	-507	> -100
Net income from financial investments	(10)	-159	-213	-25.4
Administrative expenses	(11)	-649	-730	-11.1
Other operating income	(12)	50	26	92.3
Restructuring expenses	(13)	-79	–	–
Expenses for government guarantees	(14)	-286	–	–
Net income before taxes		**-886**	**-456**	**94.3**
Income tax		65	-10	> -100
Net income after taxes / Group net loss		**-821**	**-466**	**76.2**
Group net loss attributable to non-controlling interests		-13	-4	> 100
Group net loss attributable to HSH Nordbank shareholders		-808	-462	74.9

EARNINGS MORE THAN DOUBLED

Total income, i.e. the sum of net interest income, net commission income, result from hedging, net trading income and net income from financial investments more than doubled, rising to € 1,919 million (previous year: € 757 million) as at 30 September 2009. This welcome development is mainly due to positive effects arising from trading positions and the result from hedging. Net interest income — which is the largest income item and mainly derived from the Bank's client business — rose slightly.

Net interest income

Net interest income rose slightly by 1.3 % to € 1,285 million, compared to € 1,268 million in the corresponding period in the previous year. Thanks to successful outcomes from existing business, the contribution made by client-facing units was once again positive. Parts of this rise are due to a higher volume of loans granted on the basis of earlier commitments and also to improved margins. In addition, movements in the exchange rate of the US dollar had a major effect. However, the limitations on taking on new business in view of the critical situation restricted opportunities to boost income further. In addition, the significant fall in short-term interest rates allowed profits to be made on money-market transactions, the bulk of which are due to maturity transformation. In contrast, the lower interest rates meant that income from investing equity capital and from equity holdings dropped significantly year-on-year.

Net commission income

At € 154 million, net commission income was 26 % below the figure for the previous year (€ 209 million). The limited amount of new business, together with less activity in syndication business and from acting as arranger, also had a more noticeable effect, as this meant that we were not able to generate as much from fees on lending transactions. Caution on the part of investors also led to less commission income from securities transactions. In addition, the placement of state-guaranteed bonds caused a rise in commission expense. Over the course of 2009 net commission income has remained roughly stable.

Result from hedging

The result from hedging, which is the result of hedges that are not completely effective, stood at € 106 million — a significant year-on-year rise (previous year: € 0). This is mainly due to the structure of the euro yield curve in the short and medium-term.

Net trading income

The favourable conditions on the financial markets in recent months provided a major boost to net trading income. It rose to € 533 million, compared to a loss in the previous year of € 507 million. A large portion of the income is the result of revaluations and gains on the sale of trading positions from the credit investment portfolio, and reversals of write-downs on structured transactions. The previous year had seen substantial losses in this area. Additional gains as at 30 September 2009 were the result of foreign exchange gains, the revaluation of derivatives, and liabilities categorised as designated at fair value.

Net loss from financial investments

Banking book positions in the credit investment portfolio also recovered in recent months as a result of much lower impairment losses and contributed to an improvement in the net loss from financial investments in the current year. After reporting a figure that stood at € –313 million for the first half of the year, the net loss from financial investments improved as at 30 September 2009, rising to € –159 million. This also represents a significant year-on-year improvement (previous year: € –213 million). Gains made from reducing securities portfolios further and reversals of write-downs made an additional positive contribution. Impairment losses on equity holdings had a negative impact.

Significant rise in loan loss provisions

In view of the very difficult situation prevailing in certain industries and companies, we have once again significantly raised loan loss provisions, to € 1,841 million (previous year: € 509 million). The net additions comprise € 1,637 million for specific items and € 204 million for portfolio valuation allowances. At € 959 million, the largest part of these provisions relates to the Shipping division, in view of the prevailing problems in this sector.

Administrative expenses

The administrative expenses reflect the success of our cost-cutting programme. As at 30 September 2009, they stood at € 649 million, compared to € 730 in the previous year — a drop of 11 %. This reduction is spread between operating expenses (€ 47 million) and personnel expenses (€ 34 million). In the case of operating expenses, there were notable savings in fees, advertising and travel expenses. Personnel expenses fell mainly as a result of our progress in reducing the number of jobs and effects from changes in the scope of consolidation.

Restructuring expense

The Bank's realignment involved a restructuring expense of € 79 million in the first nine months of the year. This mainly related to expenses for personnel measures and consultancy fees.

Expenses for government guarantees

We reported expenses of € 83 million (previous year: € 0) as at 30 September 2009 for the utilisation of those guarantees issued by the Special Fund for Financial Market Stabilisation (SoFFin). As at 30 September 2009, HSH Nordbank had taken up € 17 billion of the total facility provided. Expenses of € 203 million have been incurred since the beginning of the second quarter for the € 10 billion financial guarantee issued by the federal states.

HSH Nordbank is paying an annual fee for this amounting to 4%.

Earnings better than expected

In view of the significant increase in loan loss provisions, there was a loss before taxes of € 886 million (previous year: € –456 million) which, however, thanks to the substantial rise in income, was above the Bank's budgeted earnings for the first nine months. After taking income tax into account, there was a Group net loss of € 821 million (previous year: € –466 million).

Net assets and financial position

(€ m)	Note	30.9.2009	following adjustment 31.12.2008	Change in %
Assets				
Cash reserve		1,187	1,419	-16.3
Loans and advances to banks	(16)	18,692	23,340	-19.9
Loans and advances to customers	(17)	112,995	117,431	-3.8
Loan loss provisions	(18)	-4,112	-2,751	49.5
Positive fair value of hedge derivatives	(19)	2,030	2,807	-27.7
Positive adjustment item from portfolio fair value hedges		373	427	-12.6
Assets Held For Trading	(20)	20,040	26,663	-24.8
Financial investments	(21)	32,455	36,511	-11.1
Intangible assets	(22)	257	246	4.5
Property, plant and equipment	(23)	104	114	-8.8
Investment properties	(24)	317	285	11.2
Non-current assets held for sale and disposal groups	(25)	58	–	–
Current tax assets		508	572	-11.2
Deferred tax assets	(26)	794	726	9.4
Other assets	(27)	344	472	-27.1
Total assets		**186,042**	**208,262**	**-10.7**

(€ m)	Note	30.9.2009	following adjustment 31.12.2008	Change in %
Liabilities				
Liabilities to banks	(28)	42,440	61,391	-30.9
Liabilities to customers	(29)	54,102	52,397	3.3
Securitised liabilities	(30)	54,540	58,200	-6.3
Negative fair value of hedge derivatives	(31)	798	2,194	-63.6
Negative adjustment item from portfolio fair value hedges		1,273	1,159	9.8
Liabilities Held For Trading	(32)	15,871	17,587	-9.8
Provisions	(33)	1,474	1,412	4.4
Liabilities relating to disposal groups		7	–	–
Current tax obligations		72	101	-28.7
Deferred tax obligations		29	14	> 100
Other liabilities	(34)	1,673	1,795	-6.8
Subordinated capital	(35)	9,337	9,962	-6.3
Equity	(36)	4,426	2,050	> 100
Share capital		2,460	881	> 100
Capital reserve		1,509	88	> 100
Retained earnings		1,668	1,354	23.2
Revaluation reserve		-345	-562	-38.6
Currency conversion reserve		-87	-85	2.4
Group profit/loss		-808	329	> -100
Total before non-controlling interests		4,397	2,005	> 100
Non controlling interests		29	45	-35.6
Total equity and liabilities		**186,042**	**208,262**	**-10.7**

REDUCTION IN PORTFOLIOS A MAJOR FEATURE OF CHANGES IN THE BALANCE SHEET

The HSH Nordbank Group's total assets as at 30 September 2009 had fallen significantly against the figure reported at the end of 2008, namely by 10.7% to € 186.0 billion (31 December 2008: € 208.3 billion). This change was driven mainly by the consistent implementation of the restructuring measures, which are aimed at significantly reducing total assets.

Among the assets, loans and advances to banks were down sharply (€ 18.7 billion compared to € 23.3 billion [–19.9%]) as were loans and advances to customers (€ 113.0 billion compared to € 117.4 billion [–3.8%]), which were affected by the limited volume of new business and moves in exchange rates.

While the effects of the economic crisis made it necessary to significantly raise the volume of loan loss provisions by 49.5% to € –4.1 billion (31 December 2008: € –2.8 billion), assets held for trading fell heavily by 24.8% to € 20.0 billion. This is, above all, due to a reduction in assets held for trading and a fall in the positive fair value of derivatives. The major part of the significant € 4.1 billion fall in financial assets to € 32.5 billion (–11.1%), was, in particular, a result of the ongoing reduction in the credit investment portfolio.

The restriction on business and the reduction in portfolios were reflected in the liabilities side of the balance sheet by falls in major items.

Owing to the fall in funding requirements, liabilities to banks were significantly cut back from € 61.4 billion to € 42.4 billion; the same applied to securitised liabilities which stood at € 54.5 billion (–6.3%) as at 30 September 2009. By contrast, as a result of stable growth in customer deposits, liabilities to customers rose by 3.3% to € 54.1 billion (31 December 2008: € 52.4 billion).

Liabilities held for trading, primarily comprising negative fair value of derivatives, dropped by € 1.7 billion to € 15.9 billion (31 December 2008: € 17.6 billion) in line with the moves in the positive fair value of derivatives.

Overall, subordinated capital also fell slightly and stood at € 9.3 billion as at 30 September 2009 (31 December 2008: € 10.0 billion).

Equity base strengthened

As part of the capital increase transacted in the second quarter of 2009, € 3 billion was added to HSH Nordbank's equity. The negative revaluation reserve improved substantially against 31 December 2008 and stood at € –345 million as at 30 September 2009. This change is mainly due to reversals of write-downs on AFS items in the credit investment portfolio (€ +280 million). The net loss had a negative impact on equity. Overall, reported equity stood at € 4.4 billion (31 December 2008: € 2.1 billion).

Reduction in business volume

In line with the fall in total assets, there was an overall 13.3% drop in the volume of business as at 30 September 2009 to € 206.2 billion. At the same time the total volume of off-balance sheet liabilities fell significantly by € 9.3 billion to € 20.1 billion (previous year: € 29.4 billion). Besides contingent liabilities (€ –1.5 billion), this mainly involved loan commitments (€ –7.8 billion) declining sharply.

Tier 1 capital ratio at 10.2%

Total Tier 1 capital in the Group as at 30. September 2009 rose as a result of the capital increase in the second quarter to € 8.7 billion (31 December 2008: € 8.4 billion). The rise in the Tier 1 capital ratio (including the market risk position) to 10.2% was achieved not only by the capital increase but was also due to the financial guarantee granted by the federal states of Hamburg and Schleswig-Holstein, as this has the effect of relieving risk-weighted assets. As at 31 December 2008 the Tier 1 capital ratio still stood at 7.5%.

Total regulatory capital as at the end of the third quarter climbed to € 13.7 billion (31 December 2008: € 12.9 billion). The regulatory capital ratio also rose noticeably to 16.0% (31 December 2008: 11.6%). Losses do not affect these ratios until the annual financial statements have been adopted.

Regulatory figures
(%)

	30.9.2009	31.12.2008
Equity ratio (solvency ratio)	16.7	12.2
Total ratio / Regulatory capital ratio	16.0	11.6
Tier 1 capital ratio	10.9	8.3
Tier 1 capital ratio (including market risk items)	10.2	7.5

Refinancing on target

Over the last few months, the situation on the international financial markets has calmed down. This is reflected in a number of ways, including the fall in premiums for insuring against loan defaults and lower spreads on corporate bonds. As investor confidence grew and the outlook for the economy improved, banks have once again been able in recent months to fund themselves on an unsecured basis, but primarily through the issue of Pfandbriefs — supported by the ECB's repurchase programme.

HSH Nordbank placed another bond guaranteed by SoFFin on the capital markets to cover its funding requirements at the beginning of the third quarter of 2009. The issue has a term of three years and a volume of € 3 billion. Together with the issues placed in the first half of the year, the volume of state-guaranteed bonds issued by the Bank and placed with the public rose to € 9 billion. Additional guaranteed debt instruments totalling € 8 billion with maturities not exceeding one year were lodged with the ECB to enlarge our collateral pool for money-market transactions. This means that the total volume of bonds issued by the Bank under the SoFFin guarantee stands at € 17 billion.

The growing optimism in the market and the progress made in stabilising and realigning the Bank have made the raising of funds via private placements noticeably easier. The volume of bonds placed privately between January and September totalled € 2.9 billion for uncovered and € 1.2 billion for covered bonds. At the beginning of the fourth quarter, we had already fully achieved our funding targets for the whole of 2009. In recent months, the Bank has been able to place increasing amounts of unsecured debt instruments and Pfandbriefs, mainly with domestic institutional investors, as well as bonds with private investors. The volume of deposits has remained virtually unchanged in recent months.

To further raise funding potential via repo facilities, the Bank has lodged eligible loans and securities with central banks around the world. The Bank has succeeded in significantly cutting back the funding volume utilised in the past at the European Central Bank, which in return has led to growth in the freely available collateral pool.

Besides the measures described above, the limited volume of new business has made a major contribution to stabilising the liquidity situation, but this still has to be considered as strained. Progress in reducing assets under the terms of the Bank's realignment further cuts our funding requirements.

More extensive information on the Bank's liquidity and risk situation may be found in the Risk Report.

SEGMENTS

HSH Nordbank breaks its business down into five segments. The Transportation and Energy segment reflects the international specialisation in shipping, transportation and energy. Our Real Estate segment encompasses our operations in the property business. North German corporate and private banking business is contained in the Corporate and Private Banking segment. Capital market activities and savings banks business is brought together in the Financial Markets and Institutions segment. The Corporate Center segment reports the results of the overall bank's positions that cannot be allocated to the other segments. The Bank's segment structure will be adapted following the formation of the new Restructuring Unit in the fourth quarter.

Despite the noticeable effects of the economic and financial crisis, the segments oriented towards the lending business were on the whole in a position to generate relatively stable operating income. Nevertheless, in view of the rise in default risks, a significantly increased requirement for loan loss provisions was felt in the segment results. In the Financial Markets and Institutions segment, more favourable market conditions helped to achieve significant profits. Details of developments within the individual segments are shown below.

OVERVIEW OF SEGMENT RESULTS

Segments			Transportation and Energy		Real Estate	Corporate and Private Banking		Financial Markets and Institutions		Corporate Center
Divisions (€ m)	January – September	Shipping	Transportation	Energy	Real Estate Clients	Corporate Clients	Private Banking	Financial Markets	Savings Banks	Corporate Center
Total income	2009	327	145	93	298	339	41	898	27	–153
	2008	276	178	94	332	424	35	–572	31	–83
Net income before taxes	2009	–716	7	21	–53	–146	3	567	11	–436
	2008	183	126	70	174	147	–8	–1,086	13	–140
Average equity	2009	686	304	96	474	752	21	728	15	47
	2008	531	445	135	640	1,272	35	1,165	12	159

TRANSPORTATION AND ENERGY

The Transportation and Energy segment comprises our Shipping, Transportation and Energy divisions and its net income before taxes for the period from January to September 2009 amounted to € –688 million (previous year: € 379 million).

Transportation and Energy (€ m)	January – September 2009	January – September 2008	Change in %
Net interest income	469	371	26.4
Net commission income	63	108	-41.7
Net trading income	76	67	13.4
Net income from financial investments	-43	2	–
Total income	**565**	**548**	**3.1**
Loan loss provisions	-1,088	-7	–
Administrative expenses	-165	-163	1.2
Other operating income	–	1	-100.0
Net income before taxes	**-688**	**379**	**–**
Average equity	1,086	1,111	-2.3

Shipping

Market potentially past its low

For the first time since the onset of the crisis, demand in international shipping markets did not fall any further in the third quarter of 2009. Some initial signs of recovery could be observed, although this has so far had positive impact on charter rates or ship values only for some of the segments, as fleets have continued to expand at the same time.

In particular, the situation for the heavily cyclical container shipping market remains difficult despite the third quarter traditionally being a relatively strong one. Nevertheless, a number of shipping lines have succeeded in pushing through higher freight rates. This sort of easing has not yet been seen on the charter market or in the prices of ships. The problems in container shipping have resulted in substantial losses for major shipping companies, forcing them to restructure and, in some cases, obtain support from the state.

The weak economic environment has also influenced demand for oil tankers, which have now had to accept significantly lower freight rates as well. The market is currently being supported by the use of tankers as oil storage facilities.

One positive exception in this field has been the market for the shipping of dry bulk goods. Although charter rates have been declining here too, they remained at reasonable levels. In addition, relatively lively interest, especially on the part of Chinese buyers, has ensured that ship values have risen slightly. Market players expect the market for dry bulk vessels to remain firm over the next few months. The generally positive trend for the shipping of dry goods has enabled shipping companies to strengthen their liquidity.

At around 43 %, container ships make up the largest part of the shipping fleet financed by HSH Nordbank. Dry bulk carriers account for some 19 %, while oil tankers make up around 8 %. That leaves 30 % comprising other types of ships.

Income up

Despite the difficult situation prevailing in the industry, the Shipping division succeeded in raising its income year-on-year over the first nine months of 2009 to € 327 million (previous year: € 276 million). The success of existing business pushed up net interest income to € 281 million (previous year: € 196 million). Despite new business being limited, net commission and trading income of € 93 million (previous year: € 80 million) made a positive contribution to total income. Besides the demand for hedging instruments, the changes in the US dollar exchange rate also had a positive impact.

Much higher loan loss provisions

We have taken account of the sharp rise in default risks by increasing loan loss provisions to € 959 million (previous year: € 22 million) as at 30 September 2009. Besides loan loss provisions for individual borrowers in the amount of € 793 million, we also made portfolio valuation allowances amounting to € 166 million. Despite good total income, net income before taxes accordingly dropped to € –716 million (previous year: € 183 million).

Transportation

Challenges for aviation

In the past few quarters, the aviation industry has faced some major challenges due to the global economic crisis. Confronted with falling freight quantities and passenger numbers as well as difficult financing conditions, many airlines experienced lower revenues and reacted by reducing capacity. This primarily involved taking less efficient aircraft out of service; modern, fuel-efficient aircraft have not been significantly affected. Aircraft manufacturers are proactively managing their deliveries and helping to stabilise the situation on the market, as are the export credit insurance companies. For the last few months, we have seen a slow but steady rise in air traffic.

Noticeable impact of limited new business volume

In view of the difficult market conditions, the volume of new business in the first three quarters of 2009 was much lower than in the previous year. Against this background, we were able to generate substantial income up to 30 September 2009 amounting to € 145 million (previous year: € 178 million), largely driven by net interest income. Successful transactions with existing customers helped achieve this result. Net commission and trading income suffered from the limited volume of new business and were noticeably lower than in the previous year. Loan loss provisions amounting to € 88 million led to a lower net income before taxes of € 7 million (previous year: € 126 million). In line with the Bank's ongoing restructuring process, the division was successful in improving its cost situation. Administrative expenses accordingly fell to € 50 million (previous year: € 62 million).

Energy

Relatively stable market trends in Europe

The market for renewable energy has been quite stable in Europe, the region we focus on, throughout 2009. In the two most important segments, wind and solar power, the expansion in capacity has continued this year, albeit at a slower pace than in previous years. There have been notable investments in wind farms, especially in France and Germany, so far this year. Relatively small projects which do not require syndication are being carried out in both of these markets. The German photovoltaic market grew once again this year. The strongest driver by far, besides the high level of subsidies, has been the falling price of solar modules.

Income stable

Under these conditions, the Energy division managed to keep its income virtually unchanged at € 93 million (previous year: € 94 million). The rise in net interest income was the main reason for this, as it benefited from the prolongation of the large number of transactions that had been closed in previous years. Net trading and commission income was particularly affected by the reduced volume of new business in the current year. Administrative expenses came to € 31 million (previous year: € 30 million). We raised loan loss provisions in view of the overall economic conditions to € 41 million (previous year: release of € 6 million). Overall net income before taxes as at 30 September 2009 came to € 21 million (previous year: € 70 million).

Real Estate

The Real Estate segment covers HSH Nordbank's real estate financing business and the activities of its subsidiary HSH Real Estate AG. In the first three quarters of 2009 we generated income in this segment of € 298 million (previous year: € 332 million). Net income before taxes fell in the period under review to € –53 million, after a profit of € 174 million in the corresponding period in the previous year.

Real Estate (€ m)	January – September 2009	January – September 2008	Change in %
Net interest income	263	260	1.2
Net commission income	35	43	-18.6
Net trading income	20	31	-35.5
Net income from financial investments	-20	-2	–
Total income	**298**	**332**	**-10.2**
Loan loss provisions	-247	-7	–
Administrative expenses	-108	-129	-16.3
Other operating income	4	-22	–
Net income before taxes	**-53**	**174**	**–**
Average equity	474	640	-25.9

Real estate financing: limited volume of new business

The volume of transactions on the real estate markets remained low in the first three quarters of 2009 in view of the economic slowdown. Investors currently favour properties in good locations in the mature and transparent markets of western Europe. Despite the improvement in overall economic conditions in recent months, office rental turnover is falling in all major German cities. Although the pressure on office rents has eased somewhat, we nevertheless have to assume that they will fall further. Retail properties in central locations look more robust, although rents have fallen slightly. While the trend for a major portion of western European residential real estate markets continues to be negative, the German residential market benefits from being less dependent on the economic situation than others and prices and values are steadier.

In view of the conditions prevailing on the market, the extent of our new business remained low in the first nine months of 2009. We focused on prolonging loans to existing customers. Despite this situation, the Real Estate Clients division succeeded in steadily increasing its income in the course of the first three quarters. Income from our real estate financing business as at 30 September 2009 reached € 310 million, virtually the same as in the corresponding period in the previous year (€ 328 million). This positive performance is mainly due to higher margins commensurate with the risks involved.

Against the background of the economic slowdown, we had to increase loan loss provisions to € 235 million (previous year: € 7 million). This mainly affected our foreign exposure. By tightening our organisational structure and reducing our foreign business as part of the Bank's realignment, we reduced our administrative expenses to € 79 million (previous year: € 93 million).

HSH Real Estate AG

As a result of impairment losses and making provisions, especially in our business with closed-end funds, HSH Real Estate AG made a loss of € 49 million. Difficult overall market conditions were once again the main factor here. Our fund business with institutional clients was successful nevertheless. Our subsidiary LB Immo Invest reported cash inflows amounting to € 311 million in its business with special real estate funds in the first eight months of 2009. In August alone, net cash inflows reached € 164 million. According to statistics provided by the German Investment and Asset Management Association (BVI) as at 31 August 2009, this is the third-highest figure for all real estate special funds in Germany. Lower impairments on real estate held in the LB Immo Invest portfolio were also a welcome development. Despite difficult overall market conditions, this only amounts to two percent.

CORPORATE AND PRIVATE BANKING

The Corporate Clients and Private Banking divisions have been brought together in the Corporate and Private Banking segment. The segment's net income before taxes in the first three quarters of 2009 stood at € –143 million, significantly below the previous year's profit of € 139 million.

Corporate and Private Banking (€ m)	January – September 2009	January – September 2008	Change in %
Net interest income	297	336	–11.6
Net commission income	69	92	–25.0
Net trading income	9	3	–
Net income from financial investments	5	28	–82.1
Total income	**380**	**459**	**–17.2**
Loan loss provisions	–382	–154	–
Administrative expenses	–137	–170	–19.4
Other operating income	–4	4	–
Net income before taxes	**–143**	**139**	**–**
Average equity	773	1,307	–40.9

Corporate Clients

Economic trends leave their mark

Corporate client business in recent months was mainly affected by the consequences of the economic slowdown. In view of the ongoing difficult situation on the market, we were very risk-conscious and selective in granting loans.

Income below previous year's level

At € 339 million, income for the Corporate Clients division as at 30 September 2009 nevertheless reached a high level (previous year: € 424 million). Net interest income, standing at € 274 million (previous year: € 301 million) was the main contributor to this development. This major contribution, despite the limited volume of new business, was primarily due to the improvement in margins, which were adjusted to take the risk situation into account. Net commission income suffered more heavily from the reduced opportunities for business; it came to € 54 million, compared to € 72 million in the previous year. Net trading income also fell below the figures reported for the previous year as a result of the reduction in new business. Overall, income is in line with the figure budgeted for the whole of 2009. The substantial rise in customer deposits in this division, compared with the previous year, is a welcome sign of confidence in us. Also worth noting is our success in reducing administrative expenses through consistent cost management to € 100 million (previous year: € 128 million).

Loan loss provisions up

The default risks that have risen in line with the economic downturn were the cause of a significant rise in loan loss provisions. In all, we booked net additions to loan loss provisions in the amount of € 382 million (previous year: € 153 million). Besides portfolio valuation allowances, a large part of these additions relates to individual borrowers. This mainly affects the LBO business. The foreign portion of this business will be separated out of the Corporate Clients division in the fourth quarter and will then be managed by the Bank's newly formed Restructuring Unit. Despite the high income, this division reported net income before taxes of € –146 million (previous year: € +147 million).

Private Banking

Positive result

Income in the Private Banking division for the first nine months of 2009 stood at € 41 million (previous year: € 35 million). Demand by private clients for attractive forms of investment, such as our “MarktZins” (market rate) bonds, grew as the financial markets settled down and this had a favourable impact on the business. Demand also pushed up income sharply from our business in foreign currencies and precious metals. By contrast, income from our deposit business was down as a result of falling interest margins.

In view of the limited volume of lending business, it was not necessary to make loan loss provisions (previous year: € 1 million). Administrative expenses fell year-on-year as a result of cost-cutting measures to € –37 million (previous year: € –42 million). All in all, we achieved a net income before taxes of € 3 million (previous year: loss of € 8 million).

FINANCIAL MARKETS AND INSTITUTIONS

The Financial Markets and Institutions segment encompasses Capital Markets Clients, Capital Markets Structuring and Trading, Capital Markets Credit, Group Treasury, Asset and Investment Management and the Savings Banks division. In addition, the credit investment portfolio (CIP) is still included in this segment. Overall, the segment’s net income before taxes was € 578 million (previous year: a loss of € 1,073 million). This includes impairment losses in the CIP of € 43 million (previous year: € 801 million). More details on the performance of the CIP may be found in the Risk Report.

Financial Markets and Institutions (€ m)	January – September 2009	January – September 2008	Change in %
Net interest income	584	335	74.3
Net commission income	1	29	–96.6
Net trading income	424	–604	–
Net income from financial investments	–84	–301	–72.1
Total income	**925**	**–541**	**–**
Loan loss provisions	–56	–302	–81.5
Administrative expenses	–210	–234	–10.3
Other operating income	2	4	–50.0
Expenses for government guarantees	–83	0	–
Net income before taxes	**578**	**–1,073**	**–**
Average equity	743	1,177	–36.9

Financial markets

Positive results

HSH Nordbank’s Financial Markets divisions posted net income before taxes of € 610 million in the first nine months of 2009, excluding write-downs from the CIP. This is a welcome improvement on the loss as at 30 September 2008 (€ –285 million). The main factor in this performance in recent months has been the improvement in financial markets, combined with the steep rise in the yield curve. In addition, trading transactions for customers, utilisation of market volatilities by the trading unit and the successful reduction in securities portfolios all had a positive effect on income. The reduction in portfolios also resulted in a clear decrease in market price exposure. Charges from valuation allowances for financial investments have declined over the course of the year to date. The results for the segment include expenses of € 83 million for guarantees from the Special Fund for Financial Market Stabilisation (SoFFin).

The cross-selling business, which makes a significant contribution to diversifying and strengthening the Bank's income, held up in a difficult environment. Business in recent quarters has been dominated by support and advice to our clients and investors on reorienting their risk and investment strategies for the changed market situation. The recently emerging increase in demand for attractive investment products, the modification of refinancing instruments in transactions with institutional clients, and growth in business with associated savings banks all strengthened cross-selling income.

The capital markets divisions play an important role in the winding-down of loan portfolios in the Bank's lending divisions. One priority area was developing and reviewing market opportunities to further reduce the loan portfolios. The Bank's refinancing capabilities were also enhanced by increasing the collateral pool at the German central bank (Bundesbank).

Loan loss provisions were significantly reduced in Financial Markets to € 53 million (previous year: € 302 million). Releases of valuation allowances on loans and advances to banks also played a role in this.

Administrative expenses were significantly reduced to € 197 million as a result of the ongoing reduction in staffing and consolidation of activities at headquarters (previous year: € 216 million).

Savings Banks

Stronger demand

In the Savings Banks division, business has revived somewhat with the calming of the markets in recent months. After the collapse at the start of the year, the Bank benefited from the revival of interest in structured bonds among savings banks' retail clients and stable demand for interest rate hedging instruments among savings banks' corporate clients. In the savings banks' own investments, the focus was mainly on short and medium-term maturities of up to two years. This led to increased inflows of short-term liquidity. Property-related forms of investment were also in demand.

In the light of these trends, income in the Savings Banks unit totalled € 27 million (previous year: € 31 million). Nonrecurring effects also helped. Administrative expenses were reduced further to € 13 million (previous year: € 18 million). On balance, net income before taxes was € 11 million (previous year: € 13 million).

Corporate Center

The Corporate Center segment includes the Corporate Investments and Corporate Services divisions. Corporate Investments includes income from central portfolios and strategic holdings, along with the results of equity-financed investments after allocation to the other segments. 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 dropped to € –436 million, particularly as a result of accounting for restructuring expenses and expenses from the financial guarantee of the federal states of Hamburg and Schleswig-Holstein (previous year: € –140 million).

Corporate Center (€ m)	January – September **2009**	January – September **2008**	Change in %
Net interest income	–89	–48	85.4
Net commission income	1	–3	–
Net trading income	–58	–14	–
Net income from financial investments	–7	–18	–61.1
Total income	**–153**	**–83**	**84.3**
Loan loss provisions	–38	–86	–55.8
Administrative expenses	–9	–36	–75.0
Other operating income	46	65	–29.2
Restructuring expenses	–79	–	–
Expenses for government guarantees	–203	–	–
Net income before taxes	**–436**	**–140**	**–**
Average equity	47	159	–70.4

OUTLOOK

The following section should be read together with the other sections in this interim report, as well as the Outlook and the Risk report from the 2008 Annual Report.

Global economy remains weakened

The global economy should continue to move upwards over the next few quarters. However, growth in 2010 will be significantly lower than in the past. Major importing countries, specifically the USA and the UK, will continue to struggle with restructuring their economies, and will not be such a source of demand on the world market. Slow growth is also expected for Germany and the euro zone generally. Here, the increase in unemployment and unused capacity in businesses will depress consumer demand and investment. In the medium to long term, growth in many countries is likely to be constrained by the necessary reduction in sharply increased public debt.

The banks are likely to continue to restructure their balance sheets, so that it is possible — particularly in the euro zone — that the need for loan loss provisions could still increase due to the recession. The International Monetary Fund believes that the banks in the euro zone have yet to complete the largest part of the total write-downs and provisions on loans and securities necessary by the end of 2010. The equity situation is likely to remain difficult for many as a result.

In view of what will probably be a sluggish economic revival, the central banks in the USA and the euro zone are unlikely to raise interest rates before the second half of next year. However, the ECB has already indicated in November that it is considering a “timely” and “gradual” exit from its current quantitative measures. The yields on two-year government bonds will rise significantly by the end of next year in view of the impending tightening of monetary policy. Yields on ten-year US Treasuries are likely to be driven primarily by the US administration’s strong need for financing and growing concerns over inflation. The increase in yields in the euro zone should be less marked.

In the stock markets, the dynamic recovery and very optimistic expectations for corporate earnings make corrections likely.

Difficult lending environment for HSH Nordbank

HSH Nordbank has made important progress in recent months on the way to sustainable stability and a structure which is viable for the future. The reorganisation of the Bank will continue in the coming months. At the start of December 2009, the portfolios for further reduction will be grouped together in the new Restructuring Unit, which will then be managed as a separate segment in the Bank. The ongoing reduction in portfolios further reduces the potential burden from these assets.

The lending environment will remain difficult for the immediate future. The recovery in the economy and the financial markets after their previous slump is admittedly having a stabilising effect on the overall situation, but the prospects are very uncertain, and many companies are increasingly feeling the effects of the crisis. This means that the risks for banks will remain unusually high for some time. The shipping industry, which is particularly important for our business, will probably continue to face challenges for some time to come.

The Bank’s need to make additional loan loss provisions will accordingly remain high for the present. At the same time, new business is only possible to a limited extent and under strict risk conditions at present, which is putting income under pressure. This can be partly offset by higher, risk-adequate margins, primarily in existing business. Further noticeable relief is being provided by the cost-cutting programme, which involves job cuts: these are already far advanced. Under favourable market conditions, there is also the possibility of reversals to impairments, which will have a positive effect on the Bank’s results. The budgeted annual loss for 2009 is mainly the result of the significant increase in loan loss provisions.

OUTLOOK FOR THE SEGMENTS

Expectations in the individual segments are dictated by the trend in the economy and the financial markets, although the estimated effects on future risks and opportunities vary due to specific market conditions in the segments. Significantly higher need for loan loss provisions can be expected in all areas of the lending business as a result of the economic downturn. The risk report provides details of the default risks.

Shipping: industry environment remains difficult

The moderate recovery of global demand in the course of the growing economy foremost benefits dry bulk shipping, since this industry conveys the raw materials which are inputs for the once-again increasing production. This is reflected in the almost doubling of freight rates for these ships, compared to the low point at the end of 2008.

Global fleet growth will probably be significantly lower over the next year or two than in the crisis year of 2009, as a result of cancellations and postponements of ships ordered and scrapping of old tonnage. It will, however, take some time to reduce the excess capacity that has developed, so that the industry environment will remain difficult for the present.

Pressure on shipowners will remain high, but so far there have been few corporate failures. One reason for this is likely to be successful restructuring programmes, some initiated but in any case all supported by the participating banks. Many shipping companies still have liquidity reserves from the good years, which can be used for support.

Transportation: slow market recovery

Earnings in the aviation industry remain under pressure for now, despite the gradual improvement in influencing factors. While traffic volume has stabilised recently, it is likely to take some time to regain the pre-crisis level. Financing for the aircraft still scheduled for delivery in 2009 is likely to be manageable overall, particularly in view of strong support from export credit agencies and selective new market operators. Regardless of this, significant losses can be expected in the aviation industry for the 2009 financial year, which will also affect the results of the HSH Nordbank Transportation division. A more significant spread of the H1N1 virus could have an additional negative impact.

The situation is eased by high entry barriers for new competitors and the significant liquid assets held by companies compared to earlier downturns. Capacity reductions and improved fleet efficiency should also have a positive impact on the foundation for a return to growth. Many companies in the infrastructure and railways industries are reorienting their investments in view of the fall in trading volume. HSH Nordbank is assisting these with consultancy services.

Energy: rising investment over the course of the year

For the rest of 2009, the trend towards economic recovery gives reason to expect a rise in investment in the renewable energies sector. For the year as a whole, the increase in capacity in Europe can be expected to match last year. Thus, Europe remains the largest market. In view of the wide range of opportunities in this sector, the Bank intends to support its clients in implementing attractive projects where possible, with due attention to risk.

Real estate clients: slight recovery

Investor interest and transaction volumes in the domestic real estate markets will remain low in the last quarter of 2009, and the economic downturn and difficult financing conditions in all market segments will keep figures well below last year. In our financing business, the emphasis in the fourth quarter will again be on prolonging loans for existing clients. The Bank will be very selective in approaching new business.

HSH Real Estate AG will concentrate on the fund business for private and institutional investors. Fund-related services such as asset and property management, design, acquisitions/disposals and research are provided for the fund subsidiaries on a centralised basis at the level of HSH Real Estate AG. The consultancy business will be discontinued at the end of the year, and non-strategic financial investments will gradually be sold off. It remains HSH Real Estate AG's goal to significantly increase its property assets under management as a leading investment and asset manager.

Corporate Clients: gradual easing of the situation

In the course of the economy's recovery, demand for borrowing will continue to increase in the coming months. At the same time, bank lending to companies should improve with ongoing easing in the financial markets. The focus of our business with medium-sized entities continues to be long-term partnerships across business cycles, with a broad range of services which goes far beyond the traditional lending business.

Private Banking: growing willingness to invest

Given the easing in the financial markets, our customers should be even more willing to invest. Currently, the Bank is primarily benefiting from interest rate products focused on value preservation with various maturities. Given the interest rate situation and the competition, a relatively modest trend can be expected in the next few months in the deposit business. Overall, the year is expected to see a positive result for this division.

Savings banks: noticeable recovery

In view of the recovery in recent months and the further expansion of the product range, sales of need-oriented forms of investment for savings banks and their customers will continue to grow over the rest of the year. Further stabilisation in the overall situation will probably be required before interest in longer term and less security-oriented investments recovers. Other key priorities in cooperation with the savings banks are loan portfolio management, the syndicated lending business and the hedging instruments business for the savings banks' corporate clients.

Financial Markets: focus on refinancing and client business

For the rest of the year, the Financial Markets division will maintain particular concentration on further strengthening refinancing activities and building confidence in the new business model on the capital markets. The more cheerful mood in the financial markets and progress in stabilising and realigning the Bank have already made it significantly easier to raise funds, with the result that the Bank's refinancing targets for the full year have been achieved early.

It is still important to develop attractive capital market solutions for the clients of the core areas of the Bank and its network partners, in order to enhance the benefits of the relationship for clients and strengthen the Bank's earnings base. Capital market transactions with no direct customer link will in future be separated from core activities and wound down in the new Restructuring Unit. The planned separation of non-client-related activities and problem portfolios is expected to further reduce the impact of the financial crisis in our Financial Markets division.

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 the 2008 annual report.

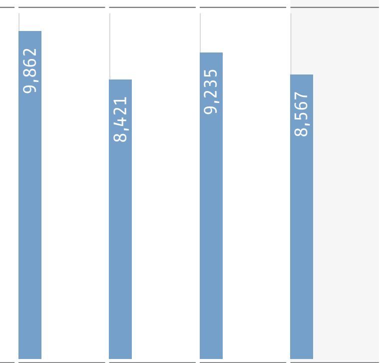
Financial market crisis and economic downturn

The risk situation of HSH Nordbank has significantly improved overall in recent months. The capital raising and risk shielding measures implemented in the course of the Bank's realignment were particularly important in ensuring the Bank's risk-bearing capacity. In addition, the calming in the financial markets has contributed to early achievement of the refinancing goals for the whole of 2009. The increased charges are the result of the consequences of the economic crisis. While the economy has recovered from its low point, the default rate has continued to rise in recent months, as the crisis has left its mark on many companies. Loan loss provisions were increased to € –1,841 million for the period January — September 2009. This also applied to the shipping industry, which is important for HSH Nordbank.

Risk-bearing capacity

In the process of monitoring the Bank's risk-bearing capacity, the economic capital required to absorb unexpected losses (total risk) is regularly compared 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 net asset value), the net asset value takes into account factors such as unrealised gains and losses on securities, equity holdings and lending, along with negative income statement effects. The economic capital required for default risk, liquidity risk and market risk is calculated using consistent methodology based on a value at risk approach with a confidence level of 99.9%. A time horizon of one year is assumed for all positions for default and liquidity risks. This also applies to market risks, where a shorter liquidation period is assumed for a subportfolio, due to the high market liquidity. Operational risks are calculated using the standard approach under the German Solvency Regulation (SolvV). The economic capital required for the individual types of risk is then aggregated to give the total economic risk. No correlating factors with a risk-reducing effect are taken into account.

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



Economic risk coverage potential € m	31.12.08	31.3.09	30.6.09	30.9.09
Equity capital for economic purposes	14,515	14,549	14,232	14,232
First loss piece on guarantee transaction	–	–	–3,200	–3,200
Unrealised gains / losses (net)	–4,653	–6,128	–1,797	–2,465
Total	**9,862**	**8,421**	**9,235**	**8,567**

After the impact of the net loss sustained in 2008 (incorporated into the risk coverage potential as at 31 December 2008) and allowing for the loss expected for the 2009 financial year (incorporated into the risk coverage potential since 31 March 2009), the risk coverage potential as at 30 September 2009 was € 8,567 million. The raising of capital in mid-2009 boosted the risk coverage potential, while the Bank's first loss piece under the guarantee transaction reduced it. The decrease on the reporting date is the result of the rise in risk costs in client business.

The economic capital required for default risks has decreased significantly as a result of the guarantee provided by the federal states of Hamburg and Schleswig-Holstein, and amounted to € 3,029 million at the reporting date (31 December 2008: € 6,629 million).

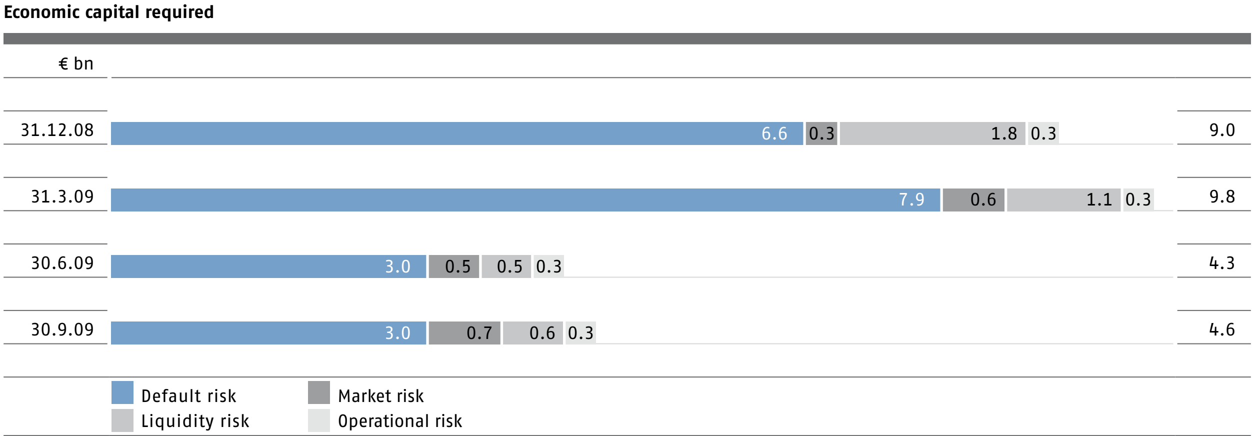
As a reaction to the shortage of liquidity on the markets, HSH Nordbank introduced a value at risk approach at the start of 2008 to quantify liquidity maturity transformation risk. This long term/structural liquidity risk represents the risk that the refinancing costs associated with the uncovered liquidity position will grow. As planned, the way in which we calculate liquidity-adjusted value-at-risk was refined in early 2009, based on the data acquired in the course of 2008. Bank analysis showed that the liquidity maturity transformation risk was overestimated last year due to the conservative LVaR approach used. Imputed closing of the liquidity gap takes into account the SoFFin-guaranteed short-term funds, which can be extended to the end of 2010. These adjustments reflect the Bank's risk situation more accurately. Overall, LVaR as at 30 September 2009 fell by € 334 million to € 571 million, compared to the figure for 31 December 2008, calculated using the refined method. The risk coverage potential does not include the risk of insolvency, which is a more relevant expression of the liquidity risk for the Bank than the maturity transformation risk in the current financial market crisis, as the loss cannot be quantified. The liquidity risk section contains further details, including information on managing the risk of insolvency.

The economic capital required for market risks is derived from daily VaR, and in the first nine months this rose by € 211 million compared to 31 December 2008 to € 691 million. In July 2009 the method used was refined further.

Since 2008, operational risks have been calculated using the standard approach under the German Solvency Regulation. The corresponding economic capital required as at 30 September 2009 amounted to € 261 million (31 December 2008: € 291 million).

The total economic risk fell markedly due to the above effects compared to the end of 2008, and amounted to € 4,552 million on the reporting date (31 December 2008: € 9,016 million). The securing effect of the guarantee transaction relates to the value of the positions as at 31 March 2009. The regulatory effect is shown for the first time in the regulatory equity reporting as at 30 June 2009. The following diagram shows the change in total economic risk over the course of the last four quarters.

Economic capital required



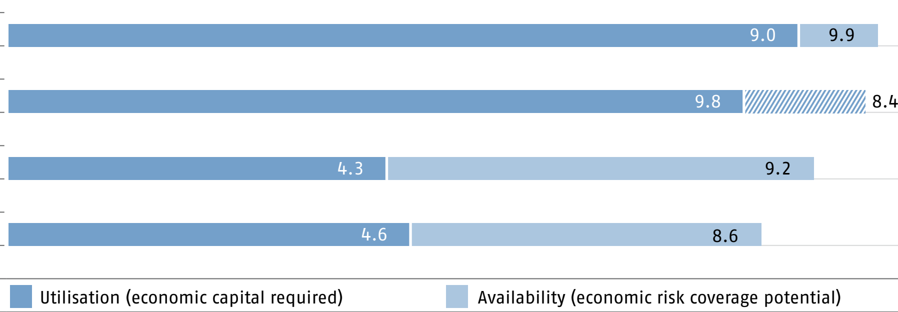
In connection with the strategic realignment of the Bank, new risk limits were set in the third quarter for the individual risk types, on the basis of the risk coverage potential. The following table shows the economic risk coverage potential of the Group, the risk limits and the economic capital requirement for the individual risk types and the remaining risk coverage potential buffer.

Group risk-bearing capacity (€ m)		Absolute		As % of risk coverage potential	
		30.9.2009	31.12.2008	30.9.2009	31.12.2008
Economic risk coverage potential		8,567	9,862	100	100
Risk limits					
Of which:	Default risk [1]	3,060	9,163	36	93
	Market risk	1,470	1,086	17	11
	Liquidity risk	750	750	9	8
	Operational risk	261	420	3	4
Total		5,541	11,419	65	116
Economic capital required					
Of which:	Default risk	3,029	6,629	35	67
	Market risk	691	328	8	3
	Liquidity risk	571	1,768	7	18
	Operational risk	261	291	3	3
Total		4,552	9,016	53	91
Risk coverage potential buffer		4,015	846	47	9

[1] At 30 September 2009 only for the non-guaranteed portfolio

Utilisation of the risk coverage potential on the reporting date was 53%. The risk-bearing capacity was accordingly restored at the end of September 2009, after having been virtually non-existent between the end of 2008 and the recapitalisation of the Bank in June 2009. The risk-bearing capacity evolved as follows.

Group risk-bearing capacity



€ bn	Utilisation in %	Stress-test utilisation in %
31.12.08	91	180
31.3.09	117	243
30.6.09	46	79
30.9.09	53	81

In addition to calculating the utilisation of the risk coverage potential on the reporting date, the utilisation is also shown after taking into account stress penalties for default, market and liquidity risks. After the total risk at group level still had considerably exceeded the stress-tested risk coverage potential in the first quarter of 2009, risk-bearing capacity was restored as at 30 September 2009 (as it had been in the second quarter), even in the simulated stress scenarios.

Default risk

Despite the recent signs of recovery, the lending environment in the first nine months of 2009 was strongly affected by the impact of the economic crisis. This resulted in the Bank accumulating much higher loan loss provisions than in the first nine months of 2008. The Bank expects that the uncertain economic situation will lead to a further increase in default rates throughout its loan portfolio. Details regarding the accumulated loan loss provisions can be found in notes 6 and 16 to the financial statements.

Consequences of the economic crisis

In recent months the difficult economic environment has had an increasing effect on loan loss provisions required and the quality of the Bank's loan portfolio. For example, the economic capital required for default risks — excluding the guarantee issued by the federal states of Hamburg and Schleswig-Holstein — rose sharply in the first nine months of 2009 due to negative rating movements and rising loss ratios. In the same period, loan loss provisions again increased in all segments, having started at a comparatively high level in 2008. The following table provides an overview of movements in loan loss provisions:

	Loan loss provisions	
Movements in loan loss provisions (€ m)	1 Jan – 30 Sep 2009	1 Jan – 30 Sep 2008
Transportation and Energy	-1,088	-7
Real Estate	-247	-7
Corporate and Private Banking	-382	-154
Financial Markets and Institutions	-56	-302
Corporate Center	-38	-86
Reconciliation	-30	47
Group	**-1,841**	**-509**

At Group level, net allocations to loan loss provisions in the first nine months of 2009 totalled € –1,841 million (30 September 2008: € –509 million). The largest increase was accounted for by the Transportation and Energy segment, at € –1,088 million. Of this, € –959 million related to the shipping business. This includes an estimate for possible further deterioration in the market situation in the shipping business. In view of the uncertain economic situation, the credit risks in the portfolios are expected to remain high in the last quarter of 2009, so that the provision requirements will also remain substantial. The Segments and Outlook sections of this interim management report provide detailed information on how the individual divisions have performed and expectations for the 2009 calendar year.

Further winding down of the Credit Investment Portfolio

In the course of the financial market crisis the Credit Investment Portfolio resulted in heavy charges for HSH Nordbank. As a result the Bank decided in September 2008 to completely liquidate the Credit Investment Portfolio in a way which would not cause excessive market effects or damage income. By utilising market opportunities, the portfolio's total exposure was reduced by around 18% in the first nine months of 2009, taking exchange rate effects into account, and stood at € 17,893 million as at 30 September 2009. This compares with € 21,836 million as at 31 December 2008. At the end of 2007, the total was € 29,968 million.

After recognising a total negative effect of € 2.9 billion on the group income statement in the financial years 2007 and 2008, further effects were felt in the first three quarters of 2009, which were recognised in the income statement to the sum of € 43 million. The revaluation reserve was relieved by a € 280 million write-back.

As at 30 September 2009 the group's total Credit Investment Portfolio also included unrealised losses totalling € 1.3 billion (31 December 2008: € 1.8 billion). According to IFRS, unrealised losses arise on loans and receivables (LAR) from market value losses which are not categorised as credit-related and permanently impairing value.

The main impact on the income statement in the first nine months of 2009 resulted from structured products such as RMBSs of home equity loans (securitised private US property loans) and collateralised loan obligations (CLOs, securitised loans to European and American corporate clients). In contrast, market gains were realised on some synthetic CDOs and individual issuers' bonds (corporate and financial bonds), recognised in the income statement thanks to the disposal of a number of items.

Additional information[1)] specifically dealing with the Credit Investment Portfolio and leveraged loans as at 30 September 2009 has been published separately on our website www.hsh-nordbank.de under Investor Relations, in line with a recommendation by the Financial Stability Board (formerly the Financial Stability Forum) on behalf of the G7 finance ministers and central bank governors.

Liquidity risk

HSH Nordbank divides its liquidity risk into insolvency risk 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. Insolvency risk refers to the danger of the Bank not being able to meet its own payment obligations or refinancing requirements as and when they fall due, or not to the desired extent. In order to measure the Bank's funding requirements, transactions impacting its liquidity are converted into cash flow figures, and incoming and outgoing payments are assigned to maturity bands to produce a liquidity development report. The difference between payments made and received is a measure of the risk. These gaps are limited and monitored daily.

The situation in the money and capital markets has normalised significantly over the course of the year. Secured funding, e. g. through repo transactions, has improved since the second quarter, and even unsecured funding has become possible since the middle of the year. Overall, the refinancing situation for banks has eased in the year to date.

As the liquidity situation of HSH Nordbank was burdened in the first half of 2009 by the difficult market situation and long and short-term rating downgrades by one agency, the liquidity limits were under considerable pressure at times. We therefore drew more heavily on liquidity provided by central banks through secured lending against our collateral pool, and placed several benchmark bonds guaranteed by the Special Fund Financial Market Stabilisation (SoFFin). In addition, we increased the collateral pool (e. g. by injecting commercial loans) and the cover pool for Pfandbrief issues. These measures enabled the Bank to offset the temporary decrease in deposits by banks and non-banks following the rating downgrade. Overall, the Bank's liquidity situation has improved in line with the general improvement market and the measures described above, but it remains strained.

Besides the normal case liquidity development report, which is drawn up on the assumption of business in a normal market environment, the Bank has been conducting a market liquidity stress test since autumn 2008 in the form of a stressed liquidity development report, to take into account critical market developments. The following table shows the relative utilisation of liquidity potential in the normal and the stressed liquidity development report for various cumulative liquidity gaps as at 30 September 2009 and 31 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.

1) Not part of the interim management report and not subject to review by the auditors

Limitation of the cumulative liquidity gaps Upper limit utilisation (%)	Normal Case		Stress Case	
	30.9.2009	**30.12.2008**	**30.9.2009**	**30.12.2008**
Day 1	10	0	7	4
Day 7	12	38	12	50
Day 14	30	52	35	67
Week 3	32	56	40	79
Week 4	37	52	47	79
Week 8	43	58	61	94
Month 3	55	78	79	129
Month 6	67	72	90	128
Month 9	70	71	101	138
Month 12	68	65	98	138

In the normal case scenario the liquidity potential as at the reporting date is maximally utilised at 70% in month 9. In the stressed liquidity development report, the liquidity potential in the short term area up to the 6-month mark, which is particularly relevant for insolvency risk, is not exhausted. Only in the ninth month is there a slight overshoot, at 101%.

In January, April and July 2009, HSH Nordbank successfully placed benchmark bonds guaranteed by the Special Fund Financial Market Stabilisation (SoFFin) with terms of two and three years and total volume of € 9.0 billion. This significantly improved the liquidity situation in these maturity ranges. In addition, the Bank received € 5.3 billion in June 2009 and € 2.4 billion in September 2009 as part of one-year tenders from the ECB. Assuming the markets continue to calm down, the Bank still expects sufficient long-term funding and longer-term money market funding to boost the strained liquidity situation.

As part of the ongoing development of the Bank's liquidity risk controlling, we have reviewed the components of the liquidity coverage potential for the risk of insolvency and made adjustments to reflect the difficult market conditions. Other things being equal, this has significantly reduced the liquidity coverage potential. For example, the procedure developed further in 2008 for calculating haircuts on the securities portfolio was implemented throughout the group. For securities and Schuldscheindarlehen eligible for discounting at central banks, the haircuts set by these are applied. For non-eligible structured products a 100% haircut is now applied, to take into account the substantial changes in market liquidity. We have also improved the market-based portrayal of potential secured funding from Pfandbrief issues by taking a more conservative view of surplus coverage. In addition, the potential unsecured funding is incorporated into the liquidity coverage potential in a much more restrictive way. The effects of these adjustments are taken into account in the above table as at 30 September 2009.

The regulatory indicator for liquidity risks is the liquidity ratio specified in the German Liquidity Regulation. At between 1.17 and 1.92 this remained above the regulatory minimum of 1.0 at all times in the reporting period. The average for the first nine months of 2009 was 1.55 (2008: 1.25).

Market risks affecting trading and the banking book items

HSH Nordbank uses a value at risk approach (99.0% confidence level, 1-day holding period, 250 days of data history) to measure and control market risks. The movements in individual types of market risk in the first nine months of 2009 are shown in the table below. As at 30 September 2009, the market risk exposure of the trading book positions stood at € 8.3 million, that of the banking book positions at € 33.3 million. Aggregate market risk was valued at € 31.3 million, allowing for risk-reducing correlation effects. The increase in total market risk since year-end 2008 resulted principally from the widening of the Pfandbrief spread in the Group Treasury portfolio and an increase in foreign exchange risk. The latter was driven by increased volatility of those exchange rates included in the evaluation. There were major exchange rate fluctuations, particularly in the EUR/USD exchange rate in March 2009. In July 2009 measurement of the credit spread risks from CDSs, single-name bonds and Schuldscheindarlehen was integrated into the daily VaR measurement for the Group. This resulted in an increase of approximately € 20 million in total market risk on the date of introduction. For the purpose of monitoring risk-bearing capacity this value at risk has been upscaled to € 691 million when aggregating the individual risk types to total risk.

Daily value at risk (€ m)	Interest rate risk [1]		Credit spread risk [1]		Foreign exchange risk	
	1 Jan – 30 Sep 2009	1 Jan – 30 Dec 2008	1 Jan – 30 Sep 2009	1 Jan – 30 Dec 2008	1 Jan – 30 Sep 2009	1 Jan – 30 Dec 2008
Average	36.6	22.5	32.3	–	25.5	10.3
Maximum	47.8	34.7	40.0	–	47.3	27.0
Minimum	23.2	13.1	24.6	–	5.2	3.9
Value at end of period	23.5	24.9	24.6	–	6.0	10.7

[1] Credit spread risk is a sub-category of interest rate risk. In view of its significance for HSH Nordbank it is shown separately here, rather than as part of interest rate risk.

Daily value at risk (€ m)	Equity risk		Commodity risk		Market risk (aggregated)	
	1 Jan – 30 Sep 2009	1 Jan – 30 Dec 2008	1 Jan – 30 Sep 2009	1 Jan – 30 Dec 2008	1 Jan – 30 Sep 2009	1 Jan – 30 Dec 2008
Average	5.9	10.3	0.3	0.5	56.2	27.0
Maximum	9.9	15.2	1.7	1.3	74.8	48.2
Minimum	3.4	4.4	0.0	0.1	27.9	16.8
Value at end of period	5.1	4.4	0.3	0.2	31.3	24.0

Operational risks

In the process of the Bank's realignment, a significant reduction in the number of employees is planned. The job cuts planned for 2009 and 2010 have almost all been achieved by the third quarter of 2009. To ameliorate the resulting operational risks, the Bank has initiated measures to reduce high employee turnover, manage the internal job market and intensify external recruiting.

The other risks detailed in the 2008 annual report have 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 September 2009

Income statement (€ m)	Note	January – September **2009**	January – September **2008**	Change in %
Interest income		16,647	24,865	-33.1
Interest expense		-15,362	-23,597	-34.9
Net interest income	(5)	**1,285**	**1,268**	**1.3**
Loan loss provisions	(6)	-1,841	-509	>100
Net interest income after loan loss provisions		**-556**	**759**	**>-100**
Net commission income	(7)	154	209	-26.3
Result from hedging	(8)	106	–	–
Net trading income	(9)	533	-507	>-100
Net income from financial investments	(10)	-159	-213	-25.4
Administrative expenses	(11)	-649	-730	-11.1
Other operating income	(12)	50	26	92.3
Restructuring expenses	(13)	-79	–	–
Expenses for government guarantees	(14)	-286	–	–
Net income before taxes		**-886**	**-456**	**94.3**
Income tax expenses		65	-10	>-100
Net income after taxes / Group net loss		**-821**	**-466**	**76.2**
Group net income attributable to non-controlling interests		-13	-4	>100
Group net income attributable to HSH Nordbank shareholders		-808	-462	74.9

Earnings per share	Note	January – September **2009**	January – September **2008**
in €			
Earnings per share (undiluted)	(15)	-5.58	-6.34
Earnings per share (diluted)		-4.98	-6.13
Number of shares (millions)		**145**	**73**
Weighted average number of shares outstanding		17	3
Weighted average number of shares outstanding adjusted for assumed conversion		162	76

Abridged statement of comprehensive income (€ m)	January – September 2009	January – September 2008
Net income after taxes / Group net loss for the year	**–821**	**–466**
Change in		
revaluation reserve (before taxes)	316	–370
of which: from exchange rate effects	–4	–14
Currency conversion reserve	–2	–33
Actuarial gains / losses (before taxes)	–21	56
Income taxes not recognised in the income statement	–93	70
of which: from exchange rate effects	–1	–
Net earnings for the period recognised and not recognised in the income statement	**–621**	**–743**
Net earnings for the period attributable to non-controlling interests	–13	–4
Net earnings for the period attributable to HSH Nordbank shareholders	–608	–739

STATEMENT OF FINANCIAL POSITION OF HSH NORDBANK GROUP

as at 30 September 2009

(€ m)	Note	30.9.2009	following adjustment 31.12.2008	Change in %
Assets				
Cash reserve		1,187	1,419	-16.3
Loans and advances to banks	(16)	18,692	23,340	-19.9
Loans and advances to customers	(17)	112,995	117,431	-3.8
Loan loss provisions	(18)	-4,112	-2,751	49.5
Positive fair value of hedge derivatives	(19)	2,030	2,807	-27.7
Positive adjustment item from portfolio fair value hedges		373	427	-12.6
Assets Held For Trading	(20)	20,040	26,663	-24.8
Financial investments	(21)	32,455	36,511	-11.1
Intangible assets	(22)	257	246	4.5
Property, plant and equipment	(23)	104	114	-8.8
Investment properties	(24)	317	285	11.2
Non-current assets held for sale and disposal groups	(25)	58	–	–
Current tax assets		508	572	-11.2
Deferred tax assets	(26)	794	726	9.4
Other assets	(27)	344	472	-27.1
Total assets		**186,042**	**208,262**	**-10.7**

(€ m)	Note	30.9.2009	following adjustment 31.12.2008	Change in %
Liabilities				
Liabilities to banks	(28)	42,440	61,391	-30.9
Liabilities to customers	(29)	54,102	52,397	3.3
Securitised liabilities	(30)	54,540	58,200	-6.3
Negative fair value of hedge derivatives	(31)	798	2,194	-63.6
Negative adjustment item from portfolio fair value hedges		1,273	1,159	9.8
Liabilities Held For Trading	(32)	15,871	17,587	-9.8
Provisions	(33)	1,474	1,412	4.4
Liabilities relating to disposal groups		7	–	–
Current tax obligations		72	101	-28.7
Deferred tax obligations		29	14	>100
Other liabilities	(34)	1,673	1,795	-6.8
Subordinated capital	(35)	9,337	9,962	-6.3
Equity	(36)	4,426	2,050	>100
Share capital		2,460	881	>100
Capital reserve		1,509	88	>100
Retained earnings		1,668	1,354	23.2
Revaluation reserve		-345	-562	-38.6
Currency conversion reserve		-87	-85	2.4
Group profit/loss		-808	329	>-100
Total before non-controlling interests		4,397	2,005	>100
Non-controlling interests		29	45	-35.6
Total equity and liabilities		**186,042**	**208,262**	**-10.7**

STATEMENT OF CHANGES IN EQUITY

Statement of changes in equity
(€ m)

	Share capital
As at 1 January 2008	702
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	179
Change in retained earnings	–
Changes in the scope of consolidation	–
As at 30 September 2008	881
Group net loss	–
Changes not recognised in the income statement	–
Changes recognised in the income statement	–
Exchange rate changes	–
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 September 2009	2,460

	Capital reserve	Retained earnings	of which actuarial gains / losses	Currency conversion reserve	Revaluation reserve	Group profit / loss	Total before non-controlling interests	Non-controlling interests	Total
	2,317	1,505	95	-114	-180	50	4,280	88	4,368
	–	–	–	–	–	-462	-462	-4	-466
	–	38	38	–	-449	–	-411	-3	-414
	–	–	–	–	176	–	176	–	176
	–	–	–	-33	-20	–	-53	–	-53
	–	-175	–	–	–	–	-175	-6	-181
	806	–	–	–	–	–	985	–	985
	–	50	–	–	–	-50	–	–	–
	–	-15	–	–	10	–	-5	6	1
	3,123	1,403	133	-147	-463	-462	4,335	81	4,416
	–	–	–	–	–	-2,207	-2,207	-31	-2,238
	–	16	16	–	51	–	67	1	68
	–	–	–	–	-169	–	-169	–	-169
	–	–	–	62	9	–	71	1	72
	–	-58	–	–	–	58	–	–	–
	-3,035	–	–	–	–	3,035	–	–	–
	–	1	–	–	10	–	11	-1	10
	–	-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
	–	–	–	–	–	-808	-808	-13	-821
	–	-15	-14	–	72	–	57	–	57
	–	–	–	–	142	–	142	–	142
	–	–	–	-2	3	–	1	2	3
	–	–	–	–	–	–	–	-5	-5
	1,421	–	–	–	–	–	3,000	–	3,000
	–	329	–	–	–	-329	–	–	–
	1,509	1,668	135	-87	-345	-808	4,397	29	4,426

ABRIDGED CASH FLOW STATEMENT OF HSH NORDBANK GROUP

Abridged cash flow statement
(€ m)

	January – September 2009	January – September 2008
Cash and cash equivalents as at 1 January	**1,419**	**1,197**
Cash flow from operating activities	–6,193	–447
Cash flow from investing activities	3,598	–942
Cash flow from financing activities	2,384	2,162
Effect of exchange rate changes	–21	–
Cash and cash equivalents as at 30 September	**1,187**	**1,970**

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 profit/loss for non-cash expenses (added), and income (subtracted) and recognising cash changes in assets and liabilities used for operating activities.

NOTES

General information

1. ACCOUNTING PRINCIPLES

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 to draw up its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) under 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).

The interim financial statements as at 30 September 2009 were prepared in accordance with IFRS as approved and issued by the International Accounting Standards Board (IASB) and adopted by the European Union. In particular, the provisions of IAS 34 (Interim Financial Reporting) were applied.

On principle, the same accounting and valuation methods were applied in the interim financial statements as in the consolidated financial statements of HSH Nordbank AG as at 31 December 2008.

In line with IAS 34.C4, HSH Nordbank AG does not prepare any intra-year reports on pension obligations, but instead uses the data from the last report as at 31 December 2008 as the basis for its calculations. The impact of material changes in assumptions is taken into account on each quarterly reporting date.

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

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

The application of these standards had no material impact on the interim financial statements.

These interim financial statements were reviewed by an auditor.

All findings up to 17 November 2009 were taken into consideration.

2. CAPITAL MEASURES

I. EXPLANATORY NOTE ON THE ASSUMPTION THAT THE ENTERPRISE IS A GOING CONCERN

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. These ensure that regulatory capital requirements are met and the contractual obligations to the Special

Fund for Financial Market Stabilisation (SoFFin) relating to the Tier 1 capital ratio are satisfied. Specifically, this involves a capital increase and the arrangement of a guarantee facility by HSH Finanzfonds AöR, an institution under public law established for this express purpose by the shareholders the Federal State of Schleswig-Holstein and the Free and Hanseatic City of Hamburg. The institution's guarantee is in turn covered by a return guarantee from the public-sector shareholders.

The European Commission has approved these transactions for a limited period as a rescue package in the interests of ensuring financial market stability. At the end of August 2009 the bank submitted a sustainable plan for the future to the European Commission for final examination.

II. CAPITAL INCREASE

At an Extraordinary General Meeting held on 20 May 2009 the Bank's owners voted to increase its capital by € 3 billion. All the new shares were subscribed by HSH Finanzfonds AöR. They are fully paid up.

The capital increase took effect upon entry in the commercial register on 25 June 2009.

III. PROVISION OF A GUARANTEE FACILITY

In addition to the capital increase, on 2 June 2009 the Federal State of Schleswig-Holstein and the Free and Hanseatic City of Hamburg granted HSH Nordbank a guarantee facility of € 10 billion via HSH Finanzfonds AöR in order to limit the effects of the current turmoil of the financial market. The agreement on the arrangement of the guarantee facility is subject to approval by the European Commission under state aid regulations.

As of the start date, the guarantor thus indemnifies any defaults under debt instruments owned by HSH Nordbank AG, its subsidiary HSH Nordbank Securities S.A., Luxembourg, and the SIV Carrera Capital Finance Limited, Jersey which are recognised in the consolidated financial statements as at 31 March 2009 and have been selected in accordance with defined criteria, to the extent that they exceed a first loss piece to be borne by the Bank.

Derivatives, debt instruments with embedded derivatives that have to be separated under IAS 39 and equity instruments are not protected by the guarantee. Mere fluctuations in fair value and capital losses incurred on the disposal of performing assets are also not covered by the guarantee. The guarantee is denominated in euro, and any exchange rate risk arising from hedges of portfolios in different currencies remains with HSH Nordbank.

The guarantor is liable for defaults that exceed the specific loan loss provisions recognised as at 31 March 2009 for the relevant individual commitments and a first loss piece of € 3.2 billion on the secured reference portfolio. Losses in excess of this amount are covered as a second loss piece up to a maximum of € 10 billion. HSH Nordbank and the guarantor can jointly agree to reduce the first loss piece of € 3.2 billion.

The default on an individual commitment is equal to the outstanding amount, at most the amount repayable as at 31 March 2009, plus all interest owed and any other ancillary payments. Losses may only be allocated under the guarantee once the guarantee case has been examined and approved by the guarantor.

The guarantee came into effect on 2 June 2009 and will expire when it is returned to the guarantor after the last reference commitment in the hedged portfolio has been met irrevocably and in full or has resulted in a guarantee claim for the full amount. HSH Nordbank may reduce the guarantee to € 4 billion between 1 January 2010 and the end of 2013 through partial cancellations of no more than € 3 billion per year. The guarantee may be cancelled in full from 2014 onwards. Once reduced, the maximum amount may not be increased again.

The initial guarantee from the federal states is recognised in the consolidated financial statements as a financial guarantee under IAS 39.9.

If during the restructuring and settlement programme measures consistent with the guarantee are implemented in respect of secured commitments that conflict with the recognition of the hedging instrument in the financial statements as a financial guarantee under IAS 39.9, commitments may be transferred to a partial guarantee under the framework agreement that falls within the definition of a credit derivative under IFRS accounting requirements, subject to approval from a trustee appointed by the guarantor. The maximum guarantee amount is not altered by the creation of the partial guarantee, as the sum of the individual amounts remains the same.

Once the credit derivative has been created, the guarantee premium is divided pro rata between the partial guarantees. The accounting treatment of the derivative is in accordance with the requirements of IAS 39.

As at 30 September 2009, a first commitment notified to the guarantor had been transferred to the partial guarantee for the credit derivative. Neither partial guarantee had any securing effect in the financial statements as at this reporting date, as the cumulative impairments due to changes in credit standing in the hedged reference portfolio did not exceed 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 outstanding guarantee volume for the two partial guarantees. The cost of the guarantee premium is reported under expenses for government guarantees. The premium payments are recognised as an expense pro rata temporis.

3. ADJUSTMENTS TO PRIOR YEAR FIGURES

Some of the figures reported in the group financial statements as at 31 December 2008 were corrected in the group interim financial statements as at 30 June 2009, in line with the provisions of IAS 8.41ff. Please refer to the previous interim report for a detailed explanation of the adjustments.

4. SCOPE OF CONSOLIDATION

In addition to the parent company HSH Nordbank AG, Hamburg/Kiel, 51 companies (31 December 2008: 57) have been consolidated. This includes 18 (31 December 2008: 18) special purpose entities that must be consolidated according to the provisions of SIC 12.

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

	Fully consolidated companies	Registered office	Share of equity capital in %
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. 1)	Luxembourg	3.2
5	CPM Securitisation S.A. 1)	Luxembourg	3.2
6	Ealing Investments Limited	London	100.0
7	Endor 8. Beteiligungs GmbH & Co. KG 4)	Hamburg	94.8
8	Equilon GmbH	Hamburg	100.0
9	Foxtrot Funding I Limited	Dublin	0.0
10	Hambornberg Immobilien- und Verwaltungs-GmbH 2)	Duisburg	52.7
11	Hamborner Aktiengesellschaft 3)	Duisburg	52.7
12	HGA Capital Grundbesitz und Anlage GmbH 4)	Hamburg	100.0
13	HSH Asset Management S.A. 1)	Luxembourg	100.0
14	HSH Corporate Finance GmbH	Hamburg	100.0
15	HSH Investment Management S.A. 1)	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 5)	Grand Cayman	64.4
19	HSH N Funding II	Grand Cayman	55.6
20	HSH Nordbank Private Banking S.A.1)	Luxembourg	100.0
21	HSH Nordbank Securities S.A.	Luxembourg	100.0
22	HSH Private Equity GmbH	Hamburg	100.0
23	HSH RE Beteiligungs GmbH 4)	Hamburg	100.0
24	HSH Real Estate AG	Hamburg	100.0
25	International Fund Services & Asset Management S.A. 1)	Luxembourg	51.6
26	Jantar GmbH	Hamburg	100.0
27	LB Immo Invest GmbH 4)	Hamburg	99.7
28	Leashold Verwaltungs GmbH & Co. KG	Hamburg	100.0
29	Mesitis GmbH	Hamburg	100.0
30	Minerva GmbH	Lockstedt	100.0
31	Minimoa GmbH	Hamburg	100.0
32	Nubes GmbH	Lockstedt	100.0
33	Neptune Finance Partner S.à.r.l.	Luxembourg	100.0

Fully consolidated companies		Registered office	Share of equity capital in %
34	Neptune Finance Partner II S.à.r.l.	Luxembourg	100.0
35	Neptune Ship Finance (Luxembourg) S.à.r.l. & Cie. S.e.c.s.	Luxembourg	100.0
36	Northern Blue 2009 S.A.	Luxembourg	0.0
37	Pregu GmbH	Hamburg	100.0
38	Poseidon Funding Limited	Jersey	0.0
39	Rasmus Purchase No. 1 Limited	Jersey	0.0
40	Rasmus Purchase No. 2 Limited	Jersey	0.0
41	Rasmus Purchase No. 3 Limited	Jersey	0.0
42	Rasmus Purchase No. 4 Limited	Jersey	0.0
43	Rasmus Purchase No. 6 Limited	Jersey	0.0
44	Rasmus Purchase No. 7 Limited	Jersey	0.0
45	Rasmus Purchase No. 8 Limited	Jersey	0.0
46	Resparc Funding Limited Partnership I	Hong Kong	0.0
47	Resparc Funding Limited Partnership II	Jersey	0.0
48	Resparc Funding Limited Partnership III	Jersey	0.0
49	Sotis S.à.r.l. [1]	Luxembourg	100.0
50	Swift Capital 1 Europäische Fondsbeteiligungen GmbH & Co. KG	Hamburg	99.5
51	Thestor GmbH	Hamburg	100.0

[1] A subsidiary of HSH Nordbank Securities S.A.
[2] A subsidiary of Hamborner Aktiengesellschaft
[3] A subsidiary of HSH RE Beteiligungs GmbH
[4] A subsidiary of HSH Real Estate AG
[5] A subsidiary of HSH N Composits GmbH

In the reporting period the following amendments took place, in addition to the changes in the scope of consolidation set out in the interim financial statements as at 30 June 2009:

The HSH Money Euro Plus fund was wound up on 31 July 2009.

Perseus Investment Limited Partnership and Lebus L.P. were deconsolidated as of 30 September 2009, as the underlying transactions had expired and the companies therefore no longer have any material impact on the Group's financial statements.

Northern Blue 2009 S.A., Luxembourg, which was established in the third quarter of the year, was included in the scope of consolidation for the first time as at 30 September 2009.

Notes to the income statement

5. Net interest income

Net interest income
(€ m)

	January – September 2009	January – September 2008
Interest income from		
lending and money market transactions	3,652	5,731
fixed-interest securities	865	1,489
trading transactions	146	455
derivative financial instruments	11,825	16,973
unwinding	83	26
Current income from		
equities and other non-fixed-interest securities	35	38
unconsolidated subsidiaries	4	39
equity holdings	31	108
other holdings	6	6
Subtotal interest income	**16,647**	**24,865**
of which attributable to financial instruments not categorised as HFT or DFV according to IAS 39	4,528	7,263
Interest expenses for		
liabilities to banks	1,071	1,913
liabilities to customers	1,390	2,040
securitised liabilities	1,361	2,375
subordinated capital	285	387
trading transactions	1	1
other liabilities	1	–
derivative financial instruments	11,253	16,881
Subtotal interest expenses	**15,362**	**23,597**
of which attributable to financial instruments not categorised as HFT or DFV according to IAS 39	3,837	6,406
Total	**1,285**	**1,268**

Interest income and expenses relating to trading and hedge derivatives are shown under interest income and expenses from derivative financial instruments.

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

Where payment expectations remain unchanged, the net present value of loans and advances for which specific value allowances have been created changes over time (unwinding). The interest income from such loans and advances is calculated by compounding the net present value using the original effective interest rate of the loans and advances.

6. LOAN LOSS PROVISIONS

Loan loss provisions (€ m)	January – September 2009	January – September 2008
Expenses from allocations to loan loss provisions	2,365	775
Income from releases of loan loss provisions	616	274
Direct write-downs	11	9
Recoveries on loans and advances previously written off	16	10
Expenses from allocations to provisions in the lending business	356	18
Income from releases of provisions in the lending business	259	9
Total	**1,841**	**509**

Loan loss provisions in on-balance-sheet lending business relate exclusively to assets categorised as Loans And Receivables (LAR).

7. NET COMMISSION INCOME

Net commission income (€ m)	January – September 2009	January – September 2008
Commission income from		
lending business	89	156
securities business	31	38
guarantee business	39	43
foreign business	11	11
payments and account transactions	5	5
Other fees and commission income	47	59
Subtotal commission income	**222**	**312**
Commission expenses from		
lending business	14	13
securities business	26	27
guarantee business	1	20
foreign business	4	2
payments and account transactions	2	2
Other commission expenses	21	39
Subtotal commission expenses	**68**	**103**
Total	**154**	**209**

Commission income and expenses include income and expenses from financial instruments categorised as Designated at Fair Value (DFV) and Held For Trading (HFT). € 160 million (previous year: € 214 million) of net commission income relates to financial instruments measured at fair value and not recognised in the income statement. € –6 million (previous year: € –5 million) of net commission income relates to financial instruments measured at fair value and recognised in the income statement.

8. RESULT FROM HEDGING

The change in value attributable to the hedged risk for designated hedged and hedging transactions in effective hedging relationships is reported in gains on hedging. The item contains the corresponding profit contributions from micro and portfolio fair value hedges.

Result from hedging (€ m)	January – September 2009	January – September 2008
Fair value changes from hedging transactions	631	–12
Micro fair value hedge	104	6
Portfolio fair value hedge	527	–18
Fair value changes from hedged items	–525	12
Micro fair value hedge	–119	–9
Portfolio fair value hedge	–406	21
Total	**106**	**–**

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 stated under "other products". Gains and losses on currency conversion are also stated under 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 reported under net interest income.

	Bonds and interest rate derivatives		Equities and equity derivatives		Other products		Total	
Net trading income (€ m)	January – September 2009	January – September 2008	January – September 2009	January – September 2008	January – September 2009	January – September 2008	January – September 2009	January – September 2008
Realised net income								
Held For Trading	162	–89	–10	31	–129	19	23	–39
Designated at Fair Value	–229	–52	–1	–4	1	1	–229	–55
Subtotal	**–67**	**–141**	**–11**	**27**	**–128**	**20**	**–206**	**–94**
Valuation result								
Held For Trading	1,246	–1,022	64	–477	156	56	1,466	–1,443
Designated at Fair Value	–606	442	–120	505	–1	83	–727	1,030
Subtotal	**640**	**–580**	**–56**	**28**	**155**	**139**	**739**	**–413**
Total	**573**	**–721**	**–67**	**55**	**27**	**159**	**533**	**–507**

In the reporting period, € –92 million (previous year: € –349 million) of the changes in fair value of the financial assets in the category Designated at Fair Value (DFV) related to changes in the credit spread and not to changes in market interest rates. In cumulative terms, a total of € –1,108 million (previous year: € –1,110 million) was attributable to changes in the credit spread.

For liabilities in the category Designated at Fair Value (DFV), the changes in fair value attributable not to changes in market interest rates but to changes in the credit spread amounted to € 74 million (previous year: € 133 million) in the reporting period. In cumulative terms, a total of € 416 million (previous year: € 145 million) was attributable to changes in the credit spread.

10. NET INCOME FROM FINANCIAL INVESTMENTS

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

The loss is due to impairments resulting from the current financial market crisis and primarily relates to the Credit Investment Portfolio.

Net income from financial investments (€ m)	January – September 2009	January – September 2008
Available For Sale (AFS)		
realised gains / losses (–)	46	27
write-downs	118	152
write-ups	7	–
Subtotal	–65	–125
Loans And Receivables (LAR)		
realised gains / losses (–)	–6	12
write-downs	238	246
write-ups	77	118
Subtotal	–167	–116
Additions to portfolio valuation allowance	3	5
Releases of portfolio valuation allowance	76	33
Total	–159	–213

11. ADMINISTRATIVE EXPENSES

Administrative expenses (€ m)	January – September 2009	January – September 2008
Personnel expenses	319	353
Operating expenses	303	349
Depreciation on tangible and intangible assets	27	28
Total	649	730

12. OTHER OPERATING INCOME

Other operating income (€ m)	January – September 2009	January – September 2008
Other operating income	99	121
Other operating expenses	49	95
Total	**50**	**26**

13. RESTRUCTURING EXPENSES

The realignment of HSH Nordbank AG involved a restructuring expense of € 79 million in the first nine months of the year. This mainly related to expenses for personnel measures and consultancy fees.

14. EXPENSES FOR GOVERNMENT GUARANTEES

Expenses for government guarantees (€ m)	January – September 2009	January – September 2008
Special Fund for Financial Market Stabilisation	83	–
HSH Finanzfonds AöR	203	–
Total	**286**	**–**

15. 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 – September 2009	January – September 2008
Attributable Group net income (€ m) – undiluted	-808	-462
Attributable Group net income (€ m) – diluted	-808	-462
Number of shares (millions)		
Average number of ordinary shares outstanding – undiluted	145	73
Dilution effects from:		
convertible bonds	17	3
potentially dilutive ordinary shares	17	3
Weighted average of shares outstanding adjusted for the anticipated conversion – diluted	162	76
in €		
Earnings per share (undiluted)	-5.58	-6.34
Earnings per share (diluted)	-4.98	-6.13

Notes to the statement of financial position

16. LOANS AND ADVANCES TO BANKS

Loans and advances to banks
(€ m)

	30.9.2009	31.12.2008
Due daily	4,386	6,070
Other loans and advances	14,306	17,270
Total before loan loss provisions	**18,692**	**23,340**
Loan loss provisions	413	410
Total after loan loss provisions	**18,279**	**22,930**

17. LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers
(€ m)

	30.9.2009	31.12.2008
Retail customers	2,733	3,086
Corporate clients	99,618	103,760
Public authorities	10,644	10,585
Total before loan loss provisions	**112,995**	**117,431**
Loan loss provisions	3,699	2,341
Total after loan loss provisions	**109,296**	**115,090**

The fall in loans and advances to customers is attributable to the limited volume of new business and exchange rate effects.

18. LOAN LOSS PROVISIONS

Loan loss provisions
(€ m)

	30.9.2009	31.12.2008
Loans and advances to banks	413	410
Loans and advances to customers	3,699	2,341
Loan loss provisions for balance sheet items	**4,112**	**2,751**
Provisions in the lending business	555	472
Total	**4,667**	**3,223**

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

Development of total loan loss provisions for banks (€ m)	Individual valuation allowances		Portfolio valuation allowances		Total	
	30.9.2009	**31.12.2008**	**30.9.2009**	**31.12.2008**	**30.9.2009**	**31.12.2008**
As at 1 January	**362**	**–**	**48**	**7**	**410**	**7**
Additions	104	362	3	41	107	403
Releases	56	–	41	–	97	–
Utilisation	–	–	–	–	–	–
Transfers	-3	–	–	–	-3	–
Unwinding	-3	–	–	–	-3	–
Currency exchange rate changes	-1	–	–	–	-1	–
As at 30 September 2009 / 31 December 2008	**403**	**362**	**10**	**48**	**413**	**410**

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

Development of total loan loss provisions for customers (€ m)	Individual valuation allowances		Portfolio valuation allowances		Total	
	30.9.2009	**31.12.2008**	**30.9.2009**	**31.12.2008**	**30.9.2009**	**31.12.2008**
As at 1 January	**1,670**	**1,121**	**671**	**401**	**2,341**	**1,522**
Additions	1,838	1,230	420	284	2,258	1,514
Releases	404	403	115	11	519	414
Utilisation	256	257	–	–	256	257
Transfers	-2	–	–	–	-2	–
Unwinding	-80	-36	–	–	-80	-36
Changes in the scope of consolidation	–	6	–	–	–	6
Currency exchange rate changes	-28	9	-15	-3	-43	6
As at 30 September 2009 / 31 December 2008	**2,738**	**1,670**	**961**	**671**	**3,699**	**2,341**

The valuation allowances relate exclusively to items categorised as Loans And Receivables (LAR).

19. POSITIVE FAIR VALUE OF HEDGE DERIVATIVES

This item shows the positive fair value of derivatives used in hedge accounting. At present only interest rate and interest rate currency swaps are considered as hedging instruments. If a derivative is only partially designated under hedge accounting, this item contains the corresponding share of that derivative's fair value. In these cases, the remainder is stated under liabilities Held For Trading. Hedge accounting is used solely for interest rate risk.

Positive fair value of hedge derivatives
(€ m)

	30.9.2009	31.12.2008
Positive fair value of derivatives used in micro fair value hedges	505	270
Positive fair value of derivatives used in portfolio fair value hedges	1,525	2,537
Total	**2,030**	**2,807**

Changes in this item are directly related to changes in the item "negative fair value of hedge derivatives". Overall changes in the two items reflect both increases and changes in portfolio composition and movements in interest rates in the US-dollar and euro capital markets.

20. ASSETS HELD FOR TRADING

Only financial assets in the category Held For Trading (HFT) are reported under assets Held For Trading. These primarily comprise original financial instruments Held For Trading purposes, including accrued interest, and derivatives with a positive fair value which are either not designated as a hedge derivative or are used as hedging instruments but do not meet the requirements of IAS 39 for hedge accounting.

Assets Held For Trading
(€ m)

	30.9.2009	31.12.2008
Bonds and other fixed-interest securities	3,185	7,275
Equities and other non-fixed-interest securities	112	125
Positive fair value of financial derivatives	16,707	18,844
Other assets Held For Trading	36	419
Total	**20,040**	**26,663**

The decline in the carrying value of bonds and other fixed-interest securities in the reporting period was attributable primarily to a reduction in portfolios and the reclassification of securities categorised as Held For Trading (HFT) as Loans And Receivables (LAR) carried out as of 1 April 2009 (described in Note 38).

21. FINANCIAL INVESTMENTS

Financial investments mainly comprise portfolios categorised as Loans And Receivables (LAR), along with securities categorised as Available For Sale (AFS) and Designated at Fair Value (DFV). This item includes bonds and other fixed-interest securities not Held For Trading purposes, equities and other non-fixed-interest securities, holdings in joint ventures and associated companies not proportionally consolidated or carried at equity respectively in the consolidated financial statements and holdings in unconsolidated affiliated companies.

Financial investments
(€ m)

	30.9.2009	31.12.2008
Bonds and other fixed-interest securities	30,437	34,455
Equities and other non-fixed-interest securities	822	956
Participations	976	940
Holdings in associates	220	160
Total	32,455	36,511

The fall in bonds and other fixed-interest securities is due to the reduction of portfolios.

22. INTANGIBLE ASSETS

Intangible assets mainly comprises software acquired or developed in-house and acquired goodwill.

Intangible assets
(€ m)

	30.9.2009	31.12.2008
Goodwill	135	135
Software	66	55
developed in-house	40	23
acquired	26	32
Software in development	39	39
developed in-house	24	34
acquired	15	5
Other intangible assets	17	17
Total	257	246

23. PROPERTY, PLANT AND EQUIPMENT

Land and buildings, operating equipment and assets leased under operating leases where the Group acts as lessor are reported under property, plant and equipment.

Property, plant and equipment
(€ m)

	30.9.2009	31.12.2008
Land and buildings	47	48
Plant and equipment	39	47
Leasing objects	17	19
Assets under construction	1	–
Total	104	114

24. INVESTMENT PROPERTIES

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

Investment properties

(€ m)	30.9.2009	31.12.2008
Investment properties	317	285
Total	**317**	**285**

25. NON-CURRENT ASSETS HELD FOR SALE AND DISPOSAL GROUPS

This item mainly comprises financial investments planned to be disposed of as part of the restructuring process. They are highly likely to be sold within the next twelve months.

26. DEFERRED TAX ASSETS

Of the deferred tax assets of € 794 million (31 December 2008: € 726 million), € 75 million (31 December 2008: € 80 million) related to tax loss carry-forwards in Germany. HSH Nordbank's business model, strategic adjustments and the resulting future taxable income will ensure that the full amount of the capitalised tax assets is utilised.

27. OTHER ASSETS

Other assets

(€ m)	30.9.2009	31.12.2008
Accrued income	60	57
Receivables on equity holdings and associates	14	16
Receivables from fund transactions	13	17
Tenant loans	11	9
Receivables from other taxes	3	19
Other receivables from securities commission business	–	3
Other assets	243	351
Total	**344**	**472**

28. LIABILITIES TO BANKS

Liabilities to banks
(€ m)

	30.9.2009	31.12.2008
Due daily	1,960	7,763
Other term liabilities	40,480	53,628
Total	**42,440**	**61,391**

Lower refinancing requirements made it possible to significantly cut back on liabilities to banks.

29. LIABILITIES TO CUSTOMERS

Liabilities to customers
(€ m)

	30.9.2009	31.12.2008
Savings deposits	82	90
Other liabilities		
Due daily	11,257	9,102
Other term liabilities	42,763	43,205
Total	**54,102**	**52,397**

30. SECURITISED LIABILITIES

Securitised liabilities
(€ m)

	30.9.2009	31.12.2008
Bonds issued	53,401	53,499
Money market securities issued	358	3,863
Other securitised liabilities	781	838
Total	**54,540**	**58,200**

Securitised liabilities include a deduction of € 15,417 million (31 December 2008: € 13,256 million) for own bonds which have been repurchased. This mainly relates to own issues guaranteed by SoFFin and repurchased in the market for liquidity management.

This line item also includes a deduction of € 177 million (31 December 2008: € 1,418 million) for own money market securities which have been repurchased.

31. NEGATIVE FAIR VALUE OF HEDGE DERIVATIVES

This item shows the negative fair value of derivatives used in hedge accounting. At present only interest rate and interest rate currency swaps are considered as hedging instruments. If a derivative is only partially designated under hedge accounting, this item contains the corresponding share of that derivative's fair value. In these cases, the remainder is stated under liabilities Held For Trading. Hedge accounting is used solely for interest rate risk.

Negative fair value of hedge derivatives

(€ m)	30.9.2009	31.12.2008
Negative fair value of derivatives used in micro fair value hedges	334	397
Negative fair value of derivatives used in portfolio fair value hedges	464	1,797
Total	798	2,194

Changes in this item are directly related to changes in the item "positive fair value of hedge derivatives". Overall changes in the two items reflect both increases and changes in portfolio composition and movements in interest rates in the US-dollar and euro capital markets.

32. LIABILITIES HELD FOR TRADING

Only financial liabilities in the category Held For Trading (HFT) are reported under liabilities Held For Trading. These primarily comprise derivatives with a negative fair value which are either not designated as a hedge derivative or are used as hedge instruments but do not meet the requirements of IAS 39 for hedge accounting. Delivery commitments from short sales of securities are also stated in this category.

Liabilities Held For Trading

(€ m)	30.9.2009	31.12.2008
Negative fair value of financial derivatives		
Interest rate-related business	14,316	12,746
Currency-related business	1,100	3,759
Other business	407	1,008
Commitments to deliver securities	48	74
Total	15,871	17,587

33. PROVISIONS

Provisions
(€ m)

	30.9.2009	31.12.2008
Provisions for pensions and similar obligations	585	563
Provisions in the lending business	555	472
Provisions for restructuring	122	131
Provisions for litigation risks and costs	42	30
Provisions for personnel expenses	17	23
Other provisions	153	193
Total	**1,474**	**1,412**

Provisions in the lending business include portfolio valuation allowances of € 31 million (31 December 2008: € 60 million) and individual valuation allowances for credits by way of bank guarantees (Avale), guarantees and letters of credit amounting to € 127 million (31 December 2008: € 44 million). They also include € 47 million (31 December 2008: € 84 million) of portfolio valuation allowances and € 326 million (31 December 2008: € 284 million) of individual valuation allowances for irrevocable credit commitments.

The net movement in pension liabilities was € 22 million, comprising € 26 million of payments for pension liabilities and € 48 million of additions to provisions. The net movement is largely due to changes in the market level of interest rates.

34. OTHER LIABILITIES

Other liabilities
(€ m)

	30.9.2009	31.12.2008
Collateral provided for assumed liabilities	1,241	1,286
Personnel liabilities	90	36
Deferred income	40	56
Liabilities for outstanding invoices	41	57
Other tax liabilities	11	7
Other	250	353
Total	**1,673**	**1,795**

The collateral provided for assumed liabilities serves to hedge leasing payments arising from sale-and-leaseback transactions.

35. SUBORDINATED CAPITAL

Subordinated capital shows subordinated liabilities, silent participations and profit participation capital. Based on their contractual structure and financial character, the participations of the typical silent participations represent debt according to IAS 32, which is why they are stated under subordinated capital.

Subordinated capital
(€ m)

	30.9.2009	31.12.2008
Subordinated liabilities	5,397	5,518
Silent participations	1,608	1,720
Profit participation capital	2,332	2,724
Total	**9,337**	**9,962**

36. EQUITY

Equity
(€ m)

	30.9.2009	31.12.2008
Share capital	2,460	881
Capital reserve	1,509	88
Retained earnings	1,668	1,354
Gains on pension obligations and similar obligations not recognised in the income statement	201	222
Deferred taxes on gains on pension obligations and similar obligations not recognised in the income statement	-66	-73
Revaluation reserve	-345	-562
Currency conversion reserve	-87	-85
Group profit/loss	-808	329
Equity before non-controlling interests	**4,397**	**2,005**
Non-controlling interests	29	45
Total	**4,426**	**2,050**

The Extraordinary General Meeting held on 20 May 2009 approved a capital increase for cash worth € 3 billion which saw 157,894,737 new shares issued at € 19 per share, each representing a notional € 10 of share capital. The agreed premium of € 9 per share was added to the capital reserve in full.

All the new shares were subscribed by HSH Finanzfonds AöR. Payment was made in full in June 2009. The capital increase took effect upon entry in the commercial register on 25 June 2009.

The capital increase saw the share capital of the HSH Nordbank Group rise by € 1,579 million to € 2,460 million (31 December 2008: € 881 million). The capital reserve rose by € 1,421 million to € 1,509 million (31 December 2008: € 88 million).

In accordance with resolutions by the state parliaments of Hamburg and Schleswig-Holstein, the shareholders of HSH Nordbank conducted a capital increase in the second quarter 2009 to bolster the Bank's equity in combination with the measures taken to safeguard its continued existence and capacity for future business.

Changes 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 end of the period	**246,017,368**	**88,122,631**

Segment reporting of HSH Nordbank Group

Segment reporting of the HSH Nordbank Group (€ m / %)		Transportation and Energy	Real Estate	Corporate and Private Banking	Financial Markets and Institutions	Corporate Center	Reconciliation	Group
Total income	30.9.2009	565	298	380	925	-153	-96	1,919
	30.9.2008	548	332	459	-541	-83	42	757
Loan loss provisions	30.9.2009	-1,088	-247	-382	-56	-38	-30	-1,841
	30.9.2008	-7	-7	-154	-302	-86	47	-509
Administrative expenses	30.9.2009	-165	-108	-137	-210	-9	-20	-649
	30.9.2008	-163	-129	-170	-234	-36	2	-730
Other operating income	30.9.2009	–	4	-4	2	46	2	50
	30.9.2008	1	-22	4	4	65	-26	26
Restructuring expenses	30.9.2009	–	–	–	–	-79	–	-79
	30.9.2008	–	–	–	–	–	–	–
Expenses for government guarantees	30.9.2009	–	–	–	-83	-203	–	-286
	30.9.2008	–	–	–	–	–	–	–
Net income before taxes	30.9.2009	-688	-53	-143	578	-436	-144	-886
	30.9.2008	379	174	139	-1,073	-140	65	-456
Average equity	30.9.2009	1,086	474	773	743	47	115	3,238
	30.9.2008	1,111	640	1,307	1,177	159	-2	4,392
Cost / income ratio (CIR) in %	30.9.2009	29.2%	36.2%	36.1%	22.7%	N / M	–	33.8%
	30.9.2008	29.7%	38.9%	37.0%	N / M	N / M	–	96.4%
Return on equity before tax and restructuring expenses in %	30.9.2009	-84.5%	-14.9%	-24.7%	118.6%	-436.9%	–	-21.5%
	30.9.2008	45.5%	36.3%	14.2%	-121.6%	-117.4%	–	-13.8%

Based on the risk-adjusted capital requirement, the expected 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 to financial instruments

37. CARRYING AMOUNT OF FINANCIAL INSTRUMENTS BY IAS 39 CATEGORY

Carrying amount of financial instruments by IAS 39 category (€ m)	30.9.2009							
						without IAS 39 category		
	LAR	AFS	DFV	HFT	LIA	Hedge accounting (fair value)	Other	Total
Assets								
Cash reserve	–	–	–	–	–	–	1,187	1,187
Loans and advances to banks	18,359	47	286	–	–	–	–	18,692
Loans and advances to customers	111,494	–	1,378	–	–	–	–	112,872
Finance lease business	–	–	–	–	–	–	123	123
Positive market values of hedge derivatives	–	–	–	–	–	2,030	–	2,030
Assets Held For Trading	–	–	–	20,040	–	–	–	20,040
Financial investments	16,994	12,028	3,433	–	–	–	–	32,455
Other assets	344	–	–	–	–	–	–	344
Total assets	**147,191**	**12,075**	**5,097**	**20,040**	**–**	**2,030**	**1,310**	**187,743**
Liabilities								
Liabilities to banks	–	–	314	–	42,126	–	–	42,440
Liabilities to customers	–	–	3,680	–	50,422	–	–	54,102
Securitised liabilities	–	–	5,676	–	48,864	–	–	54,540
Negative market values of hedge derivatives	–	–	–	–	–	798	–	798
Liabilities Held For Trading	–	–	–	15,871	–	–	–	15,871
Subordinated capital	–	–	1,983	–	7,354	–	–	9,337
Other liabilities	–	–	–	–	1,673	–	–	1,673
Total liabilities	**–**	**–**	**11,653**	**15,871**	**150,439**	**798**	**–**	**178,761**

Carrying amounts of financial instruments by IAS 39 category (€ m)								31.12.2008
						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**

38. RECLASSIFICATION UNDER IAS 39 (2008 REVISION)

As a result of the global financial crisis and the consequences for the measurement of securities holdings, HSH Nordbank AG has made use of the amendments to IAS 39 (2008 revision). Assets have been reclassified as Loans And Receivables (LAR) where they met the relevant requirements, were not intended for short-term sale at the time of reclassification and are due to be held for the foreseeable future.

The impact of these reclassifications on the interim group financial statements is shown below.

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

(€ m)	Carrying amount at the time of reclassification	30.9.2009 Carrying amount	30.9.2009 Fair value
Reclassification of HFT to LAR	1,020	444	435
Reclassification of AFS to LAR	1,841	399	395
Total financial assets which were reclassified as LAR	2,861	843	830

At 30 September 2008 the reclassified positions had a carrying value of € 2,833 million and a fair value of € 2,745 million.

The effective interest rate applied for Held For Trading (HFT) financial instruments was between 0.03% and 14.72 %; that for Available For Sale (AFS) financial instruments was between 2.97 % and 9.75 %. Anticipated repayments amounted to € 2,988 million.

Prior to the reclassification, an unrealised valuation result of € –47 million had been taken to the income statement for HFT assets. AFS assets contributed € –70 million towards the revaluation reserve in 2008 prior to the reclassification.

The fall in the carrying amounts and fair values of the reclassified holdings is the result of numerous sales made as part of the realignment of HSH Nordbank which could not have been foreseen at the time of reclassification. At the time of reclassification, HFT assets sold had a carrying amount of € 543 million and AFS assets sold had a carrying amount of € 1,428 million.

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

(€ m)	Carrying amount at the time of reclassification	30.9.2009 Carrying amount	Fair value
Reclassified from HFT to LAR	399	398	406
Reclassified from AFS to LAR	6,336	6,312	6,422
Total financial assets reclassified to LAR	**6,735**	**6,710**	**6,828**

The effective interest rate applied for Held For Trading (HFT) financial instruments was between 1.209% and 5.056%; that for Available For Sale (AFS) financial instruments was between 0.869% and 4.995%. Anticipated repayments amounted to € 6,859 million.

Prior to the reclassification in the second quarter, an unrealised valuation result of € 3 million (previous year: € 6 million) had been taken to income for HFT assets. AFS assets contributed € –42 million towards the revaluation reserve in 2009 (previous year: € –15 million) prior to the reclassification.

Shown below is the impact all positions reclassified to date would have had on the income statement and revaluation reserve if they had not been reclassified, along with the actual impact on the income statement.

If the reclassification had not taken place, the financial year 2008 would have seen a valuation result of € –26 million and a revaluation reserve of € –69 million.

During the reporting period, assets reclassified from the category HFT would have resulted in measurement gains of € 48 million in the income statement. Assets reclassified from AFS would have added valuation result of € 106 million to the revaluation reserve.

Actual pre-tax gains / losses in the income statement from reclassified assets

(€ m)	January – September 2009 from HFT	from AFS	Total
Net interest income	21	97	118
Net trading income	–10	–3	–13
Net income from financial investments	–3	25	22
Total	**8**	**119**	**127**

39. CREDIT RISK ANALYSIS OF FINANCIAL ASSETS AND DETAILS OF COLLATERAL

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

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

Credit quality (€ m)	1 (AAA) to 1 (AA–)		1 (A+) to 1 (A–)		2 to 5		6 to 9	
	30.9.2009	31.12.2008	30.9.2009	31.12.2008	30.9.2009	31.12.2008	30.9.2009	31.12.2008
Held For Trading (HFT)								
Assets Held For Trading	5,620	9,810	2,604	4,057	3,350	4,102	4,387	7,617
Designated at Fair Value (DFV)								
Loans and advances to banks	212	281	56	118	12	9	–	33
Loans and advances to customers	1,026	793	268	334	56	25	1	94
Financial investments	2,553	2,101	669	884	141	67	3	248
Available For Sale (AFS)								
Loans and advances to banks	20	23	16	11	4	5	6	11
Financial investments	7,176	9,791	703	1,611	1,598	2,757	1,292	4,326
Loans And Receivables (LAR)								
Loans and advances to banks	6,495	6,332	1,909	3,442	2,268	1,949	6,167	9,432
Loans and advances to customers	19,762	23,923	9,887	11,198	20,853	29,234	26,929	33,631
Financial investments	3,110	2,575	1,557	1,205	3,283	3,146	4,239	3,620
Other assets	67	103	33	48	70	126	91	145
Total	46,041	55,732	17,702	22,908	31,635	41,420	43,115	59,157

Credit quality (€ m)	10 to 12		13 to 15		16 to 18	
	30.9.2009	**31.12.2008**	**30.9.2009**	**31.12.2008**	**30.9.2009**	**31.12.2008**
Held For Trading (HFT)						
Assets Held For Trading	2,183	564	1,019	336	877	177
Designated at Fair Value (DFV)						
Loans and advances to banks	–	3	6	4	–	–
Loans and advances to customers	–	8	27	10	–	–
Financial investments	–	21	67	28	–	–
Available For Sale (AFS)						
Loans and advances to banks	–	–	1	1	–	–
Financial investments	80	201	300	63	75	–
Loans And Receivables (LAR)						
Loans and advances to banks	199	254	243	252	387	377
Loans and advances to customers	9,614	5,710	8,346	2,667	6,713	3,080
Financial investments	1,514	615	1,314	287	1,057	332
Other assets	32	25	28	12	23	13
Total	**13,622**	**7,401**	**11,351**	**3,660**	**9,132**	**3,979**

II. CARRYING AMOUNTS OF OVERDUE, UNIMPAIRED FINANCIAL ASSETS

The table below shows financial assets which were overdue but unimpaired as of the reporting date. The carrying amounts are compared to the renegotiated credit volume and the collateral received. The assets are broken down by category. Categories not shown have no overdue assets.

Carrying amounts of overdue, unimpaired financial assets (€ m)	Overdue < 3 mths		Overdue 3 to 6 mths		Overdue 6 to 12 mths		Overdue > 12 mths		Fair value of collateral		Renegotiated volume	
	30.9.2009	**31.12.2008**	**30.9.2009**	**31.12.2008**	**30.9.2009**	**31.12.2008**	**30.9.2009**	**31.12.2008**	**30.9.2009**	**31.12.2008**	**30.9.2009**	**31.12.2008**
Loans And Receivables (LAR)												
Loans and advances to banks	37	22	–	–	–	–	–	–	14	27	–	–
Loans and advances to customers	1,989	1,711	139	47	187	27	74	79	911	1,345	36	231
Total	**2,026**	**1,733**	**139**	**47**	**187**	**27**	**74**	**79**	**925**	**1,372**	**36**	**231**

Payments of € 25 million on transactions with a carrying value of € 1,230 million were received up to ten days after the reporting date of 30 September 2009. Payments are regarded as being in arrears when they are one day overdue.

The overdue but unimpaired loan portfolio is backed by collateral in the form of real estate liens, pledge agreements and transfers of ownership on securities. The collateral assigned largely comprises physical assets.

Renegotiated credit volumes are restructured loan transactions where an assessment is made of the renegotiated contractual terms resulting in changes to the interest rate structure, the maturity and the other terms agreed.

III. IMPAIRED FINANCIAL ASSETS AND ASSOCIATED COLLATERAL

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

Impaired financial assets and their 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	
	30.9.2009	31.12.2008	30.9.2009	31.12.2008	30.9.2009	31.12.2008	30.9.2009	31.12.2008
Loans And Receivables (LAR)								
Loans and advances to banks	654	782	403	362	251	420	–	–
Loans and advances to customers	7,001	4,718	2,749	1,684	4,252	3,034	2,144	1,691
Financial investments [1]	1,808	2,389	888	939	920	1,450	–	46
Available For Sale (AFS)								
Financial investments [1]	1,285	1,788	481	605	804	1,181	–	–
Total	**10,748**	**9,677**	**4,521**	**3,590**	**6,227**	**6,085**	**2,144**	**1,737**

[1] Financial assets categorised as LAR and AFS are shown net in the balance sheet, i.e. at carrying value less impairment.

40. CREDIT RISK EXPOSURE

Maximum credit risk exposure is based on both the IFRS carrying amounts shown in Note 37, which are net of loan loss provisions of € 4,112 million (31 December 2008: € 2,751 million), and on the off-balance sheet business shown in Note 41.

For details of collateral received please see Note 43.

Credit risk exposure (€ m)	Carrying amount/ nominal value 30.9.2009	31.12.2008
Assets		
Held For Trading (HFT)		
Assets Held For Trading	20,040	26,663
Designated at Fair Value (DFV)		
Loans and advances to banks	286	448
Loans and advances to customers	1,378	1,264
Financial investments	3,433	3,349
Available For Sale (AFS)		
Loans and advances to banks	47	50
Financial investments	12,028	19,933
Loans And Receivables (LAR)		
Loans and advances to banks	17,946	22,432
Loans and advances to customers	107,795	113,684
Financial investments	16,994	13,230
Other assets	344	472
Without IAS 39 category		
Cash reserve	1,187	1,419
Positive fair value of hedge derivatives	2,030	2,807
Finance lease business	123	142
Subtotal balance sheet business	**183,631**	**205,893**
Off-balance-sheet business		
Without IAS 39 category		
Contingent liabilities	4,828	6,308
Irrevocable loan commitments	15,283	23,118
Subtotal off-balance-sheet business	**20,111**	**29,426**
Total credit risk exposure	**203,742**	**235,319**

41. CONTINGENT LIABILITIES AND IRREVOCABLE CREDIT COMMITMENTS

Off-balance sheet business (€ m)	30.9.2009	31.12.2008
Contingent liabilities	4,828	6,308
Irrevocable loan commitments	15,283	23,118
Total	**20,111**	**29,426**

Other disclosures

42. REPORT ON BUSINESS IN DERIVATIVES

Derivative financial instruments were used to a considerable degree in order to hedge risk efficiently, to take advantage of market opportunities and to cover specific customer financing needs. Our derivatives business is predominantly transacted with banks based in OECD countries.

The nominal volume of derivative transactions broken down by risk and maturity is shown below; as at the reporting date this amounted to € 681,766 million (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 Group acted as guarantee (buyer) or guarantor (seller) for credit default swaps amounted to € 3,098 million and € 2,409 million respectively at the balance sheet date (31 December 2008: € 5,480 million and € 5,011 million respectively).

I. VOLUMES

Derivative transactions with interest rate risk (€ m)	Nominal values	
	30.9.2009	**31.12.2008**
Interest rate swaps	531,473	536,054
FRAs	8,321	20,375
Interest rate options		
long positions	5,543	3,624
short positions	5,854	1,890
Caps, floors	32,893	33,495
Exchange-traded contracts	1,177	1,492
Other forward interest rate transactions	6,241	6,347
Total	591,502	603,277

Derivative transactions with interest rate and currency risk (€ m)	Nominal values	
	30.9.2009	**31.12.2008**
Cross currency interest rate swaps	43,206	36,611
Total	43,206	36,611

Derivative transactions with currency risk (€ m)	Nominal values	
	30.9.2009	**31.12.2008**
Forward exchange transactions	35,315	82,520
Currency options		
long positions	2,933	5,931
short positions	2,707	5,471
Total	40,955	93,922

Derivative transactions with equity and other price risks (€ m)	Nominal values	
	30.9.2009	**31.12.2008**
Equity options		
long positions	766	2,232
short positions	1,503	3,672
Forward equity transactions	119	599
Exchange-traded contracts	505	893
Equity/index-based swaps	1,982	2,652
Commodity-based transactions	1,228	433
Total	6,103	10,481

II. MATURITIES OVERVIEW

Maturities (€ m)	Interest rate risk		Interest rate and currency risk		Currency risk		Equity/other price risk	
	30.9.2009	31.12.2008	30.9.2009	31.12.2008	30.9.2009	31.12.2008	30.9.2009	31.12.2008
Residual maturities								
up to 3 months	101,301	114,367	32,840	25,597	26,195	59,256	1,370	1,610
3 months to 1 year	94,101	85,255	2,006	1,082	10,012	28,266	1,300	2,232
1 year to 5 years	217,483	210,226	4,626	5,981	4,032	5,561	1,489	3,617
more than 5 years	178,617	193,429	3,734	3,951	716	839	1,944	3,022
Total	591,502	603,277	43,206	36,611	40,955	93,922	6,103	10,481

43. DISCLOSURES ON COLLATERAL TRANSFERRED AND RECEIVED

I. COLLATERAL TRANSFERRED

As at 30 September 2009, HSH Nordbank had transferred assets worth € 52,076 million (31 December 2008: € 59,902 million) as collateral.

Collateral transferred by the Bank are primarily assets which have been transferred to the cover pool 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, Schuldscheindarlehen 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 under (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 valuation 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 an 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 tripartite 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. Schuldscheindarlehen 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 UNDER REPO TRANSACTIONS

HSH Nordbank has received financial and non-financial assets with a fair value of € 5,208 million (31 December 2008: € 5,308 million) which are not subject to any restrictions on disposal or sale as collateral for securities repurchase, securities lending and tripartite repo transactions. This includes cash collateral of € 1,647 million (31 December 2008: € 3,465 million) received during the reporting period. None of this collateral has been sold on or pledged.

HSH Nordbank carries out securities repurchase, securities lending and tripartite repo transactions under standard master agreements with selected counterparties. The same conditions and collateralisation methods apply as for collateral received.

III. OTHER COLLATERAL RECEIVED

No assets were recognised from the sale of collateral in the reporting period (31 December 2008: € 0 million).

In order to boost its ability to raise funding on the capital market, HSH Nordbank received a government liquidity guarantee from the Special Fund for Financial Market Stabilisation (SoFFin) amounting to € 30 billion. The guarantee is structured as a directly-enforceable surety that waives the right to object. As at 30 September 2009, € 9 billion of long-term bonds fully guaranteed by SoFFin had been issued. These guaranteed bonds have maturities ranging between three months and three years.

The expense for the guarantee is recognised in the income statement under “expenses for government guarantees”.

Please see Note 2 regarding the € 10 billion guarantee facility provided to HSH Nordbank and two of its subsidiaries by the Federal State of Schleswig-Holstein and the Free and Hanseatic City of Hamburg via HSH Finanzfonds AöR.

44. LOANS AND ADVANCES AND LIABILITIES TO EQUITY HOLDINGS AND ASSOCIATES AND TO OTHER RELATED COMPANIES AND PARTIES

As part of ordinary business operations, transactions with equity holdings and associates which are not consolidated and with other related companies and parties are carried out on customary market terms.

I. SUBSIDIARIES

Subsidiaries – assets
(€ m)

	30.9.2009	31.12.2008
Loans and advances to customers	528	856
Assets Held For Trading	82	45
Financial investments	283	403
Other assets	10	11
Total	**903**	**1,315**

Subsidiaries – liabilities
(€ m)

	30.9.2009	31.12.2008
Liabilities to customers	115	165
Securitised liabilities	–	102
Other liabilities	3	1
Total	118	268

Subsidiaries – income statement
(€ m)

	30.9.2009	30.9.2008
Net interest income	22	21
Net commission income	–	2
Net trading income	–20	–4
Net income from financial investments	–65	11
Total	–63	30

II. ASSOCIATED AND OTHER RELATED COMPANIES

Associated and other related companies – assets
(€ m)

	30.9.2009	31.12.2008
Loans and advances to banks	201	800
Loans and advances to customers	1,706	996
Assets Held For Trading	36	40
Financial investments	1,108	1,123
Other assets	4	5
Total	3,055	2,964

Associated and other related companies – liabilities
(€ m)

	30.9.2009	31.12.2008
Liabilities to banks	128	141
Liabilities to customers	194	128
Securitised liabilities	102	–
Negative fair value of hedge derivatives	–	2
Liabilities Held For Trading	3	8
Other liabilities	1	1
Total	428	280

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

	30.9.2009	30.9.2008
Net interest income	33	38
Net commission income	–	–
Net trading income	–13	–8
Net income from financial investments	–22	–
Total	–2	30

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)

	30.9.2009	31.12.2008
Loans and advances to customers	679	787
Positive fair value of hedge derivatives	6	23
Assets Held For Trading	87	277
Financial investments	535	429
Total	1,307	1,516

Related parties and companies – liabilities
(€ m)

	30.9.2009	31.12.2008
Liabilities to customers	2,044	1,175
Securitised liabilities	508	508
Negative fair value of hedge derivatives	–	15
Liabilities Held For Trading	79	40
Other liabilities	102	–
Total	2,733	1,738

Related parties and companies – income statement
(€ m)

	30.9.2009	30.9.2008
Net interest income	18	19
Result from hedging	–	–5
Net trading income	–	11
Net income from financial investments	1	–2
Expenses for government guarantees	203	–
Total	**222**	**23**

45. NAMES OF BOARD MEMBERS AND DIRECTORSHIPS HELD

I. THE SUPERVISORY BOARD OF THE HSH NORDBANK GROUP

Hilmar Kopper, Rothenbach
Former spokesperson of the Management 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 Management 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
Deputy Head of Internal Audit of Savings Banks 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
Chairman of the Management Board of Investitionsbank Schleswig-Holstein

Dr. Joachim Lemppenau, Korschenbroich
Former Chairman of the Management Board 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 (from 1 November 2009)
Former member of the Management Board of
Deutsche Bundesbank

Edda Redeker, Kiel
ver.di, Northern district

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

Bernd Wrede, Hamburg
Former Chairman of the Management Board of
Hapag Lloyd AG

(a) Members of the Risk Committee

Dr. Hans Reckers (from 1 November 2009)
Chairman

Ravi S. Sinha
Deputy Chairman

Astrid Balduin

Olaf Behm

Torsten Heick

Dr. Rainer Klemmt-Nissen

Hilmar Kopper

Manfred Lener

(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

Olaf Behm

Oke Heuer

Dr. Rainer Klemmt-Nissen

Lutz Koopmann

Rieka Meetz-Schawaller

Ravi S. Sinha

(d) Members of the Mediation Committee

Hilmar Kopper
Chairman

Olaf Behm

Dr. Rainer Klemmt-Nissen

Manfred Lener

II. THE MANAGEMENT BOARD OF THE HSH NORDBANK GROUP

Prof. Dr. Dirk Jens Nonnenmacher
Chairman
Responsible for the following divisions:
Corporate Communications, Corporate Development/
Management, Corporate Office and Marketing, Legal
and Group Compliance, Internal Audit, Human Resources.

Also responsible on a temporary basis for: IT/Organisation and Transaction Services (until 30 November 2009), Tax and Finance
Born 1963

Peter Rieck
Deputy Chairman
Responsible for the following divisions:
Energy, Shipping, Transport
(until 10 November 2009)
Born 1952

Joachim Friedrich
Responsible for the following divisions:
Group Treasury, Asset and Investment Management, Capital Markets Clients, Capital Markets Structuring & Trading, Capital Markets Credit
(until 10 November 2009)
Born 1964

Frank Roth
Responsible for the following divisions:
IT/Organisation, Human Resources, Internal Audit, Transaction Services
(until 27 April 2009)
Born 1959

Dr. Martin van Gemmeren
Responsible for the Restructuring Unit including the Wind-down Loans, Special Loans, Divestments and Support divisions
(from 1 November 2009)
Born 1970

Bernhard Visker
Responsible for the following divisions:
Corporate Clients, Real Estate Clients, Private Banking, Savings Banks, from 11 November 2009 also responsible on a temporary basis for: Energy, Shipping, Transport, Group Treasury*, Asset and Investment Management*, Capital Markets Clients*, Capital Markets Structuring and Trading*, Capital Markets Credit*
*Organisational/disciplinary allocation; responsibility shared by the full Management Board
Born 1966

Constantin von Oesterreich
Responsible for the following divisions:
Credit Risk Management, Group Risk Management
(since 1 November 2009)
Born 1953

On 17 November, Mr Ulrich Voss was appointed Chief Operating Officer of the Bank. With effect from 1 December 2009 Mr Voss is responsible as Generalbevollmächtigter for the Transaction Services and IT/Organisation divisions.

Hamburg/Kiel, 17 November 2009

Nonnenmacher	van Gemmeren
von Oesterreich	Visker

Review report

TO HSH NORDBANK AG, HAMBURG AND KIEL

We have reviewed the condensed interim consolidated financial statements of 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 HSH Nordbank AG, Hamburg and Kiel, for the period from January 1st to September 30th 2009 that are part of the quarterly financial report according to § 37x Abs. 3 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 Management Board. 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 aspects, 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 aspects, 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 issue 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, 17 November 2009

KPMG AG
Wirtschaftsprüfungsgesellschaft

Krall	Madsen
Wirtschaftsprüfer	Wirtschaftsprüfer

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, 17 November 2009

Nonnenmacher van Gemmeren

von Oesterreich Visker

IMPRINT

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E-Mail: investor-relations@hsh-nordbank.com
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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