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Interim Report as of 30 June 2010

HSH NORDBANK

HSH NORDBANK GROUP AT A GLANCE

Income statement (€ m)	1.1. – 30.6.2010	1.1. – 30.6.2009
Net income before restructuring	-110	-378
Group net loss	-380	-619

Balance sheet (€ bn)	30.6.2010	31.12.2009
Equity	4.1	4.4
Total assets	175.7	174.5
Business volume	191.9	192.9

Capital ratios[1)] (%)	30.6.2010	31.12.2009
Tier 1 capital ratio	9.8	10.5
Regulatory capital ratio	14.1	16.1

Employees	30.6.2010 [2)]	31.12.2009
Total	3,900	4,188
Germany	3,271	3,490
Abroad	629	698
Full-time positions	3,437	3,610
Germany	2,843	2,958
Abroad	594	652

Long-term ratings	Unguaranteed liabilities	Guaranteed liabilities [3)]	Public sector Pfandbriefe	Ship Pfandbriefe
Moody's	A3	Aa1	Aaa	A2
Fitch	A–	AAA	–	–

1) Including market risk positions, after adoption of the annual financial statements; the first loss tranche of the guarantee from the Free and Hanseatic City of Hamburg and the Federal State of Schleswig-Holstein has been deducted from equity since the second quarter. Previously it had been reflected in the risk-weighted assets.

2) Does not include the employees of companies included into the HSH Nordbank Group Financial Statements as part of a bailout purchase as at 30 June 2010. Including the employees of these companies the total number of employees of HSH Nordbank increases by 911 and the number of full-time employees by 886.

3) Liabilities covered by the guarantor liability (Gewährträgerhaftung).

HSH NORDBANK AG – INTERIM REPORT

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LADIES AND GENTLEMEN,

HSH Nordbank has made additional progress in its strategic realignment and has improved its results for the first half of 2010 stronger than planned. In the second quarter and for the first time in seven quarters, the Bank once again showed an operating profit. Whilst a loss of € – 170 million was reported for the first quarter, net income before restructuring for the entire first half of the year has been improved to € – 110 million compared to € – 378 million for the previous year.

The positive development of the Bank's business was supported by the economic recovery that led to significant reductions in loan loss provision expenses. In addition, the cost-cutting programme continues to show success. These positive effects were offset by the negative impact of the rise in value of the U.S. dollar and the, at times, pronounced uncertainty on the part of investors in the financial markets. Taking into account the expense for government guarantees, restructuring expense and income tax effects, Group net loss amounts to € – 380 million, after a loss of € – 619 million for the previous year.

The advanced stage of the strategic restructuring of the Bank is, in particular, reflected in the core bank which has been relieved of its non-strategic activities. The core bank is where we reported noticeably improved net income before restructuring in the amount of € 307 million for the reporting period. Despite the considerable costs for the public sector guarantees, we reported a pre-tax profit for the core bank for the first half of 2010.

HSH Nordbank's successful completion of the stress test conducted by the Committee of European Banking Supervisors is proof of the Bank's reduced vulnerability to crises. During the test, even under the most severe stress scenario, HSH Nordbank's Tier 1 capital ratio remained significantly above the values required by the CEBS.

Independently thereof, we continue to work intensively to re-position HSH Nordbank for future challenges. The winding-down of existing risk-bearing positions is a primary goal of such efforts. Despite developments in the U.S. dollar exchange rate, through the middle of the year we were able to reduce the Credit Investment Portfolio by an additional € 3 billion compared to 30 June of the previous year. We are consistently continuing our efforts in the internal Restructuring Unit to reduce activities designated as not sustainable.

We are also taking important steps to review central processes within the Bank. New rules for processes and structures — primarily in the areas risk management, accounting and loan decision — which in large part are already being implemented are making significant contributions to positioning the Bank as solid, efficient, and customer-oriented.

The overall economic environment continued to improve through the middle of the year 2010. Although setbacks cannot be ruled out, the recovery in many areas should continue to be noticeable during the second half of the year. The rate of recovery for the global economy is likely to slow during the second half of the year.

Ladies and Gentlemen, in light of our successful restructuring efforts and HSH Nordbank's increasingly improved financial results, I am sure that the Bank and its shareholders have chosen the right path. We remain committed to our goal of returning the Bank to profitability in 2011.

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

HALF-YEARLY FINANCIAL REPORT

INTERIM MANAGEMENT REPORT FOR THE HSH NORDBANK GROUP

UNDERLYING CONDITIONS

Global economic recovery continues

The global economy continued its recovery during the first half of 2010. The emerging economies, particularly in Asia, again expanded much more dynamically than the industrialised countries, which only experienced moderate growth. In the U.S., increases in inventory by businesses, additional capital expenditures as well as a moderate expansion of consumer spending propped up the economy whilst residential construction and foreign trade curbed growth.

The economy in the eurozone profited primarily from increased government demand as well as from increases in inventory. Consumers however, continued to suffer from high unemployment levels and increased their spending levels only slightly. Investment demand also increased only slightly; it will likely continue to be dampened by low capacity utilisation and uncertainty regarding continued economic recovery.

New turbulence in the financial markets

The situation in the financial markets initially continued to ease during the first quarter of 2010, however investors have since become aware of new risks for the global economy. In particular, the marked increase in public debt in many countries has caused unease, whereby the most attention has been paid to certain countries within the eurozone. However, the situation calmed somewhat after a packet of measures involving credit facilities in the amount of € 750 billion, as well as securities purchases by the European Central Bank, was approved by the European Commission, the EU Member States and the IMF on 9 May. Thereafter, premiums for bonds from the peripheral countries initially narrowed significantly and several peripheral countries were able to place money market securities / bonds.

At the end of June the ECB removed excess liquidity on the expiry of the 12 month tender transactions and thereby cautiously resumed phasing out its extraordinary monetary measures. Through mid-July it also reduced the volume of its weekly securities purchases and since this point has hardly made any purchases. In July, financial market participants worried anew, in particular within the context of a potential relapse of the U.S. economy into recession and regarding the solidity of the European banks.

The increased uncertainty on the part of investors, as well as the expectation of longer-lasting low central bank interest rates, led to additional inflows into German federal bonds which are seen as secure. Accordingly, returns sank through the beginning of June to new historic lows. At the same time also the yield on treasury bonds in the U.S. fell. The weakness in U.S. growth caused the U.S. Federal Reserve to again extend its quantitative measures. Accordingly, from mid-August interest and principal payments from the portfolio of securitised mortgages have been re-invested in government bonds in order to maintain liquidity levels in the financial markets managed by the Federal Reserve and as a countermeasure against deflation risks.

The crises surrounding the governmental financial situation also had an effect on currency markets. As a result, since the beginning of June the euro has declined significantly against the U.S. dollar. Since then, problems in the U.S. have again gained the attention of investors and have strengthened the euro somewhat.

Concerns about government finances and a potential renewed slump in the U.S. economy have, following a positive start at the outset of 2010, caused significant declines in international stock markets. By contrast, the DAX has remained comparatively stable. In addition to favourable economic data in Germany, the weakness of the euro has also benefited German export-oriented businesses. The fact that reports from the economy have been for the most part very positive helped dividend-bearing securities during the second quarter only on a temporary basis however contributed again to a significantly more positive trend at the beginning of the third quarter.

Signs of stabilisation in the banking sector

Whilst business in the capital markets proved to be a significant source of revenues for many banks during the first quarter, during the second quarter revenues suffered due to large fluctuations in prices and hesitance on the part of customers. According to data from the ECB, the lending business at the least did not continue to decline but rather for May was slightly above levels from the previous year. The stress test for European banks, the results of which were published on 23 July, showed — based on the assumption of a new economic slump and turbulence in the financial markets — a need for additional capital on the part of only seven of the 91 banks tested. HSH Nordbank completed the test successfuly. Details will be discussed in the Risk Report.

BUSINESS DEVELOPMENTS

Net income situation continues to improve

During the first six months of 2010, HSH Nordbank improved its net income situation better than planned. The net income before restructuring amounted to € – 110 million as at 30 June following a more significant loss in the previous year (€ – 378 million). The trend was due primarily to a significant reduction in the need for loan loss provisions. Taking into account the expense for government guarantees in the amount of € – 303 million and a restructuring expense of € – 14 million, the net income before taxes amounted to € – 427 million (previous year: € – 600 million).

We recorded an even better improvement in results for the core bank which has been relieved of its non-strategic activities. In this case, the Bank reports a clearly positive net income before restructuring in the amount of € 307 million in addition to a net income before taxes in the amount of € 128 million. In particular, this was the result of reduced expenses for loan loss provisions.

Developments in the U.S. dollar exchange rate were reflected among other things in total assets which, despite continued portfolio reductions in the Restructuring Unit, increased slightly to € 176 billion. The Tier 1 capital ratio remained at a solid competitive level of 9.8 %.

Earnings situation

Income statement (€ m)	**1.1. – 30.6.2010**	**After adjustment 1.1. – 30.6.2009**	Change absolute	Change in %
Interest income	7,824	12,045	-4,221	-35.0
Interest expenses	-6,947	-11,092	4,145	-37.4
Net income on hybrid financial instruments	-75	-53	-22	-41.5
Net interest income	**802**	**900**	**-98**	**-10.9**
Loan loss provisions	-307	-1,195	888	-74.3
Net interest income after loan loss provisions	**495**	**-295**	**790**	**> 100**
Net commission income	94	106	-12	-11.3
Result from hedging	3	90	-87	-96.7
Net trading income	-378	446	-824	> -100
Net income from financial investments	114	-313	427	> 100
Administrative expenses	-402	-436	34	-7.8
Other operating income	-36	24	-60	> -100
Net income before restructuring	**-110**	**-378**	**268**	**70.9**
Result from restructuring	-14	-72	58	80.6
Expenses for government guarantees	-303	-150	-153	> 100
Net income before taxes	**-427**	**-600**	**173**	**28.8**
Income tax expenses (–) / income (+)	47	-19	66	> -100
Net income after taxes / Group net loss	**-380**	**-619**	**239**	**38.6**
Group net income attributable to non-controlling interests	20	-22	42	> 100
Group net income attributable to HSH Nordbank shareholders	-400	-597	197	33.0

The primary drivers of HSH Nordbank AG's earnings during the first half of 2010 were the concentration of business activities and the significant upswing in the U.S. dollar exchange rate. Total income [1] in the reporting period declined to € 635 million compared to € 1,229 million in the same period of the previous year.

The net interest income amounted to € 802 million (previous year: € 900 million). A significant reason for the decrease was the elimination of interest income resulting from the focusing of business activities which was reflected in the reduction of total assets by € 22 billion compared to 30 June 2009. In addition, money market transactions that had a positive effect in the previous year no longer contributed to income due to a different interest environment and the fact that financial market activities focus more strongly on customer-related business. The scheduled accrual of interest on the present value of the loss participations and coupon defaults from hybrid financial instruments as at 31 December 2009 resulted in an effect in the amount of € –75 million. For the previous year, the results included interest accruals related to such instruments in the amount of € –53 million.

Net commission income was reduced by approximately € 12 million to € 94 million compared to the same period of the previous year (€ 106 million). The targeted limitation of business volume was noticeable here as well.

Net trading income amounted to € –378 million (previous year: € 446 million). A large share of the burden in the first half of 2010 results from the foreign currency conversion of loan loss provisions due to the strong rise in the value of the U.S. dollar. In addition, increased valuation discounts for counterparty default risks were noticeable in the derivative sector, whilst in the previous year lower counterparty default risks made positive contributions to income. Significantly increased income resulted from debt items measured at fair value compared to the prior year's results.

Structured positions measured at fair value within the already significantly reduced Credit Investment Portfolio additionally had a negative effect on income as at 30 June 2010, whilst in the previous year they made a positive income contribution — in part within the framework of the reduction of the portfolio. By contrast, increases in value on the part of instruments within the Credit Investment Portfolio which had been discounted in the previous year had a very positive effect on net income from financial investments.

Overall, as at 30 June 2010 net income from financial investments improved to € 114 million (previous year: € –313 million) which additionally benefited from further progress in the reduction of risk positions and from the overall continued stabilisation of the financial markets.

Need for loan loss provisions noticeably lower

HSH Nordbank was able to significantly reduce costs for loan loss provisions as at 30 June 2010 to € –307 million (previous year: € –1,195 million). This reflects the recovery of the economy as a result of which the situation of many customers has noticeably improved as well as continuing portfolio adjustments.

Net allocations to individual commitments accounted for approximately € –442 million which primarily affect individual cases within the corporates business and loan commitments in the Restructuring Unit.

In the case of portfolio valuation allowances, the fact that the so-called LIP factors (Loss Identification Period) were updated and refined had a positive effect. This resulted in a positive effect in the amount of € 241 million in the second quarter. Overall, income from the reversal of portfolio valuation allowances amounted to € 129 million for the first half of 2010. Income from the receipt of payments related to receivables that had been written off and to direct write-offs had a net positive effect on income amounting to € 6 million.

Cost reductions show success

The Bank's cost-cutting programme continues to show success in the administrative expenses. These decreased by € 34 million from € –436 million in the previous year to € –402 million. The full amount of the reduction is due to reductions in personnel expense which was reduced according to plan in the reporting period. Without taking into account the Brinkhof Group which — as the

[1] Total income is the sum of net interest income, net commission income, result from hedging as well as net income from trading and financial investments.

result of a bail-out purchase — was included in the Group financial statements for the first time as at 30 June 2010, personnel expenses would have been reduced by an additional € 6 million.

The result from restructuring amounted to € – 14 million during the first half of the year compared to € – 72 million for the previous year.

Write-downs of goodwill related to the Brinkhof Group had a negative effect on other operating income which amounted to € – 36 million. Adjusted for this special effect, other income would amount to € – 5 million (previous year: € 24 million).

Expenses for government guarantees: € 303 million

The cost of taking up government guarantees in the first half of 2010 totalled € – 303 million, which break down as follows: € – 241 million (previous year: € – 100 million) for the second loss guarantee provided by the Free and Hanseatic City of Hamburg and the Federal State of Schleswig-Holstein in the second quarter of 2009 and € – 62 million (previous year: € – 50 million) for guarantees from the Financial Market Stabilisation Fund (SoFFin).

Net income noticeably improved

At € – 427 million, net income before taxes as at 30 June 2010 was noticeably improved compared to the previous years' results of € – 600 million, due primarily to decreased additions to the loan loss provisions. The overall result was burdened by the decreased total income and increased expenses for government guarantees. Taking positive income tax effects of € 47 million into account, a loss of € – 380 million (previous year: € – 619 million) was reported for the first half of 2010.

Financial position

Balance sheet (€ m)	**30.6.2010**	**After adjustment 31.12.2009**	Change absolute	Change in %
Assets				
Cash reserve	1,668	1,296	372	28.7
Loans and advances to banks	12,663	15,541	-2,878	-18.5
Loans and advances to customers	114,682	110,557	4,125	3.7
Loan loss provisions	-5,230	-4,718	-512	10.9
Positive fair values of hedging derivatives	2,213	1,684	529	31.4
Positive adjustment item from portfolio fair value hedges	321	295	26	8.8
Assets Held for Trading	17,754	16,879	875	5.2
Financial investments	28,488	29,690	-1,202	-4.0
Intangible assets	201	197	4	2.0
Property, plant and equipment	99	101	-2	-2.0
Investment properties	342	316	26	8.2
Non-current assets held for sale and disposal groups	698	586	112	19.1
Current tax assets	326	518	-192	-37.1
Deferred tax assets	1,255	1,204	51	4.2
Other assets	213	338	-125	-37.0
Total assets	**175,693**	**174,484**	**1,209**	**0.7**
Liabilities				
Liabilities to banks	38,314	38,591	-277	-0.7
Liabilities to customers	54,709	49,803	4,906	9.9
Securitised liabilities	45,284	53,121	-7,837	-14.8
Negative fair values of hedging derivatives	739	517	222	42.9
Negative adjustment item from portfolio fair value hedges	1,433	1,085	348	32.1
Liabilities Held for Trading	18,668	14,649	4,019	27.4
Provisions	1,629	1,619	10	0.6
Liabilities relating to disposal groups	9	19	-10	-52.6
Current tax liabilities	28	78	-50	-64.1
Deferred tax liabilities	75	93	-18	-19.4
Other liabilities	1,661	1,583	78	4.9
Subordinated capital	9,062	8,884	178	2.0
Equity	4,082	4,442	-360	-8.1
Share capital	2,460	2,460	0	0.0
Capital reserve	1,509	1,509	0	0.0
Retained earnings	818	1,607	-789	-49.1
Revaluation reserve	-284	-341	57	-16.7
Currency conversion reserve	-65	-90	25	-27.8
Group loss	-400	-734	334	-45.5
Total before non-controlling interests	4,038	4,411	-373	-8.5
Non-controlling interests	44	31	13	41.9
Total equity and liabilities	**175,693**	**174,484**	**1,209**	**0.7**

Total assets influenced by U.S. dollar upswing

Despite continued portfolio reduction in the Restructuring Unit, total assets of the HSH Nordbank Group as at 30 June 2010 increased slightly by 0.7% to € 175,693 million (31 December 2009: € 174,484 million). The cause is the trend of the U.S. dollar, which primarily affected loans and advances to customers as well as assets and liabilities Held for Trading.

Compared to the end of the previous year, loans and advances to customers increased by € 4,125 million from € 110,557 million to € 114,682 million.

Loans and advances to banks experienced a significant reduction in the amount of € 2,878 million to € 12,663 million (31 December 2009: € 15,541 million).

Because of the continuing effects of the economic crisis, it was also necessary during the first half of 2010 to increase the amount of loan loss provisions by another € 512 million to € –5,230 million (31 December 2009: € –4,718 million).

Since 31 December 2009 trading portfolios have been reduced further and decreased by € –1,729 million. This effect was, however, overcompensated by the interest rate related increase in the positive market values of interest rate derivatives so that assets Held for Trading increased in total by € 875 million to € 17,754 million.

Financial investments decreased by –4.0% to € 28,488 million. This was mainly due to the continued winding-down of the Credit Investment Portfolio.

Liabilities to banks remained virtually constant at € 38,314 million (31 December 2009: € 38,591 million), whilst liabilities to customers increased by € 4,906 million to € 54,709 million. Securitised liabilities totalled € 45,284 million (31 December 2009: € 53,121 million) representing a decrease of approximately 14.8%.

Liabilities Held for Trading, which largely consist of negative fair value arising from derivatives held in the trading portfolio, also increased for currency reasons. They amounted to € 18,668 million as at 30 June (31 December 2009: € 14,649 million).

The increase in subordinated capital by € 178 million to € 9,062 million (31 December 2009: € 8,884 million) was primarily caused by measurement effects.

Equity capital shown on the balance sheet as at 30 June 2010 amounted to € 4,082 million (31 December 2009: € 4,442 million). The net loss recorded for the first half of the year had a negative impact on equity. On balance, the revaluation reserve improved further and, as at 30 June 2010, amounted to € –284 million.

Business volume nearly constant

Whilst total assets increased slightly during the first half of 2010, off-balance sheet transactions decreased significantly as at 30 June 2010 by 12.2%. The decrease is primarily due to the reduction in irrevocable loan commitments by € 2,213 million to € 11,986 million (31 December 2009: € 14,199 million). On balance, the total business volume sank as at 30 June 2010 by 0.5% to € 191,878 million (31 December 2009: € 192,927 million).

Tier 1 capital ratio reaches 9.8%

Regulatory figures
(%)

	30.6.2010	31.12.2009*
Equity ratio (solvency ratio)	14.8	15.1
Total ratio / Regulatory capital ratio	14.1	14.5
Tier 1 capital ratio	10.6	10.0
Tier 1 capital ratio (including market risk positions)	9.8	9.5

* Ratios as at 31 December before adoption of the annual financial statements of HSH Nordbank AG

As at 30 June 2010, total Tier 1 capital stood at € 6.4 billion (31 December 2009: € 8.6 billion). On the basis of a calculation change discussed below, the Tier 1 capital ratio (including market risk position) improved to 9.8% (31 December 2009: 9.5%). Total regulatory capital as at 30 June 2010 amounted to € 9.2 billion (31 December 2009: € 13.2 billion). The regulatory capital ratio amounted to 14.1% (31 December 2009: 14.5%).

Based on the set of rules applicable to securitisations contained in the Solvency Regulation, the Bank has the choice with regard to the first loss tranche of the guarantee from the Free and Hanseatic City of Hamburg and the Federal State of Schleswig-Holstein between a reduction in capital and an allowance in risk-weighted assets. To date, HSH Norbank has opted for a risk-weighted allowance in relation to this first loss tranche. From the second quarter of 2010 this option has been changed to a reduction in capital, this means that the first loss tranche from the guarantee will be deducted from equity. As a result, the Tier 1 capital ratio including market risk positions improved by 1.1 percentage points as at the conversion date (31 May 2010), other conditions remaining unchanged, and the total ratio improved by 1.0 percentage points.

Refinancing activities expanded

The HSH Nordbank expanded its refinancing activities during the first half of 2010 and met its budget targets for secured and unsecured issues until the end of June 2010. In doing so, the Bank successfully re-entered the public capital markets in June with the issuance of a public sector Pfandbrief with a volume of € 500 million. The Pfandbrief has a term of three years and included a coupon of 1.75%. The Bank placed additional, longer-term bonds with a focus on the German Sparkassenverbund (Association of Savings Banks), customers of the savings banks as well as additional institutional investors. Deposit volumes and the duration of the deposits by banks and non-banks remained stable on the whole.

Despite expanded funding activities and the achievement of budget targets during the first half of the year, the raising of funds is still a challenge in the current environment. During past months, the need for refinancing has increased above planned volumes. A main reason is the significant increase in the U.S. dollar exchange rate during the first half of the year. The refinancing of U.S. dollar assets is accomplished — as is the case for nearly all European banks — primarily by means of derivatives whose fluctuations in market value must be compensated for in a way affecting liquidity. In addition, prolongation ratios which were above budget targets in sub-portfolios of the Bank, as well as wide-spread uncertainty in the markets, had a negative effect. Thanks to the decline of the U.S. dollar exchange rate in July the refinancing need was reduced again.

For purposes of strengthening its liquidity situation, the Bank initiated a series of additional funding measures during the second quarter. These included, amongst others, the increased utilisation of development banks (Förderbanken), initiatives designed to increase customer deposits and the placement of additional public sector bonds during the coming months. The placement of the Bank's Pfandbrief in the capital markets at the end of June (see above) was a first, significant success within the context of this issuance programme.

The guarantee framework of the Financial Market Stabilisation Fund (SoFFin) in the amount of € 17 billion was used as at 30 June 2010 with an outstanding bond volume of € 14 billion. Of this amount, the Bank deposited a volume of € 5 billion with the European Central Bank for purposes of strengthening the Bank's collateral pool. The Bank placed additional SoFFin bonds in the amount of € 9 billion in the capital market. In August another € 3 billion of the bonds deposited with the ECB were repaid.

During May 2010, the rating agency Moody's completed a review of rating assumptions with respect to long-term support mechanisms and downgraded the HSH Nordbank's long-term rating by one notch to A3. During the reporting period, the downgrade did not produce any noticeable reaction in the markets. At the same time, Moody's confirmed the Bank's very good short-term rating (Prime-1). During July, the rating ageny Fitch downgraded the Bank's long-term rating one notch from A to A–, whilst the short-term rating likewise remained at a very good level (F1) (Rating watch negative). A significant reaction on the part of the markets is not expected as a result.

The Risk Report in this Interim Report contains additional detailed information regarding the liquidity and risk situation.

SEGMENT REPORTING

Segment structure of HSH Nordbank

The Bank groups its core activities into the segments Sector Specialist Bank, Regional Bank and Other. A further segment, the Restructuring Unit established in December 2009, was set up to pool non-strategic business and special risk positions.

Following the split-off of non-strategic commitments and their winding down in the Restructuring Unit, the Sector Specialist Bank segment will report the Bank's results in the Shipping, Transport and Renewable Energy core areas. The Regional Bank segment reports the Bank's results in core areas with a mainly regional orientation: Corporate Clients, Real Estate Clients, Savings Banks and Private Banking. The segment Other includes the financial market business, with the central refinancing function for the Group and the Bank's overall positions including strategic participations. However, the majority of the results of financial market transactions with corporate and private clients continue to be reported in the other segments. All the previous year's figures have been adjusted in line with the new segment structure for comparability.

With effect from 1 May 2010, Mr. Torsten Temp was appointed member of the Management Board of the Bank with responsibility for the market divisions Shipping, Transport und Energy.

SEGMENT OVERVIEW

(€ m)		Sector Specialist Bank	Regional Bank	Other	Consolidation Core Bank	**Total Core Bank**	Restructuring Unit	Consolidation Restructuring Unit	**Total Restructuring Unit**
Total income	1.1. – 30.6.2010	187	262	30	188	667	–25	–7	–32
	1.1. – 30.6.2009	321	323	6	127	777	448	4	452
Loan loss provisions	1.1. – 30.6.2010	–30	–115	52	–1	–94	–215	2	–213
	1.1. – 30.6.2009	–330	–159	–13	–15	–517	–678	–	–678
Net income before restructuring	1.1. – 30.6.2010	**81**	**52**	**–11**	**185**	**307**	**–380**	**–37**	**–417**
	1.1. – 30.6.2009	–90	71	–101	107	–13	–369	4	–365

Details of developments within the individual segments are shown below.

SECTOR SPECIALIST BANK SEGMENT

Sector Specialist Bank
(€ m)

	1.1. – 30.6.2010	1.1. – 30.6.2009	Change in %
Net interest income	302	312	-3
Net commission income	14	31	-55
Net trading income	-120	25	> -100
Net income from financial investments	-9	-47	81
Total income	**187**	**321**	**-42**
Loan loss provisions	-30	-330	-91
Administrative expenses	-76	-81	-6
Other operating income	–	–	–
Net income before restructuring	**81**	**-90**	**> 100**
Average equity	1,215	627	94

During the first six months of the year 2010, the markets for shipping, transport and renewable energies recovered noticeably from the previous year's slump. As a result, the need for loan loss provisions was reduced significantly in the corresponding portfolios of the Bank. Overall, the segment Sector Specialist Bank was able to report positive results.

Noticeable recovery in the markets

The situation in the shipping sector has eased in the past several months. In particular, container shipping continued its recovery. The shipping lines chartered additional ships in order to cover increased demand. As a result, the number of idle ships was reduced significantly. Charter rates and the prices of container ships increased sharply. Although revenues in the oil tanker market sank slightly, this was primarily due to seasonal effects. In contrast, ship prices continued to increase during this period.

The bulker market was supported by demand for iron ore and coal from China. Due to the high availability of tonnage, charter rates for such ships did not experience any further increase. Finally, due to changes in price structure on the part of international ore suppliers rates for bulkers suffered a significant decline from the end of May. The placement of new construction contracts in the bulker market remained lively until June and increased for the fourth quarter in a row.

The largest share of the shipping fleet financed by the core area of HSH Nordbank is, with 42 %, container ships. The share of bulk carriers amounts to approximately 21 % and oil tankers comprise approximately 8 % of the portfolio. The remaining 29 %, relate to other types of ships.

During the first half of the year, aviation markets profited from increases in global trade. The effects of the ash cloud from an Icelandic volcano at the beginning of the second quarter dampened the recovery in the aviation sector only temporarily. As expected, demand rose again in May and even exceeded pre-crisis levels internationally. Similarly, the infrastructure sector recovered as well, which had remained relatively stable during the course of the crisis. During the first half of 2010, European rail freight markets were able to regain half of the volume losses experienced during the crisis year 2009.

In the renewable energy market, growth has again improved during the last months following restrained developments in the previous year. Here, it may be found that within this sector long-term growth trends dominate and the negative effects of the financial crisis are fading into the background. Within the wind energy sector, price declines for turbines due to the financial crisis have provided impetus on the demand side. A slight recovery in turbine prices is expected for 2011. The prices for solar modules have declined significantly so that attractiveness with respect to many projects is increasing despite decreasing incentive measures.

Loan loss provisions have decreased

During the first half of the year, the focus of the Sector Specialist Bank segment was on the management of risks within the existing portfolios which had risen during the previous year as a result of market slumps. New loan payouts to customers resulted primarily from prolongations and from the fulfillment of firm loan commitments. New business development was reflected within the net interest income and net commission income for the segment. Interest rate margins which were adjusted for the risk situation had positive effects. Valuation effects resulting from U.S. dollar exchange rate trends had a very noticeable impact on the net trading income. For this reason total income declined to € 187 million compared to the same period of the previous year (€ 321 million).

Thanks to improvements in market conditions, the need for loan loss provisions for credit risks has sunk noticeably compared to the previous year. Loan loss provisions which had previously been created, in particular in the shipping sector, were subject to reversal on a large scale. Overall, for the first half of the year, expenses for loan loss provisions amounted to € –30 million (previous year: € –330 million). Due to the improved risk situation, HSH Nordbank was able to report positive net income before restructuring in the Sector Specialist Bank segment in the amount of € 81 million. A loss of € 90 million had been reported for the first half of the previous year.

REGIONAL BANK SEGMENT

Regional Bank
(€ m)

	1.1. – 30.6.2010	1.1. – 30.6.2009	Change in %
Net interest income	219	266	-18
Net commission income	34	45	-24
Net trading income	9	18	-50
Net income from financial investments	–	-6	100
Total income	**262**	**323**	**-19**
Loan loss provisions	-115	-159	-28
Administrative expenses	-94	-93	1
Other operating income	-1	–	–
Net income before restructuring	**52**	**71**	**-27**
Average equity	544	573	-5

During the first half of 2010, growth in the segment Regional Bank was primarily driven by the corporate customer and real estate customer business to which the largest share of the assets within this sector is attributable. Net income from this segment was positive, however was below that of the previous year.

Situation for businesses has stabilised noticeably

In light of a recovery of the economy, the situation for many businesses has continued to improve over the last several months. This was also reflected in the Ifo Business Climate Index which surprisingly improved markedly in July. For banks providing financing, the intensity of competition within the corporates sector has again increased thereby increasing pressure on margins. This applies in particular to business with companies who have a good credit rating. From the beginning of 2010, the German real estate market has again proved dynamic. In the rental market, the demand for retail space in top locations remained strong. The increase in vacancy rates in the office market has decreased somewhat in the face of a slight increase in demand; however trends in premium rental rates vary significantly on a regional basis. During the past half of the year, the residential real estate market has, in relation to rents and prices, again shown itself to be the most stable sector of the German real estate market.

In the private banking market, a slight increase in demand was noted in the securities business as markets calmed in the first half of the year. Business with savings banks even livened up slightly. Private customers' interest turned increasingly toward structured interest rate products. At the same time, demand for interest rate hedge products in the corporate customer segment of the savings banks remained stable. The trends in own investments of the savings banks were particularly positive for both short-term and mid-term maturities.

Focus on existing business

During first half of 2010, the focus of HSH Nordbank's Regional Bank segment was on the management of existing customers and the prolongation of financings. In the cross-selling area, instruments for hedging interest rate risks, currency risks and comodity price risks were in demand among customers. In light of moderate new business levels, revenue remained restrained. This was reflected in both net interest and net commission income. A marked increase in customer deposits was noted. Overall, at € 262 million, total income for the first half of 2010 in the Regional Bank segment remained below that of the previous year (€ 323 million). Reduced loan loss provisions amounting to € – 115 million (previous year: € – 159 million) were primarily weighed down by a small number of individual cases related to structured financings in the corporates sector, whilst in the real estate customer sector there were hardly any loan loss provision expenses to be reported. Net income before restructuring totaled € 52 million (previous year: € 71 million).

SEGMENT OTHER

Other
(€ m)

	1.1. – 30.6.2010	1.1. – 30.6.2009	Change in %
Net interest income	-44	37	> -100
Net commission income	6	-7	> 100
Net trading income	46	-20	> 100
Net income from financial investments	22	-4	> 100
Total income	**30**	**6**	**> 100**
Loan loss provisions	52	-13	> -100
Administrative expenses	-91	-133	-32
Other operating income	-2	39	> -100
Net income before restructuring	**-11**	**-101**	**89**
Average equity	311	360	-14

Results in the segment Other for the first half of 2010 were primarily due to developments in the Bank's financial market sector.

In the customer-related financial markets business, which is oriented to supporting the customer sector of the Bank in relation to the sale of investment and risk management products, the focus of our customers in relation to existing business was on the restructuring of interest rate hedges. The goal was the exploitation of low interest rates. In addition, customers also were interested in currency hedging transactions in light of the strong surge by the

U.S. dollar. However, the limited granting of new loans on the part of the Bank led to overall decreases in sales of cross-selling products. Net income from cross-selling activities is largely reported in the other segments in the course of the Bank's business management.

Transactions with institutional investors and other business partners were oriented toward increasing the refinancing base. In the case of our partners, the savings banks, the placement of debt instruments proceeded successfully and added to increased diversification of the Bank's refinancing base, whilst business with larger institutional investors was characterised by hesitancy in light of the current uncertain environment.

Total income for the segment Other, which increased to € 30 million (previous year: € 6 million), reflected positive results from the successful management of risk positions from cross-selling transactions in the financial markets sector as well as realised income resulting from the active management of the liquidity reserves. A net reversal in loan loss provisions in the amount of € 52 million (previous year: € – 13 million) was booked as a result of the reversal of value adjustments in the financial markets business and in the core portfolios. The decrease in administrative expenses to € – 91 million (previous year: € – 133 million) was due primarily to, amongst others, restructuring within the financial markets sector. Net income before restructuring improved to € – 11 million (previous year: € – 101 million).

RESTRUCTURING UNIT SEGMENT

Portfolio reduced further

The Restructuring Unit, established in 2009 as an internal unit within HSH Nordbank, is responsible for and manages the winding down of credit and capital market transactions identified as non-strategic in the course of restructuring the Bank.

The reduction of portfolios bundled in the Restructuring Unit was continued during the first half of 2010. As at 30 June 2010, assets in this segment totalled € 71 billion, following € 77 billion as at the end of 2009 and € 95 billion at the end of 2008. Due to the counteractive effect caused by the rise in the U.S. dollar against the euro, a portion of the reduction realised was compensated for during the first half of the year.

Restructuring Unit
(€ m)

	1.1. – 30.6.2010	1.1. – 30.6.2009	Change in %
Net interest income	315	417	-24
Net commission income	32	42	-24
Net trading income	-450	257	> -100
Net income from financial investments	78	-268	> 100
Total income	**-25**	**448**	**> -100**
Loan loss provisions	-215	-678	-68
Administrative expenses	-132	-126	5
Other operating income	-8	-13	38
Net income before restructuring	**-380**	**-369**	**-3**
Average equity	2,029	1,508	35

Reductions in the lending business on schedule

Lending business bundled within the Restructuring Unit, with a volume of € 38 billion as at 30 June 2010 (31 December 2009: € 39 billion) includes, in particular, the foreign real estate business as well as portfolios from the business sectors shipping, transport, renewable energy, commodity trade finance and corporate clients (LBO). In the relevant markets, the continued trend toward recovery over the past several months was reflected in reductions in loan loss provision expense (which however remained high as a result of slumps in the market from the previous year). The reduction of credit portolios was continued during the first half of the year at different rates.

As of the end of the first half of 2010, the international real estate markets found themselves in different phases of recovery from the crisis. In the case of first class properties in very good locations, marked improvements were already to be seen in the UK. Similarly in France, the Netherlands and Sweden the situation eased visibly, whilst weakness in the market continued in Denmark.

Further advances in reducing portfolios within the European markets could be made via regular repayments, the calling of loans as well as through extraordinary repayments. The situation in the U.S. real estate market remained difficult with additional declines in value among office properties. At the same time, significant repayments were also recorded in the U.S. real estate portfolios which, however, were partially offset by the decline of the euro. In light of the economic environment, loan loss provisions with respect to such U.S. assets have been increased accordingly.

In the shipping sector, the market for container ships has recovered sharply. However, valuations for ships as well as charter rates remained at comparatively low levels. In addition to individual cases of repayments from construction financings, a large number of financings were restructured so that rapid reduction may be pursued in the event of continued recovery in the markets.

The foreign LBO portfolio was characterised by a slight stabilisation on the part of the Northern European credit markets which enabled the return of commitments with limited need for loan loss provisions. The refinancing situation in the leasing sector, in particular for leasing transactions, stabilised at a low level. Placements on the secondary markets to partner banks, as well as via syndications, remained difficult but the first successful reductions were achieved in this manner as well as via regular maturities.

In light of their large U.S. dollar holdings, developments in the commodity finance and transport areas were dictated by trends in the dollar during the first half of the year. However, since the start of restructuring efforts reductions have been ahead of plan. In the case of project financings for renewable energy, interest from other banks was noted on the primary markets, whilst buying interest remained limited in the secondary markets.

Capital market positions reduced further in a difficult environment

The capital market portfolios bundled within the Restructuring Unit comprised, as at 30 June 2010, assets with a volume of € 33 billion (31 December 2009: € 38 billion). Following a slightly upward trend at the start of the year, the crisis of public budgets within the eurozone caused volatility in the capital markets to increase and had negative impacts on individual portfolios. Despite the volatile and difficult market environment, reductions were able to be made with respect to the capital market portfolios by means of active reduction measures.

In the first half of 2010 it was possible to reduce the Credit Investment Portfolio (CIP) to approximately € 16 billion despite tight market liquidity and the U.S. dollar trend (portfolio volume as at 31 December 2009: € 17 billion). At the end of the year 2008 the portfolio volume was still at € 22 billion. The reduction was made primarily in relation to ABS assets denominated in Australian dollars, in other ABS structures as well as individual issuers. In the CIP, as well as in the remaining capital market portfolios in certain asset classes, in particular financial instruments, the market environment lead at times to significant increases in spread.

The public finance business was influenced by the debt and financial crisis in Southern and Eastern European countries. Starting with the escalation related to Greece, the spreads of most European countries in the euro-zone increased significantly at the start of the second quarter. In light of increased uncertainty, bonds from German public sector issuers — which comprised the largest share of the Bank's cover pool — were in demand among investors. Their prices were largely able to profit from the flight to "stability" or at least remained constant. The Bank successfully used this market phase for a sale of debt instruments of such issuers in a manner that limits the impact on our results.

Volatility in the markets reduced net income

Overall, for the first half of 2010 the Restructuring Unit segment booked net income before restructuring of € –380 million (previous year: € –369 million). Positive effects were felt as a result of significantly reduced loan loss provisions in light of recoveries in the markets and updated valuation parameters in the case of portfolio value adjustments as well as net income from financial investments, which benefited from reversals of impairment losses in the Credit Investment Portfolio. By contrast, net trading income was reduced, which was significantly negative as a result of foreign currency conversions related to loan loss provisions following developments in the U.S. dollar exchange rate and valuation discounts for structured positions of the Credit Investment Portfolio.

OUTLOOK

The following sections should be read in conjunction with the other chapters contained in this Management Report. The forward-looking statements contained in this outlook are based on our beliefs and assumptions made using information currently available to us. The 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. Therefore actual results may differ from the following forecasts.

ANTICIPATED UNDERLYING CONDITIONS

Recovery lose momentum

The rate of recovery for the global economy is likely to slow slightly during the second half of the year. This is signalled in many countries by early indicators such as the Purchasing Managers Indexes which are not longer at the peak they reached in the spring. In addition, fiscal impulses will run their course and increases in inventory, which have noticeably driven the recovery to date, will largely have been completed. In the U.S., as well as in the euro zone, in light of unfavourable job market perspectives, continued low capacity utilisation and uncertainty over further trends in demand, consumer spending and capital investments will not be sufficient at present to start a self-sustaining recovery. Especially in the euro zone, the efforts of many countries to consolidate their public budgets will dampen growth.

Based on estimates from the ECB in its Financial Stabilitiy Review from June 2010, banks within the euro zone still need to book write-downs in their credit portfolios amounting for € 228 billion in this year and the next. For the years 2007 to 2010, in light of increased prices for some securities, the ECB slightly revised its overall forecasted need for write-downs in the case of securities and loans from € 553 billion to € 515 billion. In the course of working through the effects of the financial crisis and preparing for tighter regulations for the banking sector, the process of contracting balance sheets and improving the capital base is likely to continue.

In light of the fragile economic environment and the prospects for moderate inflation, the ECB is not likely to raise key interest rates prior to the second half of 2011. Similarly, the U.S. Federal Reserve is likely to postpone increases in key interest rates until late next year in the face of the risk of a renewed economic slump. Expectations of a long-term continuation of very low key interest rates should continue to depress yields on two-year government bonds through the end of the year on both sides on the Atlantic.

The yield on U.S. bonds with a longer maturity could increase significantly in the coming quarters as a result of the current debt situation. Ten year German government bonds should lose attractiveness as investors gradually lose their security concerns and likewise experience increasing yields. A renewed increase in focus on the risks in the U.S. economy — high debt levels in both the public and private sectors as well as continuing problems in the real estate sector — should help the euro gain against the dollar during the course of the year.

Different crisis scenarios in the medium-term prospects for the stock markets have put confidence to the test again and again. The economic environment anticipated in profit estimates may be viewed as optimistic but not unrealistic. Accordingly, these forecasts are still accompanied by a latent risk of a relapse. This continues to be countered by investment pressure which, amongst others, results from many attractive dividend yields compared to comparatively unattractive yields on fixed-interest investments.

ANTICIPATED BUSINESS SITUATION

Strategic realignment of HSH Nordbank continues

During the first half of the year, HSH Nordbank continued to implement its strategic realignment according to plan thereby coming one step closer to its goal of making the Bank a stable and successful institution in the region on a sustainable basis.

In addition to the continuing reduction of risk positions within the Bank's internal Restructuring Unit, the comprehensive overhaul of the internal structures, processes and control systems in the areas risk management, accounting and loan decision contributes to making the Bank viable for the future. A current project focus is the implementation of a risk-led credit process, in which the Bank's back office is significantly strengthened whilst at the same time retaining the customer focus of the Bank. The implementation of this central project should be brought to a conclusion by the beginning of 2011.

HSH Nordbank's successful completion of the stress test conducted by the Committee of European Banking Supervisors (CEBS) in July 2010 is a sign of the advanced stabilisation of the Bank. During the test, under the prescribed stress conditions HSH Nordbank's Tier 1 capital ratio was always significantly above the values required by the CEBS. The generally positively received stress test results of the banks may have a positive effect on refinancing activities during the remainder of the year.

The overall economic environment continued to improve through the middle of 2010. In particular, we see as positive the recovery in the shipping sector — important for both the HSH Nordbank and the region — which was primarily seen in rising charter rates for container ships. The gradual stabilisation in the markets should also remain noticeable during the second half of the year.

Despite the recovery in many sectors, effects of the crisis must still be tackled and uncertaintities remain, amongst others, regarding further economic developments. Above all, the crisis surrounding public finances in Europe made clear that setbacks in this area could set off renewed uncertainty with a negative effect on the markets.

Accordingly, risk management related to HSH Nordbank's business with its customers continues to be given a very high level of importance. However, in light of appropriate demand for loans, the Bank will also conclude new business in its core areas during the second half of the year as well as offering its customers more services and products above and beyond the financing business as part of its cross-selling approach. These should increase customer benefit and strengthen the Bank's revenue base.

On the basis of successes related to its restructuring measures to date, HSH Nordbank believes that it is well on the way to the implementation of the strategic realignment programme described in detail in its 2009 Annual Report in line with the plan.

EU state aid proceedings

As part of ongoing proceedings, the European Commission is currently reviewing the Bank's restructuring plan as well as the stabilisation measures granted to the Bank in 2009. The Bank has already implemented the majority of expected measures. In addition to the separation of the core areas of the Bank and the units having to wind down business these include reductions in the balance sheet and a significant reduction in the network of foreign locations.

The continued existence of HSH Nordbank AG depends on whether the European Commission in the foreseeable future approves the stabilisation measures granted by the Free and Hanseatic City of Hamburg and the Federal State of Schleswig-Holstein on a permanent basis. Furthermore, it is necessary that the EU approval is only be tied to requirements which can be implemented within the framework of sound economic business planning, and, in particular, which will not put at risk the effect of the stabilisation measures relieving the regulatory capital.

ANTICIPATED REFINANCING SITUATION

Expansion of refinancing

The marked increase in the U.S. dollar and uncertainties in the markets during the first half of the year, as well as higher prolongation ratios due to the current market environment, caused the Bank's need for refinancing to increase more sharply than planned during the first half of the year. As a result, HSH Nordbank will expand its funding activities even further during the second half of the year and will continue the measures it has already begun to expand the funding. In doing so, one area of focus is accessing additional sales potential in the Savings Bank sector and another focus is on institutional investors.
The EU-wide stress test which was successfully concluded by the Bank, as well as the Bank's markedly improved

mid-year income situation, could have a positive effect on the planned measures under stable market conditions. In order to secure long-term liquidity needs, the Bank is utilising its access to the central banks in addition to the inter-bank repurchasing transactions as sources of crisis-proof liquidity.

ANTICIPATED SEGMENT PERFORMANCE

Expectations in the individual segments are driven by developments in the economy and in the financial markets, whereby the effects of future opportunities and risks are expected to differ based on specific market conditions within the business areas. Within different credit portfolios, depending on economic developments and the markets, additional specific loan loss provisions may be required. The largest burden should still relate to portfolios which no longer belong to the core business and which have been consolidated in the Restructuring Unit for systematic winding-down. Details regarding default risks are set out in the Risk Report.

Outlook Sector Specialist Bank segment

Recovery of the markets continues

Despite the somewhat subdued prospects for the global economy, with regard to container shipping, we are anticipating at most a minimal weakening of the recovery as the supply side should continue to be relieved by delayed deliveries. Charter rates and ship values should at least remain stable or even show a slight upward trend. By contrast, a large increase in fleet size is expected in the case of bulk carriers and oil tankers which should cause somewhat weaker development in this sector of the market.

In light of strong recovery on an international level, the aviation industry may even return to profitability before the end of 2010. Due to diverse factors such as lower economic growth and the comparatively large drop in revenues following the volcano ash cloud crisis, the European aviation sector should still record losses for 2010 — however at lower levels than previous year. Based on moderately increasing shipping volumes, stable development is to be expected in the European infrastructure and rail industries.

The market for renewable energy is likely to gain additional momentum over the course of the year. The expansion of sustainable sources of energy is being intensively pushed forward in many countries. Falling prices for solar systems support investment activities in this sector. Despite reduced incentives in Germany, it is to be already expected for 2010 that the capacity installed yearly within the solar sector will exceed the volume of the year 2008.

Focus on portfolio management

Despite an overall stabilised environment, uncertainties remain during the second half of the year. As a result, risk management related to existing portfolios and providing support to customers to succeed in overcoming the crisis will remain in the foreground. In addition, the Bank is strengthening its efforts to sell solutions with which the customer can optimise its hedge against fluctuations in interest rates, curreny exchange rates and commodity prices.

Outlook Regional Bank segment

Increasing market activity

Following significant improvements in the business situation of many companies, sales and profit trends are likely to lose a little of their dynamics during the second half of the year under the influence of developments in the economy. Due to the increasing number of high-volume deals in the German real estate market, a higher overall transaction volume is expected for 2010 compared to that of the previous year. Demand for office space is expected to continue to increase through the end of the year. In the retail market, demand is expected to stabilise at high levels. In the residential market, within large cities a trend toward shortages and thereby increasing prices is anticipated.

Increased commitment

In its corporate customer business, the Bank continues to provide individually tailored solutions to its customers in the region. At the same time, the Bank is increasing its commitment in selected sectors in which the Bank has distinct expertise — such as health care, trade and logistics. During the second half of the year, our focus in the real estate financing business will also be on advising our long-term customers as well as selectively expanding our customer base. In the case of business and earnings development, the pace with which transaction volumes and thereby demand for credit continue to recover will be important. We expect pressure on the margins to further increase in light of increased competition.

In the private banking market, due to continuing low interest rates on security-oriented investment forms we expect an increased focus on returns by investors and an increased interest in medium-term transactions. The Bank supports its partners in the Sparkassen-Finanzgruppe in their institutional and portfolio management as well as by providing high quality customer solutions. Thanks to the recovery trend and to the expanded range of products and services offered, we anticipate that developments will be positive during the remainder of the year in relation to sales of investment forms tailored to the needs of savings banks and their customers.

Outlook Other segment

Client focus and refinancing

In the customer-oriented financial markets business, the focus is on providing individual support to customers with appropriate hedging strategies in a volatile and uncertain market environment. The targeted expansion of the cross-selling business remains dependent on the development of new business in the Bank's customer segments. In order to expand its refinancing activities, the Bank is intensifying its contacts with different investor groups. The continuing stabilisation of the Bank should aid the raising of funds, although numerous uncertainty factors in the business environment could cause hesitance on the part of a certain number of institutional investor groups. The section "Anticipated refinancing situation" contains comments on the Bank's planned financing activities.

Outlook Restructuring Unit segment

Continued wind-down measures

The active winding down of non-strategic portfolios — in a manner that limits the impact on our results — continues to be one of the HSH Nordbank's primary goals. Continuation of the trend toward recovery in sectors of the real economy, and stable financial markets, would support the wind-down of portfolios which has been successful to date.

In the real estate sector, the economic crisis seems to have bottomed out in the majority of European markets and the sector should, led by the United Kingdom, continue its recovery. In light of the foregoing, the Bank anticipates that it can continue to reduce its portfolios in European countries outside of Germany. At the same time, the situation in the U.S. real estate market continues to be difficult so that high specific loan loss provisions will continue to be required and no meaningful reduction in the portfolio is anticipated during the second half of the year. In shipping we expect only a slight slowdown of the recovery for container ships due to delayed deliveries. In the oil tanker segment the strong growth of the fleet should result in a somewhat weaker development.

In the commodity finance and transport sectors, the already significantly reduced transaction volumes should continue to recover significantly through the end of 2010 on the basis of largely normalised markets. We anticipate further market stabilisation and continued recoveries in the foreign corporates business, although individual positions contain higher downside potential. For the leasing sector, we expect wind-downs to continue at the same level as the first half of the year based on regular maturities as well as special payments and placements.

The continued success of the wind-down measures in the capital market areas is primarily influenced by further developments in the financial markets. Concerns of market participants surrounding the consolidation of government finances and a potential renewed economic slump are also likely to contribute at times to increased volatility and to lead to increased risk premiums in certain asset classes which limit wind-down opportunities that do not affect income. This is particularly the case for financial institutions bonds and some European government bonds.

RISK REPORT

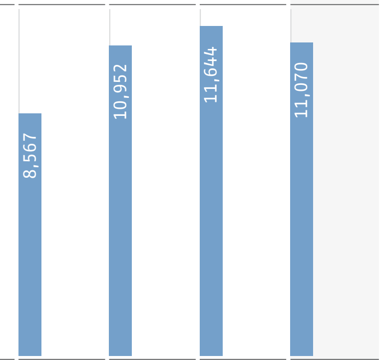
The Bank's significant risks include default, liquidity, market and operational risks. The methods, instruments and processes for the management of risks are explained in detail in the Risk Report contained in our 2009 Annual Report.

Risk-bearing capacity

As part of the monitoring of our risk-bearing capacity the economic capital required to cover any unexpected losses (overall risk) is regularly compared to the available economic risk coverage potential. The economic risk coverage potential is derived under the net asset value approach. In addition to equity capital for economic purposes (including changes in the net asset value) the net asset value approach takes into account, amongst other things, unrecognised gains and losses arising on securities, equity holdings and the credit business as well as effects from the second loss guarantee provided by the Free and Hanseatic City of Hamburg and the Federal State of Schleswig-Holstein (total of economic mark ups and mark downs). The overall risk takes into account default risk, market risk, operational risk as well as the liquidity maturity transformation risk as an element of liquidity risk. Economic capital required for default, liquidity and market risks is determined in a methodically consistent manner on the basis of a value at risk approach with a confidence level of 99.9% and a risk horizon of one year. In order to do so market risks are scaled up to this one year horizon based on the daily Value at Risk (VaR). Operational risks are determined in accordance with the Standardised Approach as defined in the German Solvency Regulation (SolvV). Economic capital required for the individual risk types is aggregated to an overall economic risk. In doing so, no risk-reducing correlations are utilised.

Over the last four quarters, risk coverage potential developed as follows:

Economic risk coverage potential	30.9.09	31.12.09	31.3.10	30.6.10
(€ m)				



Equity capital for economic purposes	14,232	12,942	12,996	13,021
First loss piece under guarantee transaction	–3,200	–3,200	–3,200	–3,200
Total of economic mark ups / mark downs	–2,465	1,210	1,848	1,249
Total	**8,567**	**10,952**	**11,644**	**11,070**

As at 30 June 2010, risk coverage potential amounted to € 11,070 million (31 December 2009: € 10,952 million). The capital increase in mid-2009 led to an increase when seen in isolation, whilst the Bank's first loss piece under the guarantee from the Free and Hanseatic City of Hamburg and the Federal State of Schleswig-Holstein led to a decrease in risk coverage potential. As part of the risk strategy, limits for the individual risk categories are derived from the risk coverage potential.

The economic capital required for default risks, as at the reporting date, amounted to € 3,491 million (31 December 2009: € 2,859 million). The increase compared to the end of 2009 resulted primarily from the weak euro compared to the U.S. dollar, as well as a worsening of the probabilities of default and loss ratios as a result of the prior year's economic slump. In addition, credit prolongation ratios above budgeted figures lead to an increase in economic capital required for default risks. In light of these trends, the corresponding limit was increased as at the reporting date. From 30 June 2009, the guarantee from the Free and Hanseatic City of Hamburg and the Federal

State of Schleswig-Holstein has significantly eased the burden on economic capital required.

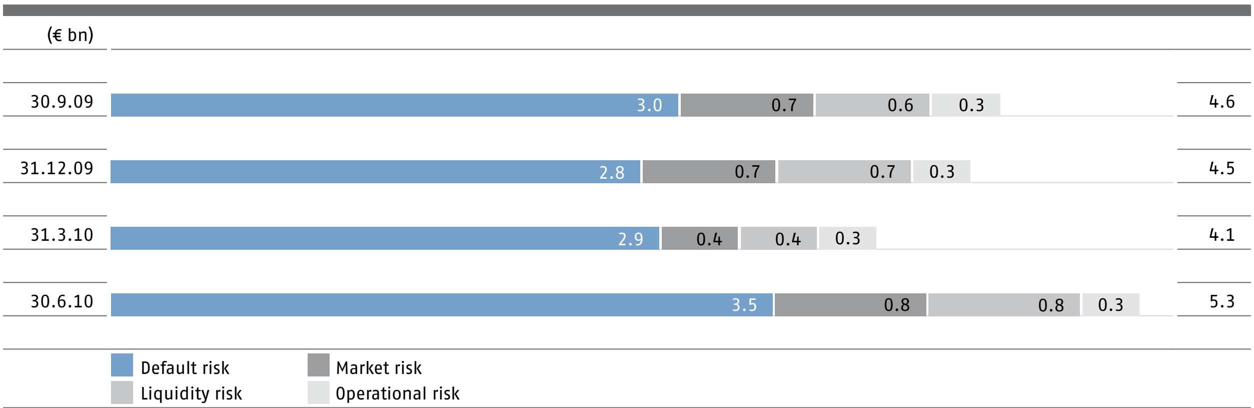
As a reaction to the liquidity shortage in the markets HSH Nordbank introduced a VaR approach at the start of 2008 to quantify the liquidity maturity transformation risk. This long-term / structural liquidity risk represents the risk of an increase in refinancing costs from open liquidity items. Compared to the end of 2009, the liquidity value at risk (LVaR) increased by € 95 million to € 768 million as at 30 June 2010. In particular, this development reflects the increase in refinancing costs which arise on the fictional closing of the liquidity gaps and which are determinative for establishing LVaR. The minimal limit exceedence of € 18 million should be offset by additional measures which have, in the mean time, partly been implemented. Insolvency risk, which represents the more important aspect of liquidity risk for the Bank compared to the maturity transformation risk, cannot be backed by the risk coverage potential, as it is not expressed in terms of magnitude of loss. The HSH Nordbank utilises a liquidity buffer for purposes of avoiding insolvency. Information regarding the management of the insolvency risk is contained in the chapter on "Liquidity risk".

As part of the risk-bearing capacity concept, market risk (Value at Risk, VaR) is determined on a daily basis at a confidence level of 99.0% and a one day holding period is scaled up to show economic capital required for market risk positions for purposes of managing risk-bearing capacity with a confidence level of 99.9% and a risk horizon of one year. Since the end of March, capital needs for the Bank's core portfolio and for the Restructuring Unit's risk positions are determined using a uniform liquidation horizon of 250 trading days. In contrast to the prior methodology, diversification effects between the core bank and the Restructuring Unit are now taken into account so that, ceteris paribus, economic capital required for market risks has declined. With the further development of the credit spread risk measurement there was a marked increase of credit spread risks during the second quarter of 2010 due to the current debt crisis in several European countries. Overall, economic capital required for market risks rose during the first half of the year compared to the value as at 31 December 2009 by € 107 million to € 764 million. During the third quarter of 2010, credit spread risks from securitisation transactions are to be integrated into the daily VaR measurement and thereby into the determination of economic capital required. On the basis of the approximation calculation, which has been performed on a monthly basis since January 2010, the economic capital required for market risks amounts to approximately € 1.5 billion at the reporting date taking into account such credit spread. In the course of the continued refinement of the approximation calculation the budgeted limit for market risks was reduced by € 0.4 billion to € 2.2 billion.

Since the beginning of 2008 operational risk has been determined in accordance with the Standardised Approach as defined in the German Solvency Regulation (SolvV). The corresponding economic capital required amounted to € 308 million as at 30 June 2010 (31 December 2009: € 261 million).

As a result of the effects described above, the overall economic risk increased compared to the end of 2009 and, as of the reporting date, amounted to € 5,331 million (31 December 2009: € 4,450 million). The following diagram shows the change in total economic risk over the course of the last four quarters.

Economic capital required



The following table presents the economic risk coverage potential of the HSH Nordbank Group, the risk limits and the economic capital required for the individual risk categories as well as the remaining risk coverage potential buffer.

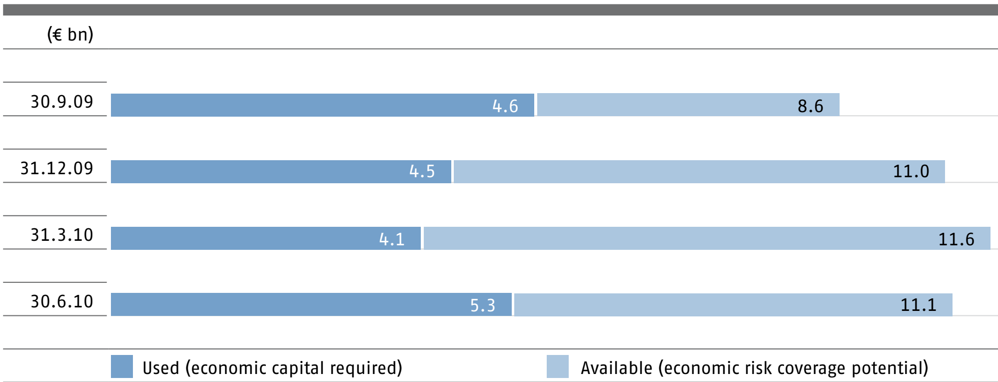
Risk-bearing capacity of the Group (€ m)	Absolute		As a % of risk coverage potential	
	30.6.2010	31.12.2009	30.6.2010	31.12.2009
Economic risk coverage potential	**11,070**	**10,952**	**100**	**100**
Risk limits				
thereof: Default risk	3,530	3,060	32	28
Market risk	2,200	1,470	20	13
Liquidity risk	750	750	7	7
Operational risk	308	261	3	2
Total	**6,788**	**5,541**	**61**	**51**
Economic capital required				
thereof: Default risk	3,491	2,859	32	26
Market risk	764	657	7	6
Liquidity risk	768	673	7	6
Operational risk	308	261	3	2
Total	**5,331**	**4,450**	**48**	**41**
Risk coverage potential buffer	**5,739**	**6,502**	**52**	**59**

The utilisation of risk coverage potential amounted to a total of 48 % as at the reporting date. The risk-bearing capacity was accordingly secured. Following the integration of credit spread risks from securitisation transactions in the risk-bearing capacity assessment being performed as part of this methodological advancement in the third quarter, ceteris paribus, it will lead to a decrease in the risk-coverage potential buffer corresponding to an increase in market risks.

Furthermore within the presentation of the risk coverage potential utilisation determined as at the reporting date, utilisation reflecting stress surcharges for default, market and liquidity risks will be depicted. As at 30 June 2010, risk-bearing capacity was ensured even in the economic stress case. Taking into account the approximately determined credit spread risks from securitisation transactions, the utilisation of risk coverage potential as at the reporting date was 55 % in the normal case and 94 % in the stress case. The Bank intends to start implementation of the CEBS Guidelines on Stress Testing in the third quarter of 2010. The high stress measurement currently used will probably be reduced due to the method applied then which will reduce procyclicity.

Over time, the utilisation of the risk coverage potential developed as follows:

Utilisation of risk coverage potential



	Utilisation in %	
	Normal Case	Stress Case
30.9.09	53	81
31.12.09	41	57
31.3.10	35	65
30.6.10	48	78

In addition, during the second quarter of 2010 HSH Nordbank successfully participated in the EU-wide regulatory stress test conducted by the CEBS (Committee of European Banking Supervisors). The goal of the stress test is to analyse and make transparent the effects of an economic downturn and negative developments in the financial markets — in particular due to a loss in value of European government bonds — on the European banking sector. The German banking supervisory authorities published the results from German banks on 23 July 2010. As a result of the shocks assumed in the stress scenario, HSH Nordbank would report a Tier 1 capital ratio (including market risk positions) of 9.9 % in 2011 — compared to 10.5 % approved for the 2009 annual financial statements. An additional simulated increase in the risk premium for government bonds would affect the estimated Tier 1 capital ratio by additional 0.2 percentage points. With a Tier 1 capital ratio of 9.7 %, HSH Nordbank is considerably above the minimum value of 6 % required by CEBS even in the most severe scenario. Detailed results of the stress test may be reviewed on our website, www.hsh-nordbank.de, under "Investor Relations".

Default risk

The credit environment has stabilised over the course of the past several months. Accordingly, during the first half of 2010 additions to loan loss provisions in the lending business were subject to a significant reduction compared to the previous year. The Bank anticipates additional loan loss provisions for individual risks through the end of 2010, although the economic upswing and recovery in the relevant markets should have a positive effect.

Changes in loan loss provisions (€ m)	1.1.–30.6.2010 Individual valuation allowances/provisions	Portfolio valuation allowances	Total	1.1.–30.6.2009 Individual valuation allowances/provisions	Portfolio valuation allowances	Total
Sector Specialist Bank	87	–117	–30	–233	–97	–330
Regional Bank	–155	40	–115	–112	–47	–159
Other	15	37	52	–5	–8	–13
Consolidation Core Bank	–3	2	–1	1	–16	–15
Total Core Bank	**–56**	**–38**	**–94**	**–349**	**–168**	**–517**
Restructuring Unit	–382	167	–215	–459	–219	–678
Consolidation Restructuring Unit	2	0	2	0	0	0
Total Restructuring Unit	**–380**	**167**	**–213**	**–459**	**–219**	**–678**
Group	**–436**	**129**	**–307**	**–808**	**–387**	**–1,195**

Reductions in loan loss provisions compared to the previous year were markedly different in the Bank's segments. The table "Changes in loan loss provisions" provides an overview.

At Group level, net additions to loan loss provisions amounted to € –307 million during the first half of 2010 (30 June 2009: € –1,195 million). Detailed information regarding developments within individual business areas as well as our expectations for the 2010 calendar year are contained in the chapters entitled "Segments" and "Outlook" in this Interim Report.

Details regarding the size of loan loss provisions are presented in the Notes 6 and 18.

Because of the deterioration in their economic situation, a number of countries in the eurozone are subject to increased monitoring. Additional limits were established for Ireland in April 2009 and for Greece in January of 2010. Portugal and Spain followed in April 2010.

Liquidity risk

HSH Nordbank divides its liquidity risk into insolvency risk and liquidity maturity transformation risk. Liquidity maturity transformation risk is a part of our risk-bearing capacity concept and was previously discussed in more detail thereunder. The insolvency risk describes the danger that the Bank's own due payment obligations or refinancing needs cannot be satisfied or not satisfied to the extent desired. In order to measure the refinancing needs, business of the Bank with an impact on liquidity is converted to cash flows and presented according to maturity bands with the associated incoming and outgoing payments (liquidity development report). The difference between incoming and outgoing payments may serve as a measure for the risk. These so-called gaps are compared against liquidity potentials which respectively are included for purposes of closing the cumulative gaps of the individual maturity bands, thereby representing the limit for insolvency risk. Utilisation of the limits is monitored on a daily basis.

In addition to the normal case liquidity development report which is compiled on the assumption of business developments in a normal market environment, the Bank also compiles the results of a market liquidity stress test on a daily basis in the form of a stressed liquidity development report (stress case assessment) in order to take critical development in the market into account.

Continued normalisation was initially observed in the money and capital markets during the first quarter of 2010. However, from April 2010 uncertainty surrounding high budget deficits, in particular in several Southern European countries — and the associated weakness in the euro — led to increased volatility and increase risk premiums in the markets. In addition to the foregoing developments, higher than planned prolongation ratios and the sharp increase in the U.S. dollar exchange rate negatively impacted HSH Nordbank's liquidity situation and lead to a higher utilisation of liquidity potential. For purposes of strengthening of its liquidity situation, the Bank initiated a series of additional funding measures during the second quarter.

Our deposit levels likewise remained stable. We have used approximately 70 % of the collateral pool and have used it for repurchase transactions on the inter-bank market and central bank refinancing. As at the end of June, compared to the end of 2009 lower volumes were available in the collateral pool as a liquidity buffer.

€ 14 billion of the guarantee framework of SoFFin in the amount of € 17 billion were used as at the reporting date. Thereof € 9.0 billion related to bonds placed in the capital markets with maturities during 2011 and 2012 as well as — following maturities of € 3 billion during the second quarter — € 5 billion bonds coming due in 2010 for purposes of strengthening in the collateral pool at the ECB. In August another € 3 billion of the ECB bonds due were redeemed. With regard to the guarantees expiring during 2010, HSH Nordbank has a prolongation right expiring 31 December 2010 at the latest.

Amongst others, the internal management group Liquidity serves to manage liquidity, meeting weekly to make decisions regarding upcoming payments and new business. The basis for decision-making is, amongst others, liquidity and funding planning which are updated regularly and are prepared in a manner consistent with the Bank's business planning. In principle, this places the Bank in the position to react flexibly to markets trends.

The following table shows the relative utilization levels of the liquidity potential for individual cumulative liquidity gaps in the normal case and stress case as at 30 June 2010 as well as at 30 December 2009. Utilization represents the share of the cumulative gap in total liquidity potential, which also includes utilization of borrowing options at the central banks.

Limit of cumulative liquidity gaps Utilisation of liquidity potential (%)	Normal Case		Stress Case	
	30.6.2010	30.12.2009	30.6.2010	30.12.2009
1st day	31	1	43	7
7th day	52	14	64	21
14th day	63	25	76	35
3rd week	59	33	76	44
4th week	59	38	81	54
8th week	60	48	83	68
3rd month	64	57	89	83
6th month	81	67	122	101
9th month	84	74	130	110
12th month	92	73	141	113

The Bank established risk tolerance in accordance with the German minimum requirements for risk management (MaRisk). Amongst others, risk tolerance is reflected in the definition of a minimum survival period which describes how long a liquidity potential under 100 % may be maintained under the normal and stress cases in light of insolvency risk. In the normal case presentation, as at the reporting date the liquidity coverage potential had a peak utilisation of 92 % in the 12th month. In doing so, all limits within the defined survival period of 12 months were maintained. The stress case liquidity development report likewise shows that liquidity potential was not exceeded during the three-month survival period established by the Bank. The utilisation rates has increased compared to the end of 2009. The funding measures, some of which have been implemented by the Bank in the meantime, will further reduce utilisation levels of the liquidity potential ceteris paribus.

The regulatory management parameter for liquidity risks is the liquidity ratio defined by the German Liquidity Regulation. With values between 1.44 and 2.01 it was at all times during the reporting period above the regulatory minimum value of 1.0. The average value for the first half of 2010 was 1.84 (2009: 1.66).

HSH Nordbank's current liquidity situation is strained in light of developments related to the U.S. dollar and credit prolongations that exceed planned levels. Access to capital markets remains limited so that future refinancing and the Bank's rating continue to be significant challenges.

The chapters of this Interim Report entitled 'Business developments' and 'Outlook' provide additional detailed information regarding refinancing activities.

Market risks related to trading and banking book positions

For purposes of measuring and managing market risks, HSH Nordbank employs a Value at Risk approach (99.0% confidence level, holding period of 1 day, 250 days of historical data). Developments with respect to the individual market risk categories during the first six months of 2010 are presented in the table set out below. As at 30 June 2010, the market risk related to our trading book amounted to € 5.7 million and that to our banking book amount to € 37.0 million. Taking correlation effects which reduce risk into account, the aggregated market risk amounted to € 36.4 million. In addition to reductions in trading activities, the reduction in interest rate risk and thereby in the overall market risk was a methodological result of the elimination of data for the corresponding period in the previous year from the historical observations for the last 250 trading days as well as of lower market volatility. For the purposes of managing risk-bearing capacity, the VaR was extrapolated to overall risk of € 764 million in the course of aggregating the individual risk types.

Daily Value at Risk at the Group level (€ m)	Interest rate risk*		Credit spread risk*		Foreign exchange risk	
	1.1. – 30.6.2010	**1.1. – 31.12.2009**	**1.1. – 30.6.2010**	**1.1. – 31.12.2009**	**1.1. – 30.6.2010**	**1.1. – 31.12.2009**
Average	12.0	33.7	25.1	27.0	5.0	20.6
Maximum	25.9	47.8	37.8	40.0	14.6	47.3
Minimum	8.1	20.7	21.1	20.7	1.9	2.2
End of period value	8.1	25.4	36.9	21.3	3.2	2.3

[1] Credit spread risks are a subcategory of interest rate risk. Due to their importance for HSH Nordbank they are shown here separately, rather than as part of interest rate risk.

Daily Value at Risk at the Group level (€ m)	Equity risk		Commodity risk		Market risk (aggregated)	
	1.1. – 30.6.2010	**1.1. – 31.12.2009**	**1.1. – 30.6.2010**	**1.1. – 31.12.2009**	**1.1. – 30.6.2010**	**1.1. – 31.12.2009**
Average	3.6	5.3	0.2	0.3	25.3	49.8
Maximum	4.9	9.9	0.5	1.7	38.2	74.8
Minimum	2.9	2.6	0.1	0.0	18.6	27.2
End of period value	3.2	2.7	0.2	0.2	36.4	29.9

During the period February through April 2010, the foreign exchange risk for special repo transactions was exceeded at times due to technical reporting errors in the relevant risk measurement system. Foreign exchange risk is again being determined correctly as of 24 April 2010.

Due to the current debt crisis in several European countries, credit spread risks rose by approximately € 7 million during May 2010. In June 2010, we performed a refinement in the measurement of credit spread risks from bonds. In this context, the assignment of credit spread curves to individual bond issues was improved. With the implementation of these adjustments, there was a significant increase in credit spread risks related to the relevant government bonds as a result of the current debt crisis. As a result, overall risk rose by approximately € 8 million.

As part of the further development of the methodology, credit spread risks from securitisation transactions — for which a monthly approximation calculation has been conducted since January 2010 — are being integrated into the daily VaR measurement during the third quarter of 2010.

Settlement and control, financial controlling and risk controlling for the Restructuring Unit are all performed centrally in the functionally independent core bank. The Value at Risk for the core bank as at 30 June 2010 amounted to € 8.9 million and that of the Restructuring Unit amounted to € 38.0 million.

Daily Value at Risk of the Core Bank and Restructuring Unit
(€ m)

	Core Bank		Restructuring Unit	
	30.6.2010	31.12.2009	30.6.2010	31.12.2009
Interest rate risk	6.7	13.5	13.7	18.2
Credit spread risk	10.4	1.2	32.4	21.4
Foreign exchange risk	3.4	2.9	0.8	1.5
Equity risk	1.9	1.9	1.6	1.8
Commodity risk	0.2	0.2	0.0	0.0
Market risk (aggregated)	8.9	15.1	38.0	24.2

The additional risks faced by the Group presented in detail in the 2009 Annual Report have largely remained unchanged during the course of the year to date.

INTERIM REPORT OF THE HSH NORDBANK GROUP

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD 1 JANUARY TO 30 JUNE 2010

Income statement (€ m)	Note	January – June 2010	After adjustment January – June 2009	Change in in %
Interest income		7,824	12,045	-35.0
Interest expenses		-6,947	-11,092	-37.4
Net income on hybrid financial instruments		-75	-53	-41.5
Net interest income	(5)	**802**	**900**	**-10.9**
Loan loss provisions	(6)	-307	-1,195	-74.3
Net interest income after loan loss provisions		**495**	**-295**	**> 100**
Net commission income	(7)	94	106	-11.3
Result from hedging	(8)	3	90	-96.7
Net trading income	(9)	-378	446	>-100
Net income from financial investments	(10)	114	-313	> 100
Administrative expenses	(11)	-402	-436	-7.8
Other operating income	(12)	-36	24	>-100
Net income before restructuring		**-110**	**-378**	**70.9**
Result from restructuring	(13)	-14	-72	80.6
Expenses for government guarantees	(14)	-303	-150	>100
Net income before taxes		**-427**	**-600**	**28.8**
Income tax expenses (–) / income (+)		47	-19	>-100
Net income after taxes / Group net loss		**-380**	**-619**	**38.6**
Group net income attributable to non-controlling interests		20	-22	>100
Group net income attributable to HSH Nordbank shareholders		-400	-597	33.0

Earnings per share	Note	January – June 2010	After adjustment January – June 2009
€			
Undiluted	(15)	-1.63	-6.40
Diluted		-1.52	-5.39
Number of shares (millions)		**246**	**93**
Potentially dilutive ordinary shares		17	17
Weighted average number of shares outstanding adjusted for the anticipated conversion Ordinary shares after anticipated conversion – diluted		263	110

Reconciliation of total comprehensive income / loss (€ m)	January – June 2010	After adjustment January – June 2009
Group net loss for the year	**-380**	**-619**
Change in		
Revaluation reserve (before taxes)	93	54
of which: from exchange rate effects	30	-29
Income taxes not recognised in the income statement	-36	-37
of which: from exchange rate effects	3	3
	57	**17**
Currency conversion reserve	25	–
Income taxes not recognised in the income statement	–	–
	25	**–**
Actuarial gains/losses (before taxes)	-88	–
Income taxes not recognised in the income statement	28	–
	-60	**–**
Other net income for the period	**22**	**17**
Total	**-358**	**-602**
Group net income attributable to non-controlling interests	17	-22
Group net income attributable to HSH Nordbank shareholders	-375	-580

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010

(€ m)	Note	30.6.2010	After adjustment 31.12.2009	Change in %
Assets				
Cash reserve		1,668	1,296	28.7
Loans and advances to banks	(16)	12,663	15,541	-18.5
Loans and advances to customers	(17)	114,682	110,557	3.7
Loan loss provisions	(18)	-5,230	-4,718	10.9
Positive fair values of hedging derivatives	(19)	2,213	1,684	31.4
Positive adjustment item from portfolio fair value hedges		321	295	8.8
Assets Held for Trading	(20)	17,754	16,879	5.2
Financial investments	(21)	28,488	29,690	-4.0
Intangible assets	(22)	201	197	2.0
Property, plant and equipment	(23)	99	101	-2.0
Investment properties	(24)	342	316	8.2
Non-current assets held for sale and disposal groups	(25)	698	586	19.1
Current tax assets		326	518	-37.1
Deferred tax assets	(26)	1,255	1,204	4.2
Other assets	(27)	213	338	-37.0
Total assets		**175,693**	**174,484**	**0.7**

(€ m)	Note	30.6.2010	After adjustment 31.12.2009	Change in %
Liabilities				
Liabilities to banks	(28)	38,314	38,591	-0.7
Liabilities to customers	(29)	54,709	49,803	9.9
Securitised liabilities	(30)	45,284	53,121	-14.8
Negative fair values of hedging derivatives	(31)	739	517	42.9
Negative adjustment item from portfolio fair value hedges		1,433	1,085	32.1
Liabilities Held for Trading	(32)	18,668	14,649	27.4
Provisions	(33)	1,629	1,619	0.6
Liabilities relating to disposal groups	(34)	9	19	-52.6
Current tax liabilities		28	78	-64.1
Deferred tax liabilities		75	93	-19.4
Other liabilities	(35)	1,661	1,583	4.9
Subordinated capital	(36)	9,062	8,884	2.0
Equity	(37)	4,082	4,442	-8.1
Share capital		2,460	2,460	0.0
Capital reserve		1,509	1,509	0.0
Retained earnings		818	1,607	-49.1
Revaluation reserve		-284	-341	-16.7
Currency conversion reserve		-65	-90	-27.8
Group loss		-400	-734	-45.5
Total before non-controlling interests		4,038	4,411	-8.5
Non-controlling interests		44	31	41.9
Total equity and liabilities		**175,693**	**174,484**	**0.7**

STATEMENT OF CHANGES IN EQUITY

Statement of changes in equity
(€ m)

	Share capital
As at 1 January 2009	881
Group net loss	–
Changes due to restatements	–
Changes not recognised in the income statement	–
Changes recognised in the income statement	–
Exchange rate changes	–
Comprehensive income 30 June 2009	–
Dividend payments and distributions	–
Capital increases	1,579
Change in retained earnings	–
As at 30 June 2009	2,460
As at 1 January 2010	2,460
Changes due to restatements	–
Adjusted portfolio 1 January 2010	2,460
Group net loss	–
Changes not recognised in the income statement	–
Changes recognised in the income statement	–
Exchange rate changes	–
Comprehensive income 30 June 2010	–
Dividend payments and distributions	–
Change in retained earnings	–
Changes in the scope of consolidation	–
As at 30 June 2010	2,460

Capital reserve	Retained earnings	of which actuarial gains / losses acc. to IAS 19	Currency conversion reserve	Revaluation reserve	Group profit or loss	Total before non-controlling interests	Non-controlling interests	Total
88	1,354	149	-85	-562	284	1,960	45	2,005
–	–	–	–	–	-537	-537	-22	-559
–	–	–	–	–	-60	-60	–	-60
–	–	–	–	-117	–	-117	–	-117
–	–	–	–	142	–	142	–	142
–	–	–	–	-8	–	-8	–	-8
–	–	–	–	17	-597	-580	-22	-602
–	–	–	–	–	–	–	-5	-5
1,421	–	–	–	–	–	3,000	–	3,000
–	284	–	–	–	-284	–	–	–
1,509	1,638	149	-85	-545	-597	4,380	18	4,398
1,509	1,607	118	-90	-356	-670	4,460	31	4,491
–	–	–	–	15	-64	-49	–	-49
1,509	1,607	118	-90	-341	-734	4,411	31	4,442
–	–	–	–	–	-400	-400	20	-380
–	-57	-60	–	72	–	15	-4	11
–	–	–	–	-9	–	-9	–	-9
–	–	–	25	-6	–	19	1	20
–	-57	-60	25	57	-400	-375	17	-358
–	–	–	–	–	–	–	-4	-4
–	-734	–	–	–	734	–	–	–
–	2	–	–	–	–	2	–	2
1,509	818	58	-65	-284	-400	4,038	44	4,082

ABRIDGED CASH FLOW STATEMENT

Abridged cash flow statement (€ m)	January – June 2010	After adjustment January – June 2009
Cash and cash equivalents as at 1 January	1,296	1,419
Cash flow from operating activities	–1,649	–2,825
Cash flow from investing activities	2,366	–382
Cash flow from financing activities	–377	2,483
Change in cash and cash equivalents due to exchange rate fluctuations	32	–1
Effects from changes in the scope of consolidation	–	–2
Cash and cash equivalents as at 30 June	1,668	692

The cash and cash equivalents item corresponds to the balance sheet item cash reserve and includes cash, credit balances at central banks, treasury bills and discounted treasury notes as well as similar debt instruments issued by public-sector bodies and bills of exchange.

The cash flow from operating activities is calculated using the indirect method, whereby the Group net income / loss is adjusted for non-cash expenses (increased) and non-cash income (reduced), taking into account cash changes in assets and liabilities used in operating activities.

EXPLANATORY NOTES

General disclosures

1. ACCOUNTING PRINCIPLES

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

This half-year financial report is composed of abridged interim Group financial statements, an interim Group management report as well as a responsibility statement by the Management Board in accordance with Section 37w in conjunction with Section 37y No. 2 of the German Securities Trading Act (WpHG) taking account of the requirements of IAS 34. The abridged interim Group financial statements consist of a statement of comprehensive income, a statement of financial position, a statement of changes in equity, an abridged cash flow statement and selected explanatory notes.

The interim Group financial statements as at 30 June 2010 were prepared in accordance with IFRS, as adopted and published 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.

In the interim Group financial statements, the same accounting policies have basically been applied as in the Group financial statements of HSH Nordbank AG as at 31 December 2009.

In accordance with IAS 34.C4, HSH Nordbank AG does not prepare any pension obligations reviews in the course of the current financial year and bases its figures on the data from the last expert opinion made as of 31 December 2009. Each quarter it is assessed whether essential parameters related to pension provisions have changed. If this is the case, these are adjusted accordingly and are taken into account in accountancy (in particular changes in the discount factor).

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

IAS 1	Presentation of financial statements — revised

IAS 1.81(a, ab) relating to the amendment in IAS 12 (Income taxes) was amended. Accordingly, the total of the amount of current and deferred taxes resulting from items which directly reduce or increase the equity capital as well as the amount of income taxes connected to each component of other net income have to be stated separately.

IAS 39	Financial instruments: recognition and measurement — eligible hedged items

The amendment to IAS 39 makes it clear that options can only be used as a hedging instrument to hedge part of the risk. In addition, hedging inflation risks can be qualified for variable-rate items. HSH Nordbank AG does not use these types of hedge.

IFRS 3 revised and IAS 27 amended	Business combinations Consolidated and separate financial statements

In the revision of IFRS 3 and IAS 27, the IASB has implemented the proposals of the Business Combinations Phase II project. In doing so, the definition of the term 'business operation' was altered. However, according to our assessment, this does not lead to a different characterisation of a business operation for HSH Nordbank AG purposes. There are changes regarding the methods applied for successive share purchases, though. Whilst the old approach was based on the principle of totalling the acquisition costs, under the amended standard all components of the business combination at the time of acquisition are measured at fair value. If HSH Nordbank AG gains control of the acquired company by the additional purchase of further shares, the shares held previously must be dealt with as if they had been sold so that the purchase could be carried out. If further shares in subsidiaries are acquired, this is accounted for as an equity transaction with the owners. Goodwill remains unaffected. IFRS 3 allows an accounting policy choice in the event of non-controlling interest either to measure 100% of the goodwill of the acquiree or the acquirer's proportionate share in the goodwill. This leads to a higher goodwill which results in a higher non-controlling interest (minority interest) in the net assets of the acquiree (so-called "full goodwill method").

The scope of application of IFRS 3 has been expanded. In the version now valid, combinations of mutual entities and combinations without consideration have been included in the scope of IFRS 3. Among the additional changes there are chiefly additional rules for earn-out agreements and the prohibition on capitalising transaction costs.

Application of this standard had no material impact on the interim Group financial statements.

Within the framework of application of the complementing regulations under German commercial law HSH Nordbank Group in addition to IFRS also observed German Accounting Standard (GAS) 16 Interim Financial Reporting.

Accounting and measurement are based on the assumption of going concern. HSH Nordbank Group justifies this assumption primarily by the recapitalisation by the Federal State of Schleswig-Holstein and the Free and Hanseatic City of Hamburg in the course of the previous year and a viable restructuring concept which will ensure the Bank's independent competitiveness. In evaluating the going concern status there are still material uncertainties at the time of preparation of the interim Group financial statements with regard to the conclusion of the EU state aid proceedings. The continued existence of HSH Nordbank AG depends on whether the European Commission approves the stabilisation measures granted by the Free and Hanseatic City of Hamburg and the Federal State of Schleswig-Holstein in the forseeable future on a permanent basis. Furthermore it is necessary that the EU approval is only tied to requirements which can be implemented within the framework of sound economic business planning, and in particular, which will not put the effectiveness under supervisory law of the relief of the regulatory capital achieved by means of the stabilisation measures at risk.

These interim Group financial statements were reviewed by an auditor.

All facts up to 17 August 2010 were taken into account.

2. FRAMEWORK GUARANTEE

The Federal State of Schleswig-Holstein and the Free and Hanseatic City of Hamburg granted HSH Nordbank a framework guarantee in the amount of € 10 billion via the HSH Finanzfonds AöR in order to secure the future of the Bank. The agreement on the provision of the framework guarantee remains to be subject to approval by the European Commission in line with the law on state aid.

The guarantor hedges actual rating-related defaults under debt instruments selected based on certain defined criteria that form part of the assets of HSH Nordbank AG and certain subsidiaries. A first loss piece in the amount of € 3.2 billion remains with the Bank as the warrantee. HSH Nordbank AG and the guarantor can jointly agree to reduce the Bank's first loss piece.

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

The guarantee expires when it is returned to the guarantor after the last reference commitment in the hedged portfolio has been met irrevocably and in full or has resulted in a guarantee claim for the full amount. HSH Nordbank AG 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 cannot be increased again.

In exchange for the guarantee HSH Nordbank AG pays a contractual premium of 4% p.a. on the guarantee volume outstanding at the time. The cost of the guarantee premium is reported under the balance sheet item 'Expenses for government guarantees'. The premium payments are recognised as an expense pro rata temporis.

The initial guarantee from the federal states is recognised in the Group financial statements as a financial guarantee in accordance with IAS 39.9.

If during the restructuring and workout proceedings measures consistent with the guarantee are implemented in respect of hedged commitments that conflict with recognition of the hedging instrument in the financial statements as a financial guarantee under IAS 39.9, the commitments may be transferred to a partial guarantee under the framework agreement, subject to approval from a trustee appointed by the guarantor. The partial guarantee must fall within the scope of the IFRS accounting requirements for credit derivatives. 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.

Since acceptance of the guarantee first commitments notified to the guarantor were transferred to the partial guarantee for the credit derivative. The partial guarantees did not have any hedging effect in the financial statements as at this reporting date.

3. ADJUSTMENT OF PREVIOUS YEAR'S FIGURES

In the present interim report figures processed in the interim Group financial statements as of 30 June 2009 were adjusted in various ways. These adjustments relate to corrections already evidenced by adjustments in the comparative figures in the Group financial statements as of 31 December 2009 and the interim Group financial statements as of 31 March 2010.

The adjustments made were assessed as per IAS 8 and classified as corrections in accordance with IAS 8.41 et seq.

The following tables show the effects of the adjustments, including the effects on income tax, for the income statement and the earnings per share:

Adjustments in 1st half-year, 2009 (€ m)	January – June 2009 Before adjustment	Adjustment	After adjustment
Net trading income	516	-70	446
Other items (without adjustment)	-1,046	–	-1,046
Net income before taxes	**-530**	**-70**	**-600**
Income tax expenses (–) / income (+)	-29	10	-19
Net income after taxes / Group net loss	**-559**	**-60**	**-619**
Group net income attributable to non-controlling interests	-22	–	-22
Group net income attributable to HSH Nordbank shareholders	-537	-60	-597

Adjustments in 1st half-year, 2009 (€ m)	January – June 2009 Before adjustment	Adjustment	After adjustment
Group net income attributable to HSH Nordbank shareholders – undiluted	-537	-60	-597
Group net income attributable to HSH Nordbank shareholders – diluted	-537	-60	-597
Number of shares (millions)			
Average number of ordinary shares outstanding – undiluted	93	–	93
Dilution effects from: convertible bonds	17	–	17
Weighted average number of ordinary shares outstanding adjusted for the assumed conversion – diluted	110	–	110
Earnings per share (€)			
Undiluted	-5.51	-0.89	-6.40
Diluted	-4.64	-0.75	-5.39

4. SCOPE OF CONSOLIDATION

In addition to the parent company HSH Nordbank AG, Hamburg/Kiel, 47 companies (31 December 2009: 46) have been consolidated. This includes 8 (31 December 2009: 7) special-purpose entities which must be consolidated according to the provisions of SIC-12.

The following subsidiaries or special-purpose entities are included in the interim Group 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	Brinkhof Holding Deutschland GmbH 1)	Erfurt	100.0
3	Brinkhof Personalservice GmbH 2)	Cologne	100.0
4	Brinkhof Kraftwerk- und Industrieservice GmbH 2)	Oberhausen	100.0
5	Bu Wi Beteiligungsholding GmbH	Hamburg	100.0
6	Carrera Capital Finance Ireland Limited	Dublin	0.0
7	Carrera Capital Finance Limited	Jersey	0.0
8	CPM Luxembourg S.A. 3)	Luxembourg	3.2
9	CPM Securitisation S.A. 3)	Luxembourg	3.2
10	EALING INVESTMENTS LIMITED	London	100.0
11	Endor 8. Beteiligungs GmbH & Co. KG 4)	Hamburg	94.8
12	EQUILON GmbH	Hamburg	100.0
13	Hamborner Aktiengesellschaft 5)	Duisburg	52.7
14	HGA Capital Grundbesitz und Anlage GmbH 4)	Hamburg	100.0
15	HSH Corporate Finance GmbH	Hamburg	100.0
16	HSH N Composits GmbH	Kiel	100.0
17	HSH N Finance (Guernsey) Limited	Guernsey	100.0
18	HSH N Funding I 6)	Grand Cayman	100.0
19	HSH N Funding II	Grand Cayman	100.0
20	HSH Nordbank Private Banking S.A. 3)	Luxembourg	100.0
21	HSH Nordbank Securities S.A.	Luxembourg	100.0
22	HSH Private Equity GmbH	Hamburg	100.0
23	HSH RE 2. Beteiligungs GmbH 4)	Hamburg	100.0
24	HSH RE 3. Beteiligungs GmbH 4)	Hamburg	100.0
25	HSH RE 4. Beteiligungs GmbH 4)	Hamburg	100.0
26	HSH RE 5. Beteiligungs GmbH 4)	Hamburg	100.0
27	HSH RE 6. Beteiligungs GmbH 4)	Hamburg	100.0
28	HSH RE 7. Beteiligungs GmbH 4)	Hamburg	100.0
29	HSH Real Estate AG	Hamburg	100.0
30	International Fund Services & Asset Management S.A. 3)	Luxembourg	51.6
31	JANTAR GmbH	Hamburg	100.0
32	LB Immo Invest GmbH 4)	Hamburg	100.0

Fully consolidated companies		Registered office	Share of equity capital (in %)
33	Leashold Verwaltungs GmbH & Co. KG	Hamburg	100.0
34	Mesitis GmbH	Hamburg	100.0
35	MINIMOA GmbH	Hamburg	100.0
36	Neptune Finance Partner S.à.r.l.	Luxembourg	100.0
37	Neptune Finance Partner II S.à.r.l.	Luxembourg	100.0
38	Neptune Ship Finance (Luxembourg) S.à.r.l. & Cie, S.e.c.s.	Luxembourg	100.0
39	Northern Blue 2009 S.A.	Luxembourg	0.0
40	Plato No. 1 S.A.	Luxembourg	0.0
41	PREGU GmbH	Hamburg	100.0
42	RESPARCS Funding I Limited Partnership	Hong Kong	0.0
43	RESPARCS Funding II Limited Partnership	Jersey	0.0
44	RESPARCS Funding III Limited Partnership	Jersey	0.0
45	Sotis S.à.r.l. [3]	Luxembourg	100.0
46	Swift Capital 1 Europäische Fondsbeteiligungen GmbH & Co. KG	Hamburg	99.5
47	THESTOR GmbH	Hamburg	100.0

[1] Subsidiaries of Bu Wi Beteiligungsholding GmbH
[2] Subsidiaries of Brinkhof Holding Deutschland GmbH
[3] Subsidiaries of HSH Nordbank Securities S.A.
[4] Subsidiaries of HSH Real Estate AG
[5] Subsidiaries of HSH RE 2–7 Beteiligungs GmbH
[6] Subsidiaries of HSH N Composits GmbH

The companies RESPARCS Funding I and RESPARCS Funding II Limited Partnership are consolidated under the provisions of IAS 27 based on the majority of voting rights.

The following companies were included in the scope of consolidation for the first time in the reporting period:

Brinkhof Holding Deutschland GmbH, Erfurt
Brinkhof Personalservice GmbH, Cologne
Brinkhof Kraftwerk- und Industrieservice GmbH, Oberhausen
Bu Wi Beteiligungsholding GmbH, Hamburg
Plato No. 1 S. A., Luxembourg

In contrast to the financial statements as at 31 December 2009 the following companies or funds are no longer included in the scope of consolidation:

HSH Asset Management S. A., Luxembourg
HSH Investment Management S. A., Luxembourg
HSH RE Beteiligungs GmbH, Hamburg
Nubes GmbH, Lockstedt

HSH Asset Management S. A. was merged with HSH Nordbank Securities S. A. as of 1 January 2010 and HSH Investment Management S. A. was merged with HSH Nordbank Securities S. A. as of 1 April 2010.

Nubes GmbH and HSH RE Beteiligungs GmbH were deconsolidated as of 1 January 2010. The companies are currently no operating entities.

With effect from the conclusion of a share purchase and transfer agreement on 10 March 2010 Bu Wi Beteiligungsholding GmbH acquired 100% of the voting shares in Brinkhof Holding Deutschland GmbH and its subsidiaries (in the following referred to as the Brinkhof Group). The agreement was subject to the condition precedent of the approval by the Bundeskartellamt and entry of the change in the shareholder structure in the Commercial Register. As of 1 April 2010 Bu Wi Beteiligungsholding

GmbH gained control of the company within the meaning of IAS 27. It is therefore included in the Group financial statements as a fully consolidated subsidiary for the first time in the present interim financial statements. Economically the purchase took place retrospectively as of 1 January 2010.

Brinkhof Holding Deutschland GmbH is the sole shareholder in Brinkhof Personalservice GmbH as well as Brinkhof Kraftwerk- und Industrieservice GmbH, which will also be included for the first time as fully consolidated subsidiaries in the Group financial statements as of 30 June 2010.

The companies of the Brinkhof Group provide human resources services. The range of services includes supply of temporary employees, personnel placement, human resources consulting, and human resources management on site.

The Brinkhof Group was acquired within the framework of a bail-out purchase in order to secure the existing loan commitments and in order to restructure the companies. Therefore, the costs of the acquisitions were limited to the symbolic value of € 1 and were settled in cash.

Cash inflow due to acquisition
(€ m)

	1.4.2010
Cash acquired by means of the investment	0.8
Cash outflow	–
Actual cash inflow	**0.8**

Due to the fact of certain open measurement issues no audited 2009 annual financial statements of the Brinkhof Group are available at the time of the first inclusion into the Group financial statements. Therefore, the presentation of the merger is based on preliminary financial ratios and is subject to the risk of changes until the end of the measurement period with regard to financial assets and retained earnings recognised (IFRS 3.45). This results in accounting estimates that are subject to uncertainties within the meaning of IAS 1.125 et seq. All circumstances that became known until the time of the preparation of the interim Group financial statements as of 30 June 2010 have been taken into account.

The table below provides on overview of the fair values at the time of acquisition of the identifiable assets and liabilities of the Brinkhof Group which were used for the preparation of these interim financial statements:

(€ m)	Carrying amount prior to acquisition	Adjustment	Fair value as of 1.4.2010
Assets			
Cash reserve	0.8	–	0.8
Intangible assets	37.5	-37.4	0.1
Property, plant and equipment	0.2	–	0.2
Financial investments	–	–	–
Loans and advances to banks	0.6	–	0.6
Other assets	14.9	–	14.9
	54.0	**-37.4**	**16.6**
Liabilities			
Liabilities to banks	37.1	–	37.1
Provisions	0.1	–	0.1
Liabilities Held for Trading	0.8	2.2	3.0
Income tax liabilities	1.0	–	1.0
Other liabilities	6.9	–	6.9
	45.9	**2.2**	**48.1**
Net assets at the date of acquisition	**8.1**	**-39.6**	**-31.5**
Total consideration			**–**
Balance			**31.5**

Due to the fact that the purchase price was clearly below the fair value of the assets and liabilities acquired against the backdrop of the restructuring intention, the allocation of the cost of the business combination to the shares in the company acquired as of 1 April 2010 within the meaning of IFRS 3 results in a positive balance in the amount of € 31.5 million. This was capitalised as goodwill.

Due to the economic cause of the acquisition of shares in the Brinkhof Group (bail-out purchase of a non-performing borrower) an extraordinary impairment test in accordance with IAS 36 was carried out in the second quarter of 2010 based on a determination of the value in use. As a result of this impairment test the goodwill in the amount of € 31.5 million was fully written off as of 30 June 2010. The write-off is recognised under the item “Other operating income”.

The cumulative gains and losses of the three Brinkhof companies acquired that are shown in the Group financial statements as of 30 June 2010 amount to € – 1.5 million. The group contributed € 7 million to Other operational income. Had the Group already been consolidated as of 1 January 2010 this would have resulted in other operational income of € – 29 million and a group loss of € 384 million for the Group financial statements as of 30 June 2010.

Notes on the income statement

5. NET INTEREST INCOME

Net interest income
(€ m)

	January – June 2010	January – June 2009
Interest income from:		
Lending and money market transactions	1,812	2,629
Fixed-interest securities	364	629
Trading transactions	32	127
Derivative financial instruments	5,464	8,559
Unwinding	88	49
Current income from:		
Equities and other non-fixed-interest securities	24	27
Associated companies	4	3
Equity holdings	31	18
Other holdings	5	4
Interest income	**7,824**	**12,045**
of which attributable to financial instruments not categorised as HfT or DFV according to IAS 39	2,230	3,257
Interest expenses for:		
Liabilities to banks	403	700
Liabilities to customers	768	991
Securitised liabilities	644	972
Subordinated capital	131	154
Trading transactions	–	5
Derivative financial instruments	5,001	8,270
Interest expenses	**6,947**	**11,092**
of which attributable to financial instruments not categorised as HfT or DFV according to IAS 39	1,687	2,666
Net income from discounting and compounding	-75	–
Interest expenses on hybrid financial instruments	–	-53
Net income on hybrid financial instruments	**-75**	**-53**
of which attributable to financial instruments not categorised as HfT or DFV according to IAS 39	-75	-53
Total	**802**	**900**

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

Net interest income also includes income and expenses arising from the amortisation of the adjustment items for portfolio fair value hedge relationships and corresponding proceeds from the closing of the underlying transactions which contributed to the adjustment items.

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

The term “hybrid financial instruments” covers silent participations, profit participations and bonds measured at amortised acquisition cost. Their interest depends on profit and they participate in an annual loss of the Bank.

The net income or loss on hybrid financial instruments was disclosed for the first time as of 31 December 2009. It includes both the effects on profit/loss resulting from the application of IAS 39.AG8 as well as the current interest income from the instruments that fall under the scope of application of this standard.

In order to achieve a standardised representation the net income from hybrid financial instruments is now also shown as of 30 June 2009 following a corresponding reclassification within the interest income item. It amounts to € –53 million related to interest accruals. In the fourth quarter of 2009 these interest accruals had to be cancelled since there were no longer any profit-related coupon payments on the underlying financial instruments.

The cumulative net income from hybrid financial instruments amounts to € 300 million (previous year: € –53 million). Net income from reestimating interest and redemption cash flows recognised for the end of the year 2009 accounts for € 599 million of this cumulative net income and the net loss from discounting and compounding accounts for € –299 million (previous year: € –224 million).

The difference between valuation for tax purposes and valuation under IAS 39.AG8 results in deferred taxes of € 7 million (previous year: € 0 million).

6. LOAN LOSS PROVISIONS

Loan loss provisions (€ m)	January – June 2010	January – June 2009
Expenses from allocations to loan loss provisions	1,576	1,300
Income from release of loan loss provisions	1,111	321
Subtotal	**–465**	**–979**
Expenses from allocations to provisions in the lending business	79	269
Income from reversal of provisions in the lending business	231	52
Subtotal	**152**	**–217**
Direct write-downs	20	8
Payments received on loans and advances previously written down	26	9
Total	**–307**	**–1,195**

Loan loss provisions in on balance-sheet lending business relate exclusively to loans and advances categorised as LaR.

The estimation of the LIP factors (Loss Identification Period) that are part of the calculation of the portfolio valuation allowance for receivables was updated during the period under review. The changes have an effect on the loan loss provisions in the amount of € 241 million.

7. NET COMMISSION INCOME

Net commission income (€ m)	January – June 2010	January – June 2009
Commission income from		
Lending business	49	65
Securities business	28	17
Guarantee business	21	26
Foreign business	3	8
Payments and account transactions	6	3
Other commission income	23	31
Commission income	**130**	**150**
Commission expenses from		
Lending business	5	10
Securities business	20	16
Guarantee business	–	1
Foreign business	2	3
Payments and account transactions	1	1
Other commission expenses	8	13
Commission expenses	**36**	**44**
Total	**94**	**106**

Financial instruments not classified as HfT or DFV accounted for € 93 million (previous year: € 110 million) of net commission income.

8. RESULT FROM HEDGING

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

Gains on hedging (€ m)	January – June 2010	January – June 2009
Fair value changes from hedging transactions	547	399
Micro fair value hedge	34	76
Portfolio fair value hedge	513	323
Fair value changes from underlyings	-544	-309
Micro fair value hedge	-33	-79
Portfolio fair value hedge	-511	-230
Total	**3**	**90**

9. NET TRADING INCOME

Net trading income comprises realised income / loss and the valuation result for financial instruments classified as Held for Trading (HfT) or Designated at Fair Value (DFV). Interest income and expenses for financial instruments of these categories are shown under net interest income.

Income from foreign exchange transactions, credit derivatives and commodities is stated under 'Other products'. Gains and losses on currency conversion are also recorded in this income statement item.

Net trading income (€ m)	Bonds and interest rate derivatives January – June 2010	Bonds and interest rate derivatives January – June 2009	Equities and equity derivatives January – June 2010	Equities and equity derivatives January – June 2009	Other products January – June 2010	Other products January – June 2009	Total January – June 2010	Total January – June 2009
Realised net income								
Held for Trading	71	104	1	–14	–22	–33	50	57
Designated at Fair Value	–2	–229	–	–1	2	2	–	–228
Subtotal	**69**	**–125**	**1**	**–15**	**–20**	**–31**	**50**	**–171**
Valuation result								
Held for Trading	104	561	–18	44	–240	94	–154	699
Designated at Fair Value	–357	–125	81	–9	2	52	–274	–82
Subtotal	**–253**	**436**	**63**	**35**	**–238**	**146**	**–428**	**617**
Total	**–184**	**311**	**64**	**20**	**–258**	**115**	**–378**	**446**

In the first half-year of 2010 net trading income was influenced by the results of foreign currency valuation. A large share of the burden (€ – 343 million) results from the foreign currency conversion of loan loss provisions due to the strong rise in the value of the U.S. dollar in the first half-year of 2010 (previous year: € 3 million).

During the reporting period € – 272 million (previous year: € – 59 million) of the changes in fair value of the financial assets categorised as Designated at Fair Value (DFV) related to changes in the credit spread rather than changes in market interest rates. In cumulative terms, a total of € – 583 million (previous year: € – 1,040 million) is attributable to changes in the credit spread.

€ 402 million (previous year: € 232 million) of the changes in fair value of the liabilities classified as DFV related to changes in the credit spread and not to changes in market interest rates during the reporting period. In cumulative terms, a total of € 744 million (previous year: € 574 million) is 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 as well as changes in the portfolio impairment allowances are reported under this item. In the case of financial investments classified as Available for Sale, write-ups are only recognised in the income statement for debt instruments up to a maximum of the amortised cost.

Net income from financial investments (€ m)	January – June 2010	January – June 2009
Classified as AfS		
Realised gains/losses (–)	17	11
Amortisation	34	103
Write-ups	6	4
Subtotal	**–11**	**–88**
Classified as LaR		
Realised gains/losses (–)	2	–17
Depreciation	28	270
Write-ups	135	37
Subtotal	**109**	**–250**
Additions to portfolio valuation allowances	7	3
Release of portfolio valuation allowances	23	28
Subtotal	**16**	**25**
Total	**114**	**–313**

11. ADMINISTRATIVE EXPENSES

Administrative expenses (€ m)	January – June 2010	January – June 2009
Personnel expenses	189	223
Operating expenses	193	194
Depreciation on property, plant and equipment and amortisation on intangible assets	20	19
Total	**402**	**436**

Personnel expenses are influenced by an opposed development:

Taking the employees of the Brinkhof Group into account that was consolidated for the first time, the average number of staff in the first half-year of 2010 amounted to 4,194. Without the companies acquired the number of employees of the Group would have decreased to 3,825 (average first half of 2009: 4,195).

Since the date of initial consolidation personnel expenses in the amount of € 6 million occurred for personnel of the companies acquired.

12. OTHER OPERATING INCOME

Other operating income (€ m)	January – June 2010	January – June 2009
Other operating income	72	65
Other operating expenses	108	41
Total	**–36**	**24**

The item Other operating income includes amortisation of goodwill in the amount of € 32 million resulting from the initial consolidation of the Brinkhof Group. The write-downs are attributable to the Segment Restructuring Unit.

13. RESULT FROM RESTRUCTURING

Result from restructuring (€ m)	January – June 2010	January – June 2009
Personnel expenses	16	42
Operating expenses	3	41
Income from the reversal of provisions and liabilities related to personnel	5	11
Total	**–14**	**–72**

14. EXPENSES FOR GOVERNMENT GUARANTEES

Expenses for government guarantees (€ m)	January – June 2010	January – June 2009
Financial Market Stabilisation Fund (SoFFin)	62	49
HSH Finanzfonds AöR	241	101
Total	**303**	**150**

Expenses in connection with the second loss guarantee provided by HSH Finanzfonds AöR in the amount of € 241 million (previous year: € 101 million) include a guarantee fee in the amount of 4% to be paid under the contract (expenses: € 201 million; previous year: € 101 million) and provisions for the higher remuneration to be expected in connection with the EU state aid proceedings (expenses: € 40 million; previous year: € 0 million).

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 period under review. The calculation was based on non-rounded values.

Earnings per share	January – June 2010	January – June 2009
Attributable Group net income (€ m) – undiluted	–400	–597
Dilution effects from: convertible bonds	–	–
Attributable Group net income (€ m) – diluted	–400	–597
Number of shares (millions)		
Average number of ordinary shares outstanding – undiluted	246	93
Dilution effects from: convertible bonds	17	17
Potentially dilutive ordinary shares	17	17
Weighted average number of ordinary shares outstanding adjusted for the assumed conversion – diluted	263	110
Earnings per share €		
Undiluted	–1.63	–6.40
Diluted	–1.52	–5.39

Notes on the statement of financial position

16. LOANS AND ADVANCES TO BANKS

Loans and advances to banks
(€ m)

	30.6.2010	31.12.2009
Payable on demand	6,513	5,749
Other loans and advances	6,150	9,792
Total before loan loss provisions	**12,663**	**15,541**
Loan loss provisions	319	370
Total after loan loss provisions	**12,344**	**15,171**

17. LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers
(€ m)

	30.6.2010	31.12.2009
Retail customers	2,323	2,581
Corporate clients	103,954	98,167
Public authorities	8,405	9,809
Total before loan loss provisions	**114,682**	**110,557**
Loan loss provisions	4,911	4,348
Total after loan loss provisions	**109,771**	**106,209**

18. LOAN LOSS PROVISIONS

Loan loss provisions
(€ m)

	30.6.2010	31.12.2009
Loans and advances to banks	319	370
Loans and advances to customers	4,911	4,348
Loan loss provisions for items in the statement of financial position	**5,230**	**4,718**
Provisions in the lending business	559	663
Total	**5,789**	**5,381**

The loan loss provisions for banks during the period under review developed as follows:

Development of loan loss provisions for banks (€ m)	Individual valuation allowances		Portfolio valuation allowances		Total	
	30.6.2010	31.12.2009	30.6.2010	31.12.2009	30.6.2010	31.12.2009
As at 1 January	363	362	7	48	370	410
Additions	3	106	–	3	3	109
Reversals	2	85	3	44	5	129
Utilisation	27	14	–	–	27	14
Reclassifications	–28	–3	–	–	–28	–3
Unwinding	–	–3	–	–	–	–3
Exchange rate changes	6	–	–	–	6	–
As at 30 June 2010/31 December 2009	315	363	4	7	319	370

Loan loss provisions for customers during the period under review developed as follows:

Development of loan loss provisions for liabilities to customers (€ m)	Individual valuation allowances		Portfolio valuation allowances		Total	
	30.6.2010	31.12.2009	30.6.2010	31.12.2009	30.6.2010	31.12.2009
As at 1 January	3,165	1,670	1,183	671	4,348	2,341
Additions	1,435	2,736	139	637	1,574	3,373
Reversals	857	676	249	117	1,106	793
Utilisation	244	447	–	–	244	447
Reclassifications	28	–1	–	–	28	–1
Unwinding	–88	–108	–	–	–88	–108
Changes in the scope of consolidation	–6	–	–	–	–6	–
Exchange rate changes	280	–9	125	–8	405	–17
As at 30 June 2010/31 December 2009	3,713	3,165	1,198	1,183	4,911	4,348

The value adjustments relate exclusively to items categorised as Loans and Receivables (LaR).

19. POSITIVE FAIR VALUES OF HEDGING DERIVATIVES

This item shows the positive fair value of derivatives used in hedge accounting. At present only interest swaps and interest rate currency swaps are taken into account 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 assets Held for Trading. Hedge accounting is used solely for interest rate risks.

Positive fair value of hedging derivatives
(€ m)

	30.6.2010	31.12.2009
Positive fair value of derivatives used in micro fair value hedges	479	452
Positive fair value of derivatives used in portfolio fair value hedges	1,734	1,232
Total	2,213	1,684

Changes in this item are directly related to changes in the item 'Negative fair values of hedging derivatives' (Note [31]). Changes in the items are mainly due to a change in portfolio composition and movements in interest rates in the USD and EUR capital markets.

20. ASSETS HELD FOR TRADING

Only financial assets classified as HfT are stated under assets Held for Trading. Mainly included in this category are 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)

	30.6.2010	31.12.2009
Bonds and other fixed-interest securities	1,356	3,033
Equities and other non-fixed-interest securities	31	36
Positive fair values from derivative financial instruments	16,362	13,758
Other assets Held for Trading	5	52
Total	17,754	16,879

21. FINANCIAL INVESTMENTS

Financial investments include specifically financial instruments not held for trading categorised as AfS and LaR and, to a lesser extent, as DFV. This item includes bonds and other fixed-interest securities, equities and other non-fixed-interest securities, holdings in unconsolidated affiliated companies, holdings in joint ventures and associated companies not carried at equity in the Group financial statements.

Financial investments
(€ m)

	30.6.2010	31.12.2009
Bonds and other fixed-interest securities	26,566	27,777
Equities and other non-fixed-interest securities	810	803
Equity holdings	853	885
Interests in associates	259	225
Total	**28,488**	**29,690**

22. INTANGIBLE ASSETS

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

Intangible assets
(€ m)

	30.6.2010	31.12.2009
Goodwill	76	76
Software	72	73
Developed in-house	45	43
Acquired	27	30
Software in development	36	31
Developed in-house	21	22
Acquired	15	9
Other intangible assets	17	17
Total	**201**	**197**

The allocation of the cost of the business combination performed within the framework of initial consolidation of Brinkhof Holding Deutschland GmbH and its subsidiaries as of 1 April 2010 resulted in goodwill in the amount of € 32 million. Following an impairment test the value of the goodwill was fully adjusted as of 30 June 2010.

23. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment
(€ m)

	30.6.2010	31.12.2009
Land and buildings	45	44
Operating equipment	34	37
Leased assets	20	18
Assets under construction	–	2
Total	**99**	**101**

24. INVESTMENT PROPERTY

Under the item 'Investment property' all property (land or buildings) is recorded that is held to earn rentals or for capital appreciation but is not used in the production or supply of goods or services of the Bank. Real estate leased as lessor in the operating leasing business is also included in this item.

Investment property
(€ m)

	30.6.2010	31.12.2009
Investment property	342	316
Total	**342**	**316**

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

Non-current assets held for sale and disposal groups
(€ m)

	30.6.2010	31.12.2009
Loans and advances to banks	58	98
Loans and advances to customers	–	330
Financial investments	636	63
Investment property	2	–
Other assets Held for Trading	–	86
Derivative assets Held for Trading	–	9
Other assets	2	–
Total	**698**	**586**

This item also contains other disposal groups, individual investments as well as securities belonging to the credit investment portfolio which will be sold with a high degree of probability in the coming twelve months in the course of the strategic reorientation.

26. DEFERRED TAX ASSETS

Of the deferred tax assets amounting to € 1,255 million (31 December 2009: € 1,204 million) a total of € 132 million (31 December 2009: € 132 million) are attributable to tax loss carry-forwards in Germany. The HSH Nordbank business model, strategic adjustments and the future taxable income derived from these ensure that the tax claims carried as assets will meet expectations.

27. OTHER ASSETS

Other assets
(€ m)

	30.6.2010	31.12.2009
Prepaid expenses	65	69
Receivables from participations and affiliates	18	96
Tenant loans	13	12
Receivables from fund transactions	8	10
Receivables from miscellaneous taxes	8	4
Other assets	101	147
Total	**213**	**338**

28. LIABILITIES TO BANKS

Liabilities to banks
(€ m)

	30.6.2010	31.12.2009
Liabilities payable on demand	1,569	2,653
Other term liabilities	36,745	35,938
Total	**38,314**	**38,591**

29. LIABILITIES TO CUSTOMERS

Liabilities to customers
(€ m)

	30.6.2010	31.12.2009
Savings deposits	72	82
Other liabilities		
Liabilities payable on demand	9,578	10,374
Other term liabilities	45,059	39,347
Total	**54,709**	**49,803**

30. SECURITISED LIABILITIES

Securitised liabilities
(€ m)

	30.6.2010	31.12.2009
Bonds issued	44,385	52,302
Money market securities issued	380	205
Other securitised liabilities	519	614
Total	**45,284**	**53,121**

Under the item 'Securitised liabilities' own bonds repurchased (in part for the purpose of market support) in the amount of € 13,191 million (31 December 2009: € 15,254 million) were deducted. Out of these repurchased securities € 5,000 million are related to repurchased issues guaranteed by the Financial Market Stabilisation Fund (SoFFin) and provided as collateral to the ECB.

Repurchased own money market securities are not included in the portfolio (31 December 2009: € 156 million).

31. NEGATIVE FAIR VALUES OF HEDGING DERIVATIVES

This item shows the negative fair value of derivatives used in hedge accounting. At present only interest swaps and interest rate currency swaps are taken into account 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 risks.

Negative fair values of hedging derivatives
(€ m)

	30.6.2010	31.12.2009
Negative fair values of derivatives used in micro fair value hedges	255	282
Negative fair values of derivatives used in portfolio fair value hedges	484	235
Total	**739**	**517**

Changes in this item are directly related to changes in the item 'Positive fair values of hedging derivatives' (Note [19]). The overall changes in the items are mainly due to a change in portfolio composition and movements in interest rates in the USD and EUR capital markets.

32. LIABILITIES HELD FOR TRADING

Only financial assets classified as HfT are stated under 'Liabilities Held for Trading'. Mainly included in this category are derivatives with a negative fair value which are either not designated as a hedging derivative or are used as hedging 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)

	30.6.2010	31.12.2009
Negative fair values from derivative financial instruments		
Interest rate-related business	17,015	13,500
Currency-related business	1,350	811
Other business	285	337
Commitments to deliver securities	18	1
Total	18,668	14,649

33. PROVISIONS

Provisions
(€ m)

	30.6.2010	31.12.2009
Provisions for pension obligations and similar obligations	696	611
Other provisions	933	1,008
Provisions in the lending business	559	663
Provisions for restructuring	107	131
Provisions for litigation risks and costs	67	40
Provisions for personnel expenses	10	11
Other provisions	190	163
Total	1,629	1,619

Loan loss provisions include portfolio valuation allowances of € 89 million (31 December 2009: € 82 million) and individual valuation allowances for credits by way of bank guarantees, guarantees and letters of credit of € 141 million (31 December 2009: € 169 million). There are provisions for other credit risks of € 55 million (31 December 2009: € 140 million). They also include € 43 million (31 December 2009: € 58 million) of portfolio valuation allowances and € 231 million (31 December 2009: € 214 million) of individual valuation allowances for irrevocable loan commitments.

The net change in pension liabilities of € 85 million comprises the payments for pension liabilities in the amount of € 20 million and additions in the amount of € 105 million. The addition is mainly due to the change in the market interest rates.

34. LIABILITIES RELATING TO DISPOSAL GROUPS

Liabilities relating to disposal groups
(€ m)

	30.6.2010	31.12.2009
Liabilities to banks	–	1
Assets Held for Trading – derivatives	6	15
Other liabilities	3	3
Total	**9**	**19**

35. OTHER LIABILITIES

Other liabilities
(€ m)

	30.6.2010	31.12.2009
Collateral provided for guarantees given	1,255	1,186
Liabilities for outstanding invoices	51	42
Personnel liabilities	43	54
Prepaid income	40	41
Liabilities for restructuring	12	27
Other tax liabilities	10	16
Other	250	217
Total	**1,661**	**1,583**

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

36. SUBORDINATED CAPITAL

Subordinated capital
(€ m)

	30.6.2010	31.12.2009
Subordinated liabilities	5,430	5,375
Silent participations	1,439	1,341
Profit participation capital	2,193	2,168
Total	**9,062**	**8,884**

The carrying amount of silent participations and profit participation capital were determined based on estimates of the earnings situation of HSH Nordbank Group and assumptions with regard to making use of termination or extension options (IAS 39.AG8).

37. EQUITY

Equity
(€ m)

	30.6.2010	31.12.2009
Share capital	2,460	2,460
Capital reserve	1,509	1,509
Retained earnings	818	1,607
Gains on pension obligations and similar obligations not recognised in the income statement	89	177
Deferred taxes on gains from pension obligations and similar obligations not recognised in the income statement	-31	-59
Revaluation reserve	-284	-341
Currency conversion reserve	-65	-90
Group loss	-400	-734
Total before non-controlling interests	**4,038**	**4,411**
Non-controlling interests	44	31
Total	**4,082**	**4,442**

Changes in ordinary shares

	30.6.2010	31.12.2009
Number at the beginning of the year	246,017,368	88,122,631
Capital increase	0	157,894,737
Number at end of the period	**246,017,368**	**246,017,368**

Segment reporting

Segment reporting (€ m / %)	Sector Specialist Bank		Regional Bank		Other		Consolidation Core Bank	
	30.6.2010	30.6.2009	30.6.2010	30.6.2009	30.6.2010	30.6.2009	30.6.2010	30.6.2009
Net interest income	302	312	219	266	-44	37	16	-136
Net commission income	14	31	34	45	6	-7	8	-5
Result from hedging	–	–	–	–	–	–	3	90
Net trading income	-120	25	9	18	46	-20	138	166
Net income from financial investments	-9	-47	–	-6	22	-4	23	12
Total income	**187**	**321**	**262**	**323**	**30**	**6**	**188**	**127**
Loan loss provisions	-30	-330	-115	-159	52	-13	-1	-15
Administrative expenses	-76	-81	-94	-93	-91	-133	-1	-3
Other operating income	–	–	-1	–	-2	39	-1	-2
Net income before restructuring	**81**	**-90**	**52**	**71**	**-11**	**-101**	**185**	**107**
Result from restructuring	–	–	–	–	–	–	-11	-43
Expenses for government guarantees	–	–	–	–	–	–	-168	-92
Net income before taxes	**81**	**-90**	**52**	**71**	**-11**	**-101**	**6**	**-28**
Cost/income ratio (CIR) in %	41 %	25 %	36 %	29 %				
Return on equity before tax and restructuring expenses in %	13 %	-29 %	19 %	25 %				
Average equity	1,215	627	544	573	311	360	118	103
	30.6.2010	31.12.2009	30.6.2010	31.12.2009	30.6.2010	31.12.2009	30.6.2010	31.12.2009
Segment assets (€ bn)	**36**	**32**	**25**	**25**	**44**	**40**	**–**	**–**

The cost/income ratio and return on equity are not shown in the segment report for the segments Restructuring Unit and Other. The segment Other is a summary in accordance with IFRS 8.16. The ratios are not shown for this segment as a joint ratio for the summary provides little information. In the case of the Restructuring Unit, the segment involves business areas which are not strategic and are currently run down. This segment is not managed on the basis of these ratios.

Segment reporting is in accordance with the provisions of IFRS 8. The segments result from the Bank's internal organisational structure which is based on product and customer groups. For reasons of comparability, the segment results of the previous year have been adjusted in accordance with the organisational changes implemented in 2009. In accordance with IFRS 8.32 and 8.33, neither geographical information nor information on products and services is disclosed.

The basis for the segment reporting is internal reporting to management. Income and expenses were assigned to the segments in which they originated.

Net interest income is determined in accordance with the Funds Transfer Pricing (FTP). The planned investment and financing profit in the segment Other is distributed among the business segments on the basis of economic capital committed. The transformation contribution is allocated to the segments Sector Specialist Bank and Region-

Total Core Bank		Restructuring Unit		Consolidation Restructuring Unit		Total Restructuring Unit		Group	
30.6.2010	30.6.2009	30.6.2010	30.6.2009	30.6.2010	30.6.2009	30.6.2010	30.6.2009	30.6.2010	30.6.2009
493	479	315	417	-6	4	309	421	802	900
62	64	32	42	–	–	32	42	94	106
3	90	–	–	–	–	–	–	3	90
73	189	-450	257	-1	–	-451	257	-378	446
36	-45	78	-268	–	–	78	-268	114	-313
667	777	-25	448	-7	4	-32	452	635	1,229
-94	-517	-215	-678	2	–	-213	-678	-307	-1,195
-262	-310	-132	-126	-8	–	-140	-126	-402	-436
-4	37	-8	-13	-24	–	-32	-13	-36	24
307	-13	-380	-369	-37	4	-417	-365	-110	-378
-11	-43	–	–	-3	-29	-3	-29	-14	-72
-168	-92	–	–	-135	-58	-135	-58	-303	-150
128	-148	-380	-369	-175	-83	-555	-452	-427	-600
39 %	40 %							63 %	35 %
28 %	-2 %							-5 %	-24 %
2,188	1,663	2,029	1,508	45	31	2,074	1,539	4,262	3,202
30.6.2010	31.12.2009	30.6.2010	31.12.2009	30.6.2010	31.12.2009	30.6.2010	31.12.2009	30.6.2010	31.12.2009
105	97	71	77	–	–	71	77	176	174

al Bank on the basis of average receivables. The costs of the SoFFin liquidity guarantee are taken into account in this allocation.

Total income recognised in the segments is exclusively from external customers.

Internal cost allocations are used to represent the internal service relationships. Group overhead costs in the segment Other are allocated to the segments based on risk-weighted assets before guarantees and directly allocated costs. In 2010 the balance sheet total was added to the basis of allocation.

Portfolio valuation allowances are shown in the segments in which they originated.

Net income from hedges is reported in accordance with internal risk management principles on the basis of internal transactions. The income statement hedge result was not allocated to individual segments.

Credit rating effects on DFV liabilities held in net trading income were not allocated to segments.

Average reported equity capital was allocated to the segments on the basis of risk-weighted assets before guarantees. The cost / income ratio is the ratio of administrative expenses to total income. Return on equity is the ratio of net income before restructuring to average equity.

The interim Group management report will discuss the individual segments in detail.

Notes on financial instruments

38. CARRYING AMOUNTS OF FINANCIAL INSTRUMENTS BY IAS 39 CATEGORY

								30.6.2010
						No IAS 39 category		
Carrying amounts of financial instruments by IAS 39 category (€ m)	LaR	AfS	DFV	HfT	LIA	Hedge accounting (Fair Value)	Other	Total
Assets								
Cash reserve	1,317	351	–	–	–	–	–	1,668
Loans and advances to banks	12,417	43	203	–	–	–	–	12,663
Loans and advances to customers	113,126	–	1,251	–	–	–	–	114,377
Receivables under finance leases	–	–	–	–	–	–	305	305
Positive fair values of hedging derivatives	–	–	–	–	–	2,213	–	2,213
Assets Held for Trading	–	–	–	17,754	–	–	–	17,754
Financial investments	16,668	8,679	3,141	–	–	–	–	28,488
Non-current assets held for sale and disposal groups	99	397	199	–	–	–	–	695
Other assets	213	–	–	–	–	–	–	213
Total assets	**143,840**	**9,470**	**4,794**	**17,754**	**–**	**2,213**	**305**	**178,376**
Liabilities								
Liabilities to banks	–	–	315	–	37,999	–	–	38,314
Liabilities to customers	–	–	3,473	–	51,236	–	–	54,709
Securitised liabilities	–	–	5,550	–	39,734	–	–	45,284
Negative fair values of hedging derivatives	–	–	–	–	–	739	–	739
Liabilities Held for Trading	–	–	–	18,668	–	–	–	18,668
Liabilities relating to disposal groups	–	–	–	6	–	–	–	6
Subordinated capital	–	–	2,206	–	6,856	–	–	9,062
Other liabilities	–	–	–	–	1,661	–	–	1,661
Total liabilities	**–**	**–**	**11,544**	**18,674**	**137,486**	**739**	**–**	**168,443**

Carrying amounts of financial instruments by IAS 39 category (€ m)								31.12.2009
						No IAS 39 category		
	LaR	AfS	DFV	HfT	LIA	Hedge accounting (Fair Value)	Other	Total
Assets								
Cash reserve	978	318	–	–	–	–	–	1,296
Loans and advances to banks	15,282	46	213	–	–	–	–	15,541
Loans and advances to customers	109,140	–	1,165	–	–	–	–	110,305
Receivables under finance leases	–	–	–	–	–	–	252	252
Positive fair values of hedging derivatives	–	–	–	–	–	1,684	–	1,684
Assets Held for Trading	–	–	–	16,879	–	–	–	16,879
Financial investments	16,702	9,648	3,340	–	–	–	–	29,690
Non-current assets held for sale and disposal groups	–	63	428	95	–	–	–	586
Other assets	338	–	–	–	–	–	–	338
Total assets	**142,440**	**10,075**	**5,146**	**16,974**	**–**	**1,684**	**252**	**176,571**
Liabilities								
Liabilities to banks	–	–	323	–	38,268	–	–	38,591
Liabilities to customers	–	–	3,712	–	46,091	–	–	49,803
Securitised liabilities	–	–	5,587	–	47,534	–	–	53,121
Negative fair values of hedging derivatives	–	–	–	–	–	517	–	517
Liabilities Held for Trading	–	–	–	14,649	–	–	–	14,649
Liabilities relating to disposal groups	–	–	1	15	1	–	–	17
Subordinated capital	–	–	1,934	–	6,950	–	–	8,884
Other liabilities	–	–	–	–	1,583	–	–	1,583
Total liabilities	**–**	**–**	**11,557**	**14,664**	**140,427**	**517**	**–**	**167,165**

39. RECLASSIFICATION UNDER IAS 39 (2008 REVISION)

HSH Nordbank Group exercised the option of reclassifying assets under IAS 39 (2008 revision), which have been reclassified as 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 reclassification as LaR measures fair value at the time of reclassification at cost or amortised cost respectively. At the time of reclassification an effective interest rate is determined which is used for subsequent measurement of the amortised acquisition cost. For reclassification of financial instruments from AfS to LaR the revaluation reserve recognised up to the point of reclassification is released through net interest income on a pro rata temporis basis in accordance with IAS 39.54 (a).

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

During the third quarter of 2008, financial instruments were reclassified from the categories HfT and AfS into LaR.

		30.6.2010		31.12.2009	
(€ m)	Carrying amount at the time of reclassification	Carrying amount	Fair Value	Carrying amount	Fair Value
Reclassified from HfT to LaR	1,020	362	343	403	390
Reclassified from AfS to LaR	1,841	270	261	281	273
Total financial assets reclassified as LaR	**2,861**	**632**	**604**	**684**	**663**

The effective interest rate applied in the case of financial instruments in the category HfT was between 0.03 % and 14.72 % and for financial instruments in the category AfS was between 2.97 % and 9.75 %. Anticipated repayments amounted to € 2,988 million.

The decrease in carrying amounts and fair values of the reclassified financial instruments was due to extensive changes in holdings. At the time of reclassification as HfT, the carrying amount of the financial instruments affected was € 616 million and the carrying amount of assets classified as AfS was € 1,600 million. The changes in holdings are the result of sales in the course of the strategic reorientation of the HSH Nordbank Group and were not intended or foreseeable at the time of reclassification; also they resulted from maturities arising.

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	30.6.2010 Carrying amount	30.6.2010 Fair Value	31.12.2009 Carrying amount	31.12.2009 Fair Value
Reclassified from HfT to LaR	399	396	409	398	406
Reclassified from AfS to LaR	6,336	5,991	6,016	6,309	6,379
Total financial assets reclassified as LaR	**6,735**	**6,387**	**6,425**	**6,707**	**6,785**

The effective interest rate applied in the case of financial instruments in the category HfT was between 1.21 % and 5.06 % and for financial instruments in the category AfS was between 0.87 % and 5.00 %. Anticipated repayments amounted to € 6,859 million.

Shown below is the impact all holdings reclassified to date would have had on the income statement and revaluation reserve if they had not been reclassified:

- If the reclassification had not taken place, the first half year of 2009 would have seen a valuation result of € 22 million and a revaluation reserve of € 17 million.
- For financial instruments reclassified from HfT the measurement result in the income statement for the current reporting period would have been € 2 million for the financial instruments reclassified in the 2008 financial year and € 4 million for the financial instruments reclassified in the 2009 financial year.
- For financial instruments reclassified from AfS the measurement result in the revaluation reserve for the current reporting period would have been € 1 million for the financial instruments reclassified in the 2008 financial year and € –28 million for the financial instruments reclassified in the 2009 financial year.

Shown below is the actual impact of all holdings reclassified to date on the income statement of the current reporting period:

(€ m)	January – June 2010 From HfT	January – June 2010 From AfS	January – June 2010 Total	January – June 2009 From HfT	January – June 2009 From AfS	January – June 2009 Total
Net interest income	12	85	97	34	84	118
Net trading income	31	42	73	–4	–4	-8
Net income from financial investments	7	26	33	1	6	7
Total	**50**	**153**	**203**	**31**	**86**	**117**

40. DISCLOSURE OF FAIR VALUE IN ACCORDANCE WITH IFRS 7

I. FAIR VALUES OF FINANCIAL INSTRUMENTS

For each class of financial assets and financial liabilities, the fair values are disclosed by classes of financial instruments and compared with the respective carrying amount (IFRS 7.25).

Fair values of financial instruments (€ m)	30.6.2010 Carrying amount	30.6.2010 Fair Value	30.6.2010 Deviation	31.12.2009 Carrying amount	31.12.2009 Fair Value	31.12.2009 Deviation
Assets						
Held for Trading (HfT)						
Assets Held for Trading	17,754	17,754	–	16,879	16,879	–
Non-current assets held for sale and disposal groups	–	–	–	95	95	–
Designated at Fair Value (DFV)						
Loans and advances to banks	203	203	–	213	213	–
Loans and advances to customers	1,251	1,251	–	1,165	1,165	–
Financial investments	3,141	3,141	–	3,340	3,340	–
Non-current assets held for sale and disposal groups	199	199	–	428	428	–
Available for Sale (AfS)						
Cash reserve	351	351	–	318	318	–
Loans and advances to banks	43	43	–	46	46	–
Financial investments	8,679	8,679	–	9,648	9,648	–
Non-current assets held for sale and disposal groups	397	397	–	63	63	–
Loans and Receivables (LaR)						
Cash reserve	1,317	1,317	–	978	978	–
Loans and advances to banks	12,098	12,385	287	14,912	15,313	401
Loans and advances to customers	108,215	108,693	478	104,792	104,855	63
Financial investments	16,668	15,755	-913	16,702	15,654	-1,048
Non-current assets held for sale and disposal groups	99	97	-2	–	–	–
Other assets	213	213	–	338	338	–
No IAS 39 category						
Positive fair values of hedging derivatives	2,213	2,213	–	1,684	1,684	–
Finance lease transactions	305	305	–	252	252	–
Total assets	**173,146**	**172,996**	**-150**	**171,853**	**171,269**	**-584**

Fair values of financial instruments (€ m)	30.6.2010 Carrying amount	Fair Value	Deviation	31.12.2009 Carrying amount	Fair Value	Deviation
Liabilities						
Held for Trading (HfT)						
Liabilities Held for Trading	18,668	18,668	–	14,649	14,649	–
Liabilities relating to disposal groups	6	6	–	15	15	–
Designated at Fair Value (DFV)						
Liabilities to banks	315	315	–	323	323	–
Liabilities to customers	3,473	3,473	–	3,712	3,712	–
Securitised liabilities	5,550	5,550	–	5,587	5,587	–
Liabilities relating to disposal groups	–	–	–	1	1	–
Subordinated capital	2,206	2,206	–	1,934	1,934	–
Other Liabilities (LIA)						
Liabilities to banks	37,999	38,082	83	38,268	38,412	144
Liabilities to customers	51,236	51,300	64	46,091	46,091	–
Securitised liabilities	39,734	39,743	9	47,534	47,258	–276
Liabilities relating to disposal groups	–	–	–	1	1	–
Other liabilities	1,661	1,661	–	1,583	1,583	–
Subordinated capital	6,856	5,749	–1,107	6,950	5,658	–1,292
No IAS 39 category						
Negative fair values of hedging derivatives	739	739	–	517	517	–
Total liabilities	**168,443**	**167,492**	**–951**	**167,165**	**165,741**	**–1,424**

The fair value of financial instruments for which there is an active market is measured by the stock exchange or market price at the reporting date. If there is no active market for financial instruments, the fair value is determined by applying recognised valuation models. For receivables and liabilities measured at amortised acquisition cost, fair value is determined by discounting cash flows taking into account rating-related spreads. For current receivables and liabilities (e. g. current accounts) the carrying value is shown at fair value.

The carrying amounts of loans and advances to banks and loans and advances to customers categorised as LaR are shown less the reported loan loss provisions, since fair value also reflects possible impairments.

The parameters used in mark-to-model calculation of fair values (credit spread for subordinated capital) were improved. The adjustments made lead to a more adequate calculation of fair values. Adjustments compared to using the former parameters resulted in an increase of fair value by € 223 million (subordinated capital) or € 35 million (securitised liabilities) respectively.

II. MEASUREMENT HIERARCHY

Assets and liabilities show the following breakdown by measurement level in the measurement hierarchy under IFRS 7. For assets and liabilities recognised and measured at fair value, the carrying amounts are broken down by class of financial instrument in the three levels in the hierarchy.

Hierarchy levels, assets Assets recognised at fair value (€ m)	30.6.2010				31.12.2009			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Cash reserve								
AfS	–	351	–	351	10	308	–	318
Loans and advances to banks								
AfS	–	–	43	43	–	–	46	46
DFV	–	145	58	203	–	161	52	213
Loans and advances to customers								
DFV	–	98	1,153	1,251	–	112	1,053	1,165
Positive fair values of hedging derivatives	–	2,213	–	2,213	–	1,684	–	1,684
Assets Held for Trading (HfT)	187	16,637	930	17,754	514	15,611	754	16,879
Financial investments								
AfS	3,332	3,578	1,769	8,679	3,833	3,942	1,873	9,648
DFV	1,106	968	1,067	3,141	1,280	1,049	1,011	3,340
Non-current assets held for sale and disposal groups								
AfS	198	150	49	397	–	–	63	63
DFV	131	–	68	199	–	–	428	428
HfT	–	–	–	–	–	9	86	95
Total	4,954	24,140	5,137	34,231	5,637	22,876	5,366	33,879

Hierarchy levels, liabilities Liabilities recognised at fair value (€ m)	30.6.2010				31.12.2009			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Liabilities to banks								
DFV	–	231	84	315	–	215	108	323
Liabilities to customers								
DFV	–	737	2,736	3,473	–	649	3,063	3,712
Securitised liabilities								
DFV	48	2,430	3,072	5,550	46	2,107	3,434	5,587
Negative fair values of hedging derivatives	-	739	-	739	-	517	-	517
Liabilities Held for Trading (HfT)	24	17,861	783	18,668	18	13,990	641	14,649
Liabilities relating to disposal groups								
HfT	–	–	6	6	–	15	–	15
DFV	–	–	–	–	–	–	1	1
Subordinated capital								
DFV	–	2,188	18	2,206	–	1,840	94	1,934
Total	72	24,186	6,699	30,957	64	19,333	7,341	26,738

41. 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 reporting date. The table provides a breakdown of the financial instruments by category and rating class of the respective counterparty.

Credit quality (€ m)	1 (AAA) to 1 (AA+)		1 (AA) to 1 (A–)	
	30.6.2010	31.12.2009	30.6.2010	31.12.2009
Held for Trading (HfT)				
Assets Held for Trading	6,014	5,719	1,965	1,868
Non-current assets held for sale and disposal groups	–	32	–	11
Designated at Fair Value (DFV)				
Loans and advances to banks	143	120	60	69
Loans and advances to customers	1,170	1,098	–	–
Financial investments	1,317	1,333	1,390	1,577
Non-current assets held for sale and disposal groups	186	403	–	–
Available for Sale (AfS)				
Cash reserve	351	318	–	–
Loans and advances to banks	15	5	28	33
Financial investments	4,035	4,826	2,245	2,262
Non-current assets held for sale and disposal groups	–	–	209	49
Loans and Receivables (LaR)				
Cash reserve	1,317	978	–	–
Loans and advances to banks	5,024	5,802	4,465	4,244
Loans and advances to customers	11,280	13,108	11,413	12,177
Financial investments	9,471	9,962	4,281	3,433
Non-current assets held for sale and disposal groups	11	–	12	–
Other assets	–	–	–	–
No IAS 39 category				
Positive fair values of hedging derivatives	903	694	1,171	935
Receivables under finance leases	35	34	36	33
Total	41,272	44,432	27,275	26,691

		2 to 5		6 to 9		10 to 12		13 to 15		16 to 18
	30.6.2010	31.12.2009	30.6.2010	31.12.2009	30.6.2010	31.12.2009	30.6.2010	31.12.2009	30.6.2010	31.12.2009
	2,859	2,718	3,019	2,870	1,932	1,837	1,109	1,054	856	813
	–	15	–	16	–	10	–	6	–	5
	–	24	–	–	–	–	–	–	–	–
	81	67	–	–	–	–	–	–	–	–
	163	85	33	167	4	–	215	178	19	–
	13	25	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–	–	–
	–	8	–	–	–	–	–	–	–	–
	733	976	586	597	1	8	28	33	–	–
	188	–	–	14	–	–	–	–	–	–
	–	–	–	–	–	–	–	–	–	–
	2,208	4,370	73	187	169	173	64	1	–	–
	22,608	23,476	23,544	22,412	9,996	10,689	12,523	11,598	6,206	3,138
	1,258	1,800	210	389	171	34	366	301	–	–
	23	–	24	–	10	–	13	–	6	–
	–	–	–	–	213	102	–	171	–	65
	45	26	33	4	24	19	4	–	33	6
	71	61	74	58	31	28	39	30	19	8
	30,250	33,651	27,596	26,714	12,551	12,900	14,361	13,372	7,139	4,035

II. CARRYING AMOUNTS OF OVERDUE, UNIMPAIRED FINANCIAL ASSETS

The table below shows the financial assets which were overdue but unimpaired as of the reporting date. The respective 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 months		Overdue 3 to 6 months		Overdue 6 to 12 months		Overdue > 12 months		Value of collateral		Renegotiated volume	
	30.6. 2010	**31.12. 2009**	**30.6. 2010**	**31.12. 2009**	**30.6. 2010**	**31.12. 2009**	**30.6. 2010**	**31.12. 2009**	**30.6. 2010**	**31.12. 2009**	**30.6. 2010**	**31.12. 2009**
Loans and Receivables (LaR)												
Loans and advances to banks	26	8	–	–	–	–	–	–	21	3	–	–
Loans and advances to customers	2,319	2,333	556	730	1,136	93	104	64	2,257	1,762	1,906	1,112
Total	**2,345**	**2,341**	**556**	**730**	**1,136**	**93**	**104**	**64**	**2,278**	**1,765**	**1,906**	**1,112**

Payments of € 118 million on transactions with a carrying volume of € 2,678 million were received up to ten days after the reporting date of 30 June 2010. Payments are regarded as being in arrears when they are one day overdue.

The overdue, non-impaired credit portfolio is contrasted with collateral in the form of real estate liens, pledge agreements and assignments. 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 contractual ancillary services.

III. IMPAIRED FINANCIAL ASSETS AND ASSOCIATED COLLATERAL

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

Impaired financial assets and associated collateral (€ m)	Gross carrying amount of impaired financial assets		Impairment		Carrying amount of financial assets after impairment		Value of collateral	
	30.6.2010	**31.12.2009**	**30.6.2010**	**31.12.2009**	**30.6.2010**	**31.12.2009**	**30.6.2010**	**31.12.2009**
Loans and Receivables (LaR)								
Loans and advances to banks	388	497	314	363	74	134	–	–
Loans and advances to customers	11,441	9,322	3,713	3,165	7,728	6,157	2,641	2,170
Financial investments [1]	1,646	1,593	735	810	911	783	36	47
Available for Sale (AfS)								
Financial investments [1]	1,517	1,410	466	464	1,051	946	–	–
Total	**14,992**	**12,822**	**5,228**	**4,802**	**9,764**	**8,020**	**2,677**	**2,217**

[1] Financial investments categorised as LaR and AFS are shown net in the statement of financial position, i.e. at their carrying amounts less impairment.

42. CREDIT RISK EXPOSURE

Maximum credit risk exposure is based on both the IFRS carrying amounts reported in Note (38), which are net of loan loss provisions of € 5,230 million (31 December 2009: € 4,718 million), and the off-balance sheet business shown in Note (43).

Credit risk exposure (€ m)	Carrying amount/ nominal volume 30.6.2010	31.12.2009
Assets		
Held for Trading (HfT)		
Assets Held for Trading	17,754	16,879
Non-current assets held for sale and disposal groups	–	95
Designated at Fair Value (DFV)		
Loans and advances to banks	203	213
Loans and advances to customers	1,251	1,165
Financial investments	3,141	3,340
Non-current assets held for sale and disposal groups	199	428
Available for Sale (AfS)		
Cash reserve	351	318
Loans and advances to banks	43	46
Financial investments	8,679	9,648
Non-current assets held for sale and disposal groups	397	63
Loans and Receivables (LaR)		
Cash reserve	1,317	978
Loans and advances to banks	12,098	14,912
Loans and advances to customers	108,215	104,792
Financial investments	16,668	16,702
Non-current assets held for sale and disposal groups	99	–
Other assets	213	338
No IAS 39 category		
Positive fair values of hedging derivatives	2,213	1,684
Receivables under finance leases	305	252
Subtotal for balance sheet business	**173,146**	**171,853**
Off-balance-sheet business		
No IAS 39 category		
Contingent liabilities	4,199	4,244
Irrevocable loan commitments	11,986	14,199
Subtotal for off-balance-sheet business	**16,185**	**18,443**
Total credit risk exposure	**189,331**	**190,296**

For details of collateral received please see Note (45).

43. CONTINGENT LIABILITIES AND IRREVOCABLE LOAN COMMITMENTS

Off-balance-sheet business
(€ m)

	30.6.2010	31.12.2009
Contingent liabilities	4,199	4,244
Irrevocable loan commitments	11,986	14,199
Total	**16,185**	**18,443**

Other disclosures

44. REPORT ON BUSINESS IN DERIVATIVES

Derivative financial instruments are used to a considerable degree in order to hedge risk efficiently, to take advantage of market opportunities and to cover special customer financing needs. The derivatives business of HSH Nordbank Group is predominantly transacted with banks based in OECD countries.

I. VOLUMES

Derivative transactions with interest rate risks (€ m)	Nominal values		Positive market values		Negative market values	
	30.6.2010	**31.12.2009**	**30.6.2010**	**31.12.2009**	**30.6.2010**	**31.12.2009**
Interest rate swaps	453,613	469,048	13,411	11,142	14,342	11,586
FRAs	4,622	6,944	3	1	3	5
Swaptions						
Long positions	2,081	2,297	140	166	–	–
Short positions	2,889	3,713	3	–	223	281
Caps, floors	20,659	24,012	282	259	193	191
Exchange-traded contracts	6,626	10,915	–	–	–	–
Other forward interest rate transactions	18,979	9,768	615	187	386	215
Total	**509,469**	**526,697**	**14,454**	**11,755**	**15,147**	**12,278**

Derivative transactions with interest rate and currency risk (€ m)	Nominal values		Positive market values		Negative market values	
	30.6.2010	**31.12.2009**	**30.6.2010**	**31.12.2009**	**30.6.2010**	**31.12.2009**
Cross currency interest rate swaps	43,384	40,275	602	706	1,868	1,237
Total	**43,384**	**40,275**	**602**	**706**	**1,868**	**1,237**

Derivative transactions with currency risks (€ m)	Nominal values		Positive market values		Negative market values	
	30.6.2010	**31.12.2009**	**30.6.2010**	**31.12.2009**	**30.6.2010**	**31.12.2009**
Forward exchange transactions	32,918	33,067	383	490	1,075	613
Currency options						
Long positions	2,637	2,108	282	201	–	–
Short positions	2,102	2,010	–	–	274	198
Total	**37,657**	**37,185**	**665**	**691**	**1,349**	**811**

Derivative transactions with equity and other price risks (€ m)	Nominal values		Positive market values		Negative market values	
	30.6.2010	**31.12.2009**	**30.6.2010**	**31.12.2009**	**30.6.2010**	**31.12.2009**
Equity options						
Long positions	556	641	57	59	–	–
Short positions	168	172	–	–	43	45
Forward equity transactions	–	–	–	–	–	–
Exchange-traded contracts	9	72	8	6	6	17
Equity / index-based swaps	356	362	3	3	71	64
Commodity-based transactions	481	376	123	136	61	116
Total	**1,570**	**1,623**	**191**	**204**	**181**	**242**

Credit derivatives (€ m)	Nominal values		Positive market values		Negative market values	
	30.6.2010	**31.12.2009**	**30.6.2010**	**31.12.2009**	**30.6.2010**	**31.12.2009**
Guarantor position	2,087	2,406	11	31	45	38
Secured position	2,793	3,033	383	347	10	30
Total	**4,880**	**5,439**	**394**	**378**	**55**	**68**

The table for credit derivatives includes premiums from credit default swaps which are recognised and measured under receivables and liabilities.

Derivative transactions in fair value hedge accounting (€ m)	Nominal values		Positive market values		Negative market values	
	30.6.2010	**31.12.2009**	**30.6.2010**	**31.12.2009**	**30.6.2010**	**31.12.2009**
Fair value hedges						
Interest rate swaps	44,728	44,110	2,181	1,609	733	477
Cross currency interest rate swaps	400	643	32	75	6	40
Total	**45,128**	**44,753**	**2,213**	**1,684**	**739**	**517**

II. MATURITIES

Maturities (€ m)	Positive market values of derivatives		Positive market values of derivatives from fair value hedging		Negative market values, derivatives		Negative market values of derivatives from fair value hedging	
	30.6.2010	31.12.2009	30.6.2010	31.12.2009	30.6.2010	31.12.2009	30.6.2010	31.12.2009
Residual maturities								
Up to 3 months	495	976	1	10	1,011	901	3	1
3 months to 1 year	1,389	831	169	130	1,167	762	17	23
1 year to 5 years	5,146	5,028	1,177	880	6,875	5,952	313	229
More than 5 years	9,276	6,899	866	664	9,547	7,021	406	264
Total	16,306	13,734	2,213	1,684	18,600	14,636	739	517

45. DISCLOSURES ON COLLATERAL TRANSFERRED AND RECEIVED

I. COLLATERAL TRANSFERRED

As at 30 June 2010, the HSH Nordbank Group transferred assets with a carrying amount of € 18,833 million (31 December 2009: € 23,379 million) which do not meet the requirements for derecognition under IAS 39 as collateral. The assets transferred as collateral continue to be recognised by the HSH Nordbank Group, as the interest rate risk, credit risk and other material risks as well as the prospects of appreciation and interest income largely reside with the HSH Nordbank Group.

Carrying amounts of transferred collateral (€ m)	30.6.2010	31.12.2009
Loans and advances	10,567	11,713
Loans and advances to banks	5,798	3,528
Loans and advances to customers	4,769	8,185
Assets Held for Trading / Financial investments	8,266	11,666
Total	18,833	23,379

The collateral transferred comprised mainly assets in the form of securities, loan notes and other receivables from lending, which have been lodged with German and foreign commercial and central banks as short-term collateral for money market borrowing. A small amount of collateral has been transferred in the course of securities lending business.

The following table shows the carrying amounts of the corresponding liabilities:

Carrying amounts of liabilities (€ m)	30.6.2010	31.12.2009
Liabilities to banks	11,923	11,497
Liabilities Held for Trading	7,081	4,088
Total	19,004	15,585

Money market borrowing generally involves pledging and transferring securities lodged with the European Central Bank. Loan notes and other receivables from lending are not pledged to the European Central Bank, but are assigned without this being disclosed. It is not possible to resell or pledge in the interim.

The HSH Nordbank Group securitised customer loans as part of structured transactions and thereby generated senior notes which were eligible for discounting at the central bank which were received by the ECB pledged securities account in the amount of € 865 million (as at 30 June 2010). The underlying customer loans are included in ‘Loans and advances to customers’.

In addition, the HSH Nordbank Group concludes repurchase agreements under repo master agreements both on a national and international scale. The associated liabilities are recognised under ‘Liabilities to banks’ or ‘Liabilities to customers’. At the end of the reporting period, the carrying amount of the securities transferred as collateral in the framework of repo transactions was € 5,522 million (31 December 2009: € 1,890 million). The corresponding liabilities are recognised at € 7,141 million (31 December 2009: € 2,678 million). The requirements for derecognition under IAS 39 are not met. The securities sold under repurchase agreements continue to be recognised in the statement of financial position of the Group, as the interest rate risk, credit risk and other material risk as well as opportunities related to appreciation in value and interest income continue to be borne by HSH Nordbank Group.

Repo and securities lending transactions are monitored by measuring transactions on a daily basis. If there is a shortfall in collateral the counterparty may require HSH Nordbank Group to provide additional securities to increase collateral. Where HSH Nordbank Group has provided collateral and the market situation changes such that the cover provided is excessive, it is entitled to require the counterparty to release collateral. The collateral provided is subject to a full transfer of rights, i.e. the party receiving collateral may act like an owner and in particular may transfer or pledge such collateral. In the case of securities collateral, securities of the same type and quality (“the same sort”) must be delivered or returned unencumbered. Where collateral has been provided in the form of securities, it may not be returned in cash.

The above conditions and collateral modalities apply to triparty repo transactions between HSH Nordbank Group and its counterparties accordingly. The transactions are executed via a triparty agent.

II. COLLATERAL RECEIVED

In the course of OTC derivatives and structured transactions HSH Nordbank Group has received financial and non-financial assets with a fair value of € 4,905 million (31 December 2009: € 5,422 million) as collateral. This concerned genuine repurchase transactions in the amount of € 1,752 million. Overall HSH Nordbank Group received collateral with a fair value of € 2,479 million (31 December 2009: € 2,985 million) within the framework of genuine repurchase transactions where the Bank is the lender. A small amount of collateral has been transferred in the course of securities lending business. This includes cash collateral of € 576 million (31 December 2009: € 512 million). There are no restrictions on disposal or realisation.

Of the collateral received, an amount of € 4,329 million (31 December 2009: € 4,852 million) has been sold on or pledged. HSH Nordbank Group is obliged to return all collateral resold or pledged amounting to the guarantor without exception.

III. OTHER COLLATERAL RECEIVED

In the reporting period no assets from the realisation of collateral were recognised (31 December 2009: € 37 million).

In November 2008, HSH Nordbank AG received a guarantee facility for up to a maximum of € 30 billion from SoFFin. This expired at the end of 2009 in agreement with SoFFin. Independently of this, the SoFFin guarantee remains valid for the issues secured by it and totalling € 17 billion, which HSH Nordbank AG performed during the financial year 2009. As at the cut-off date 30 June 2010 € 14 billion of the framework guarantee were used.

With regard to 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, see Note (2).

The expense for granting these guarantees is disclosed in the income statement under the item ‘Expenses for government guarantees’ (see Note [14]).

46. RELATIONS WITH RELATED PARTIES AND COMPANIES

The HSH Nordbank Group does business with related parties and companies. These include the HSH Finanzfonds AöR as parent company, the Federal State of Schleswig-Holstein and the Free and Hanseatic City of Hamburg as owners in an associated capacity, and subsidiaries which are controlled but not consolidated for reasons of materiality, associated companies, individuals in key positions and their relatives and companies controlled by these individuals. Individuals in key positions comprise exclusively the members of the Management and Supervisory Boards of HSH Nordbank AG.

In the course of the normal business operations of HSH Nordbank Group transactions are entered into at arm's length conditions with companies and individuals constituting related parties under IAS 24. These transactions include loans, sight and term deposits, derivatives and securities transactions. 'Securitised liabilities' include hybrid financial instruments.

With regard to 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, see Note (2).

I. THE PARENT COMPANY AND COMPANIES WITH JOINT MANAGEMENT OR SIGNIFICANT INFLUENCE ON THE COMPANY

The parent company and companies with joint management or significant influence on the company – assets

(€ m)	30.6.2010	31.12.2009
Loans and advances to customers	849	656
Positive fair values of hedging derivatives	38	25
Assets Held for Trading	142	273
Financial investments	382	278
Total	1,411	1,232

The parent company and companies with joint management or significant influence on the company – liabilities

(€ m)	30.6.2010	31.12.2009
Liabilities to customers	1,225	1,283
Securitised liabilities	264	264
Liabilities Held for Trading	125	79
Other liabilities	101	102
Total	1,715	1,728

The securities liabilities are hybrid financial instruments.

The parent company and companies with joint management or significant influence on the company – income statement

(€ m)	30.6.2010	30.6.2009
Net interest income	11	5
Net income from hedging	–4	–
Net trading income	–40	12
Expenses for government guarantees	–241	–100
Total	–274	–83

This item includes irrevocable loan commitments of € 0 million (31 December 2009: € 65 million).

II. SUBSIDIARIES

Subsidiaries – assets

(€ m)	30.6.2010	31.12.2009
Loans and advances to customers	543	837
Positive fair values of hedging derivatives	2	0
Assets Held for Trading	66	29
Financial investments	610	340
Other assets	11	88
Total	**1,232**	**1,294**

Subsidiaries – liabilities

(€ m)	30.6.2010	31.12.2009
Liabilities to customers	174	139
Liabilities Held for Trading	1	15
Other liabilities	2	5
Total	**177**	**159**

Subsidiaries – income statement

(€ m)	30.6.2010	30.6.2009
Net interest income	11	7
Net commission income	1	–
Net trading income	–	-8
Net income from financial investments	–	-53
Total	**12**	**-54**

Additionally contingent liabilities to subsidiaries in the amount of € 4 million (31 December 2009: € 15 million) incurred and irrevocable loan commitments in the amount of € 37 million (31 December 2009: € 39 million) were made.

III. ASSOCIATED COMPANIES

The following tables show transactions with companies HSH Nordbank Group holds shares in and that are not listed under II above:

Associated companies – assets

(€ m)	30.6.2010	31.12.2009
Loans and advances to banks	–	267
Loans and advances to customers	950	1,698
Assets Held for Trading	34	86
Financial investments	923	923
Other assets	7	9
Total	**1,914**	**2,983**

Associated companies – liabilities

(€ m)	30.6.2010	31.12.2009
Liabilities to banks	–	194
Liabilities to customers	51	184
Securitised liabilities	100	99
Liabilities Held for Trading	–	1
Other liabilities	2	2
Total	**153**	**480**

Associated companies – income statement

(€ m)	30.6.2010	30.6.2009
Net interest income	19	11
Net trading income	5	3
Net income from financial investments	3	–
Total	**27**	**14**

Additionally contingent liabilities to associated companies in the amount of € 12 million (31 December 2009: € 111 million) incurred and irrevocable loan commitments in the amount of € 66 million (31 December 2009: € 229 million) were made.

Furthermore, there are other financial liabilities to associated companies in the amount of € 56 million (31 December 2009: € 32 million).

IV. RELATED PARTIES AND COMPANIES

The following table contains disclosures relating to individuals in key positions at HSH Nordbank AG, including their close relatives and companies controlled by these individuals.

Related parties and companies – assets

(€ m)	30.6.2010	31.12.2009
Loans and advances to customers	1	2
Total	**1**	**2**

47. 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, Tangstedt
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 head of financial services, ver.di Hamburg district

Detlev Bremkamp, Munich
Former member of the Management Board of Allianz AG Holding

Jürgen Friedland, Kiel
Employee of HSH Nordbank AG

Jens-Peter Gotthardt, Moorrege
Employee of HSH Nordbank AG

Torsten Heick, Rellingen
Employee of HSH Nordbank AG

Oke Heuer, Kiel
Deputy Head of Internal Audit, Savings Banks Association for Schleswig-Holstein

Dr. Rainer Klemmt-Nissen, Hamburg
Managing Director of HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, 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
Former member of the Management Board, Deutsche Bundesbank

Edda Redeker, Kiel
ver.di, Northern district

Dr. David Morgan, London
Managing Director of J.C. Flowers & Co. UK Ltd.

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

(a) Members of the Risk Committee

Dr. Hans Reckers
Chairman

Dr. David Morgan
Deputy Chairman

Astrid Balduin

Olaf Behm

Jürgen Friedland

Torsten Heick

Dr. Rainer Klemmt-Nissen

Hilmar Kopper

Manfred Lener

Bernd Wrede

(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

Dr. David Morgan

(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, Legal, Corporate Development, Internal Audit, Human Resources
- Also responsible on a temporary basis for: Taxes, Finance
- Organisational/disciplinary allocation for: IT / Operations

Born 1963

Dr. Martin van Gemmeren
- Responsible for the Restructuring Unit with the divisions Wind-down Loans, Special Loans, Divestments

Born 1970

Constantin von Oesterreich
- Responsible for the following divisions: Credit Risk Management, Group Risk Management, Loan and Collateral Management

Born 1953

Torsten Temp
- Responsible for the following divisions since 1 May 2010: Transport, Energy, Shipping

Born 1960

Bernhard Visker
- Responsible for the following divisions: Corporate Clients, Real Estate Clients, Private Banking, Savings Banks
- Additional organisational/disciplinary allocation for: Group Treasury, Capital Markets Credit, Capital Markets Clients, Capital Markets Structuring & Trading, Asset and Investment Management (Responsibility is shared by the overall Management Board)
- Also responsible until 30 April 2010 for: Transport, Energy, Shipping

Born 1966

In the capacity of Chief Operating Officer Mr Ulrich Voß is responsible as a General Agent (Generalbevollmächtigter) for the divisions IT and Operations.

Hamburg / Kiel, 17 August 2010

Nonnenmacher van Gemmeren

von Oesterreich Temp

Visker

Responsibility Statement by the Management Board

We hereby affirm that to the best of our knowledge the interim Group financial statements have been prepared in accordance with the applicable accounting principles and give a true and fair view of the net assets, financial position and results of operations of the HSH Nordbank Group and that the interim Group management report presents the course of business, including the results of the business and the HSH Nordbank Group's situation, in such a manner that it gives a true and fair view and describes the main opportunities and risks for the HSH Nordbank Group's foreseeable performance.

Hamburg/Kiel, 17 August 2010

Nonnenmacher   van Gemmeren

von Oesterreich   Temp

Visker

Confirmation following audit inspection

TO HSH NORDBANK AG, HAMBURG AND KIEL

We have reviewed the condensed interim consolidated financial statements of the HSH Nordbank AG, Hamburg and Kiel, — comprising the statement of financial position, the statement of comprehensive income, the statement of changes in equity, the condensed cash flow statement and selected explanatory notes — together with the interim group management report of the HSH Nordbank AG for the period from 1 January to 30 June, 2010 that are part of the semi annual financial report according to § 37 w WpHG ["Wertpapierhandelsgesetz": "German Securities Trading Act"]. The preparation of the condensed interim consolidated financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company's management. Our responsibility is to issue a 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 (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 report.

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, or 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.

Without qualifying this opinion, we refer to the discussion in the interim group management report in the paragraph "EU-Beihilfeverfahren" (EU subsidy proceedings) as well as to the selected explanatory notes under Note 1. Therein it is disclosed that the continued existence of HSH Nordbank AG as a going concern depends on whether the European Commission approves the stabilization measures implemented by the Free and Hanseatic City of Hamburg and the State of Schleswig-Holstein in the foreseeable future on a permanent basis. It is also necessary that the EU approval should only be tied to requirements which can be implemented within the framework of reasonable business planning, and in particular, which will not conflict the effect of stabilization measures that relieve the regulatory capital.

Hamburg, dated 18 August 2010

KPMG AG
Wirtschaftsprüfungsgesellschaft

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

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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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