STRONG FOR ENTREPRENEURS

# DISCLOSURE REPORT

DISCLOSURE REPORT AS AT 30 JUNE 2016
ACCORDING TO PART EIGHT CRR

HSH NORDBANK

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Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided and percentages may not recisely reflect the absolute figures.

This is an Englisch translation of the original German version of the disclosure report.

# 1. INTRODUCTION AND GENERAL PRINCIPLES

### OVERVIEW

The disclosure is made in accordance with the regulatory requirements of the Basel III framework (CRR/CRD IV). The objective of this disclosure is to strengthen the market discipline of the institutions. For that reason, additional information on the risk profile will be provided for market participants, exceeding the information that have already been published in the Annual Report. The disclosures made by HSH Nordbank relate to the banking group in accordance with Article 13 (1) CRR. There are no significant subsidiaries.

In 2009, a guarantee facility was provided to HSH Nordbank in connection with a capitalisation implemented by the shareholders, the Federal State of Schleswig-Holstein and the Free and Hanseatic City of Hamburg. The guarantee facility reduces the capital requirements, in that the Bank is protected from secondary losses up to € 10 billion in the guaranteed portfolio, as soon as the risks in the collateralised portfolios exceed the agreed first loss piece of € 3.2 billion held by the Bank (so-called second loss guarantee).

On 2 May 2016, the EU Commission issued a formal decision in the current EU state aid proceedings and thereby approved the replenishment of the second-loss guarantee provided by the federal states from € 7.0 billion to € 10.0 billion. This formal decision confirms the informal agreement of 19 October 2015 and, in principle, defines it in concrete terms. It is based on a list of conditions and commitments provided by the Federal Republic of Germany towards the EU Commission. The agreed structural measures should result in an improved financial and risk following implementation and form the basis for a sustainable structure and viable business model for HSH Nordbank.

### GUARANTEE FACILITY AND CHANGE IN OWNERSHIP STRUCTURE

According to the above-mentioned agreement, the Bank has to be split into a holding company and an operating company that is to be privatized. The operating company will hold all assets and liabilities of HSH Nordbank AG and the second loss guarantee. It will only pay a premium of 2.2% on the undrawn portion of the guarantee in the future. The holding company will be responsible for all other remuneration components of the second loss guarantee.

The holding company was formed as HSH Beteiligungs Management GmbH on 20 May 2016 and entered into the Commercial Register B of the Hamburg district court on 13 June 2016.

The implementation of the holding structure is accompanied by a change in the ownership structure of HSH Nordbank AG.

The principal owner of the operating HSH Nordbank AG is HSH Beteiligungs Management GmbH with 94.9% as at 30 June 2016. Private investors advised by J.C.Flowers & Co. LLC also hold 5.1%. The Free and Hanseatic City of Hamburg and the Federal State of Schleswig-Holstein indirectly hold a total shareholding of 89.35% and the Savings Bank Association in the amount of 5.55% of HSH Nordbank AG via HSH Beteiligungs Management GmbH.

The disclosure report as at 30 June 2016 does not refer to the HSH Beteiligungs GmbH. It corresponds – as mentioned in the overwiew – to the banking group in accordance with Article 13 (1) CRR.

Further details regarding the EU proceedings and their impact on the Bank are set out in the forecast, opportunities and risk report section of the Interim Report as at 30 June 2016 as well as in the Management Report for the 2015 financial year.

The structural measures lead to a significant reduction of the RWA and a subsequent increase of the capital ratios as at 30 June 2016. A Portfolio of non-performing shipping loans of € 5 billion was transferred as at 30 June 2016 to the federal state-owned HSH portfoliomanagement AöR, under which the Bank was relieved of the burden of legacy loans to an appreciable extent. In this regard, the Bank received the market price of € 2.4 billion as stipulated by the EU Commission from HSH portfoliomanagement AöR. The loss incurred of € 2.6 billion is charged under the guarantee as part of the invoicing of losses.

Additional details on the contractual arrangement, the hedging effect as well as the balance sheet treatment of the guarantee facility are presented in the consolidated financial statements (Note 2 "Provision of the guarantee facility") of the Interim Report as at 30 June 2016 as well as in the Management Report for the 2015 financial year.

HSH Nordbank determines capital requirements in accordance with Article 92 CRR taking this guarantee facility into account. Consequently, disclosures made in this report generally reflect the effect of the guarantee.

### MATERIAL, PROPRIETY OR CONFIDENTIAL INFORMATION

Under Article 432 (1) CRR institutions may omit one or more of the disclosures listed in Part Eight Title II CRR, if the information provided by such disclosures is not regarded as material.

Under Article 432 (2) institutions may also omit one or more items of information included in the disclosures listed in Part Eight Title II and III CRR, if those items include information which is regarded as proprietary or confidential. HSH Nordbank has not made use of this option in this report.

### CONTENT AND FREQUENCY OF DISCLOSURE

For information that need to be disclosed more frequently than once a year, HSH Nordbank adheres to the BaFin's circular 05/2015 dated 8 June 2015 on the implementation of the EBA guideline on disclosure of materiality, proprietary and confidentiality and on disclosure frequency (circular 05/2015 (BA)) and hence, complies with the EBA guideline regarding Articles 432 (1) and (2) and Article 433 CRR

(EBA/GL/2014/14). The consolidated total assets of HSH Nordbank exceed € 30 billion. In accordance with the criterion set forth in Title VI (18) subparagraph (b) in conjunction with Title VIII (26) of this circular, HSH Nordbank provides disclosures semi-annually. The content of the disclosure report as at 30 June 2016 complies with the requirements laid down in Title VIII (26) subparagraph (b) of the circular 05/2015 (BA). With respect to Article 451, Article 452 subparagraph (d) and (e) CRR as well as to other information that may rapidly change, and to information that change significantly during the reporting period, HSH Nordbank follows the wording of Title VII (26) subparagraph (b) CRR (EBA/GL/2014/14) of the broader descriptions of the original English version.

## MEANS OF DISCLOSURES

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

## NON-RELEVANCE AND NEGATIVE DECLARATIONS

Some of the intra-year disclosure requirements in accordance with Part Eight Titles II and III CRR are irrelevant for HSH Nordbank and accordingly not disclosed. For ensuring unambiguousness of disclosure, HSH Nordbank explicitly makes a negative declaration for the information listed below:

- The capital ratios are determined solely on the basis of the principles laid down in the CRR. Accordingly, an explanation according to Article 437 subparagraph (f) CRR is not provided.

- Equity holdings, to which grandfathering provisions apply regarding capital requirements, are not held in HSH Nordbank's portfolio. Therefore, disclosure in accordance with Article 438 subparagraph (d) (iv) CRR does not apply.

- HSH Nordbank only uses own estimates of the LGD and conversion factors for exposures to central governments, central banks, institutions and corporates. Accordingly, separate disclosure pursuant to Article 452 subparagraph (d) CRR and Article 452 subparagraph (j) (ii) CRR is not made for exposures, to which own estimates of the above-mentioned parameters are not applied.

- HSH Nordbank only uses the Standardised Approach for credit risk for the retail exposure class. As a result, no information pursuant to Article 452 subparagraph (f) CRR is disclosed.

# 2. SCOPE OF APPLICATION, OWN FUNDS AND CAPITAL REQUIREMENTS

## 2.1. SCOPE OF APPLICATION

HSH Nordbank AG is the parent company of the HSH Nordbank Group (hereafter HSH Nordbank). In accordance with Part Eight CRR the disclosures reflect those entities belonging to the Group which form part of the banking group within the meaning of Section 10a of the German Banking Act (KWG) in conjunction with Article 11 et seqq. CRR (regulatory scope of consolidation). The scope of consolidation recognised for financial accounting/reporting purposes under International Financial Reporting Standards (IFRS) as described in the Annual Report of the HSH Nordbank differs from the regulatory scope of consolidation. This disclosure report is based on the regulatory scope of consolidation.

## 2.2. STRUCTURE OF OWN FUNDS AND CAPITAL RATIOS

For disclosures relating to own funds pursuant to Article 437 (1) subparagraphs (a), (b), (d) and (e) CRR, HSH Nordbank follows the Commission Implementing Regulation (EU) No. 1423/2013 of 20 December 2013 laying down implementing technical standards with regard to disclosure of capital requirements for institutions according to Regulation (EU) No. 575/2013 of the European Parliament and of the Council (CRR) to the required extant of paragraph 23 subparagraph (a) of the circular 05/2015 (BA).

The core capital ratio improved as at 30 June 2016 to a solid level of 13.0 %.

The increase of CET1 in comparison to the previous year results primarily from the complete consideration of the annual profit 2015 in the own funds.

The reduction of the AT1 results predominately from the application of transitional provisions pursuant to Article 484 (4) CRR in connection with Article 486 (3) and (5) CRR as well as § 31 SolvV. Due to the defined maximum the chargeable silent partnerships decrease.

**[TAB. 1] STRUCTURE OF OWN FUNDS AND REGULATORY ADJUSTMENTS IN € M**

| | **30.06.2016** | 31.12.2015 |
|---|---|---|
| Common Equity Tier 1 capital(CET1) before regulatory adjustments | 4,756 | 4,800 |
| Common Equity Tier 1 capital (CET1) | 4,485 | 4,363 |
| Additional Tier 1 capital (AT1) before regulatory adjustments | 1,324 | 1,544 |
| Additional Tier 1 capital (AT1) | 1,318 | 1,535 |
| Tier 1 capital (T1 = CET1 + AT1) | 5,803 | 5,899 |
| Tier 2 capital (T2) before regulatory adjustments | 1,636 | 1,653 |
| Tier 2 capital (T2) | 1,636 | 1,653 |
| Total capital (TC = T1 + T2) | 7,439 | 7,551 |
| Total regulatory adjustments to Tier 1 capital (CET1) | – 271 | – 436 |
| Total regulatory adjustments to Additional Tier 1 capital (AT1)t | – 5 | – 9 |
| Total regulatory adjustments to Tier 2 capital (T2) | – | – |

**[TAB. 2] CAPITAL RATIOS IN %**

| | **30.06.2016** | 31.12.2015 |
|---|---|---|
| Common Equity Tier 1 capital (as a percentage of the total debt) | 13.0% | 11.6% |
| Tier 1 capital (as a percentage of the total debt) | 16.8% | 15.7% |
| Total capital ratio (as a percentage of the total debt) | 21.6% | 20.1% |

## 2.3. CAPITAL REQUIREMENTS

The capital requirements relevant for HSH Nordbank pursuant to Article 438 subparagraphs (c) to (f) CRR are explained below and disclosed in Table 3.

### Credit risk

Following approval by the competent authorities the risk parameters required to determine the risk weight are generally calculated internally by HSH Nordbank (see Section 3.5.1). Consequently, the risk-weighted exposure amounts for credit risk are generally calculated using the IRB approach in accordance with Part Three Title II Chapter 3 CRR.

However, as part of the temporary or permanent partial use, the Standardised Approach for credit risk pursuant to Part Three Title II Chapter 2 CRR is applied to individual exposures and companies to be consolidated. For this reason, information on capital requirements for credit risk is provided in accordance with both the advanced IRB Approach and Standardised Approach for credit risk, broken down in each case into separate exposure classes by the approach applied. Furthermore, capital requirements determined since 1 January 2014 for risks arising from contributions to the default fund of a central counterparty (CCP) are disclosed pursuant to Articles 307 to 309 CRR.

In the case of equity holdings under the IRB approach, HSH Nordbank determines the capital requirements using the PD-LGD approach and the simple risk weight method. In addition, significant investments in financial sector entities pursuant to Article 48 CRR have been separately backed by equity since 1 January 2014, provided that these are not deducted from own funds. Furthermore, the equity holdings already held prior to 1 January 2008 and consequently “grandfathered” (portfolio protection) according to Article 495 (1) CRR are excluded from the Advanced IRB Approach until 31 December 2017 and are treated in accordance with the rules applicable to the CRSA.

In total, the capital requirements for credit risk decreased as at the reporting date compared to the previous year – from € 2,139 million to € 2,073 million. The decrease can mainly be referred to the structural measures mentioned in the introduction and the ongoing winding down strategy pursued for high-risk legacy portfolios held in the Restructuring Unit. Further details on business performance are presented in the Interim Report of HSH Nordbank as at 30 June 2016.

### Market risk

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

The capital requirement for market risk amounts to € 518 million.

### Operational risk

HSH Nordbank applies the Standardised Approach pursuant to Article 317 CRR for purposes of determining the capital requirement for operational risk.

In total, there is a capital requirement for the Group of € 135 million.

### Overall capital requirements

In addition to credit risk, market risk and operational risk HSH Nordbank has also backed the credit valuation adjustment risk (CVA risk) with own funds since 1 January 2014 in accordance with Part Three Title VI CRR. The capital requirements for this risk amount to € 31 million. There were no capital requirements for settlement risk pursuant to Part 3 Title VI CRR as at the reporting date.

This results in total capital requirements of € 2,758 million as of the reporting date.

**[TAB. 3] CAPITAL REQUIREMENTS IN € M**

| | 30.6.2016 | 31.12.2015 |
|---|---|---|
| **Credit risk** | | |
| **Standardised Approach (CRSA)** | | |
| Central governments or central banks | – | – |
| Regional governments or local authorities | 0 | 0 |
| Public sector entities | 4 | 3 |
| Multilateral development banks | – | – |
| International organisations | – | – |
| Institutions | 2 | 3 |
| Corporates | 29 | 35 |
| Retail exposures | 2 | 2 |
| Exposures secured by mortgages on immovable property | 0 | 0 |
| Exposures in default | 8 | 8 |
| Exposures associated with particularly high risk | 2 | 2 |
| Covered bonds | – | – |
| Securitisations | 8 | 5 |
| Exposures to institutions and corporates with a short-term credit assessment | – | – |
| Shares in collective investment undertakings | – | – |
| Equity holdings based on the continued use of the old methodology/grandfathering (CRSA) | 11 | 20 |
| Equity holdings excluded from the IRBA on a permanent basis or for a limited period (CRSA) | – | – |
| Other items | 0 | 0 |
| **Advanced Internal Rating Based Approach (IRBA)** | | |
| Central governments and central banks | 36 | 36 |
| Institutions | 101 | 116 |
| Corporates | 1,278 | 1,227 |
| Retail exposures | – | – |
| Significant equity holdings in a financial sector entity (250 %) | – | – |
| Equity holdings using the simple risk weight approach | 16 | 13 |
| of which: private equity exposures in sufficiently diversified portfolio (190 %) | – | – |
| of which: Exchange traded equity exposures (290 %) | 1 | – |
| of which: Other equity exposures (370 %) | 15 | 13 |
| Equity holdings using the PD-LGD approach (IRBA) | 9 | 11 |
| Equity holdings using internal models | – | – |
| Securitisations | 436 | 542 |
| Other non credit-obligation assets | 131 | 116 |
| **Risk arising from default fund contributions to a central counterparty** | **0** | **0** |
| **Subtotal capital requirements for credit risks** | **2,073** | **2,139** |
| **Market risk in accordance with the Standardised Approach** | **518** | **678** |
| **Operational risk in accordance with the Standardised Approach** | **135** | **157** |
| **Credit valuation adjustment risk** | **31** | **35** |
| **Settlement risk** | **–** | **–** |
| **Total** | **2,758** | **3,009** |

# 3. INFORMATION ON THE USE OF IRB APPROACH FOR CREDIT RISK

## 3.1. PERMISSION FROM THE COMPETENT AUTHORITIES TO USE THE IRB APPROACH OR ACCEPTED TRANSITIONAL ARRANGEMENTS

HSH Nordbank determines all parameters required to determine the risk-weighted exposure amount internally, i.e. probability of default (PD), loss given default (LGD), exposure at default (EaD), credit conversion factor (CCF) and maturity (M), and hence complies with the requirements of the Advanced IRB Approach for credit risks. HSH Nordbank had already received the necessary permission from the competent authorities in 2007 to use this approach in accordance with Article 452 sub-paragraph (a) CRR. The implementation phase was completed as at 31 December 2012 by achieving the exit threshold in accordance with Section 10 (3) SolvV.

HSH Nordbank does not currently apply any transitional arrangements with respect to the use of the IRB Approach. Exposure classes, to which the Standardised Approach for credit risk is permanently applied, and any relevant exemptions or transitional arrangements for these exposure classes are presented at appropriate points in the following sections.

An exit threshold of over 92% is achieved for all coverage ratios of regulatory relevance - i.e. based on IRBA exposure values pursuant to Section 11 (1) SolvV and on risk-weighted IRBA exposure values pursuant to Section 11 (2) SolvV - as at the reporting date at both the institution and banking group levels.

## 3.2. EXPOSURE VALUES BROKEN DOWN BY EXPOSURE CLASSES AND BY RATING LEVELS UNDER THE IRB APPROACH

The requirements under Article 452 subparagraphs (d), (e) and (j) are provided in Table 4 and 5. HSH Nordbank only uses own estimates of the LGD and conversion factors to central governments, central banks, institutions and corporates. Accordingly, separate disclosure is not made for risk exposures pursuant to Article 452 subparagraph (d) CRR and Article 452 subparagraph (j) (ii) CRR, to which own estimates of the above-mentioned parameters are not applied. Securitisation positions and other non credit-obligation assets are not included in the positions listed. The exposure classes in accordance with Article 147 (2) subparagraph (f) and (g) CRR amount to € 26,418 million and € 549 million as at the reporting date.

Retail exposures are also not included, as HSH Nordbank treats these under the Standardised Approach for credit risk; accordingly, information pursuant to Article 452 subparagraph (f) is not provided.

In the case of equity holdings, only equity holdings under the PD-LGD approach are shown. The exposure value for the total retail exposure class, in accordance with article147 (2) subparagraph (e) CRR, amounts to € 95 million as at the reporting date.

The rating results determined using the rating modules described in the Disclosure Report 2015 are calibrated to a standard rating scale, whereby rating classes 16 to 18 represent default classes. The individual rating classes are summarised in seven Rating ranges for greater clarity. As most of the receivables have a good rating and there are relatively few receivables in the poorer rating ranges, the assignment of rating ranges for better grades has been refined.

The following table shows the exposure values in accordance with Part Three Title I Chapter 3 Section 5 CRR allowing for credit risk reduction techniques. It also shows the average probability of default (average PD), average LGD and average risk weight within a rating range for the individual exposure classes All disclosures made in accordance with Article 452 subparagraphs (d) and (e) CRR are based on the figures in the reports prepared in accordance with Annex I of the Commission Implementing Regulation (EU) No. 680/2014 of 16 April 2014 defining the implementation of technical standards with regard to supervisory reporting of institutions (Commission Implementing Regulation (EU) no. 680/2014.

As part of the credit risk mitigation the second loss piece is migrated into the central governments exposure class as a financial guarantee under the substitution principle. As a result, the figures include the second loss piece totaling € 10.0 billion of the Sunrise Transaction, but exclude the first loss piece and senior tranche.

**[TAB. 4] AVG. PD, AVG. LGD, AVG. RW AND EXPOSURE VALUES IN € M BY RATING RANGES**

| IRBA exposure class | Avg. PD in % | | Avg. LGD in % | | Avg. RW in % | | Exposure value | |
|---|---|---|---|---|---|---|---|---|
| | **30.6.2016** | 31.12.2015 | **30.6.2016** | 31.12.2015 | **30.6.2016** | 31.12.2015 | **30.6.2016** | 31.12.2015 |
| **Rating range 1: 1(AAAA) – 1(AA+)** | | | | | | | | |
| Central governments and central banks | 0.0 | 0.0 | 21.6 | 21.6 | 0.1 | 0.1 | 22,119 | 24,763 |
| Institutions | – | – | – | – | – | – | – | – |
| Corporates | – | – | – | – | – | – | – | – |
| Equity holding exposures 1) | – | – | – | – | – | – | – | – |
| **Subtotal** | **–** | **–** | **21.6** | **21.6** | **0.1** | **0.1** | **22,119** | **24,763** |
| **Rating range 2: 1(AA) – 1(A-)** | | | | | | | | |
| Central governments and central banks | 0.0 | 0.0 | 29.0 | 28.9 | 22.1 | 22.0 | 502 | 443 |
| Institutions | 0.0 | 0.0 | 14.6 | 17.2 | 9.7 | 13.4 | 3,901 | 4,436 |
| Corporates | 0.1 | 0.1 | 27.3 | 27.7 | 15.8 | 15.7 | 5,344 | 4,681 |
| Equity holding exposures 1) | – | – | – | – | – | – | – | – |
| **Subtotal** | **0.1** | **0.1** | **22.3** | **22.9** | **13.7** | **14.9** | **9,747** | **9,560** |
| **Rating range 3: 2 – 5** | | | | | | | | |
| Central governments and central banks | 0.1 | 0.1 | 100.0 | 97.2 | 123.7 | 120.2 | 149 | 160 |
| Institutions | 0.2 | 0.2 | 24.2 | 21.8 | 30.1 | 25.7 | 2,318 | 2,164 |
| Corporates | 0.2 | 0.3 | 33.6 | 32.2 | 39.6 | 39.5 | 12,534 | 12,621 |
| Equity holding exposures 1) | – | – | – | – | – | – | – | – |
| **Subtotal** | **0.2** | **0.2** | **32.8** | **31.3** | **39.0** | **38.3** | **15,001** | **14,945** |
| **Rating range 4: 6 – 9** | | | | | | | | |
| Central governments and central banks | 0.7 | 0.9 | 100.0 | 100.0 | 193.0 | 227.6 | 0 | 0 |
| Institutions | 1.3 | 1.3 | 23.0 | 31.9 | 63.9 | 93.0 | 269 | 318 |
| Corporates | 1.0 | 1.0 | 34.8 | 31.9 | 69.9 | 66.3 | 8,858 | 9,946 |
| Equity holding exposures 1) | 1.2 | 2.0 | 90.0 | 90.0 | 279.2 | 309.6 | 37 | 40 |
| **Subtotal** | **1.0** | **1.0** | **34.7** | **32.1** | **70.6** | **68.1** | **9,165** | **10,304** |
| **Rating range 5: 10 – 12** | | | | | | | | |
| Central governments and central banks | 6.7 | – | 50.0 | – | 230.1 | – | 57 | – |
| Institutions | – | 6.7 | – | 3.1 | – | 13.6 | – | 25 |
| Corporates | 4.8 | 4.8 | 23.1 | 17.0 | 70.9 | 56.3 | 783 | 1,136 |
| Equity holding exposures 1) | 4.4 | 4.4 | 90.0 | 90.0 | 369.5 | 369.5 | 2 | 2 |
| **Subtotal** | **4.9** | **4.9** | **25.0** | **16.8** | **82.3** | **56.0** | **842** | **1,163** |
| **Rating range 6: 13 – 15** | | | | | | | | |
| Central governments and central banks | 20.0 | 10.0 | 20.0 | 50.0 | 120.0 | 261.4 | 4 | 54 |
| Institutions | 20.0 | – | 7.2 | – | 43.4 | – | 25 | – |
| Corporates | 14.6 | 14.9 | 30.0 | 31.2 | 142.5 | 163.0 | 1,751 | 712 |
| Equity holding exposures 1) | 10.4 | 15.5 | 90.0 | 89.9 | 474.7 | 536.4 | 0 | 0 |
| **Subtotal** | **14.7** | **14.6** | **29.6** | **32.5** | **141.1** | **169.9** | **1,779** | **766** |
| **Rating range 7:(Default): 16 – 18** | | | | | | | | |
| Central governments and central banks | 100.0 | 100.0 | 73.9 | 73.8 | 48.8 | 47.5 | 0 | 0 |
| Institutions | 100.0 | 100.0 | 100.0 | 100.0 | 1.6 | 22.0 | 14 | 14 |
| Corporates | 100.0 | 100.0 | 45.3 | 53.3 | 53.3 | 64.1 | 1,745 | 1,906 |
| Equity holding exposures 1) | 100.0 | 100.0 | 93.9 | 93.8 | 48.7 | 47.5 | 1 | 14 |
| **Subtotal** | **100.0** | **100.0** | **45.8** | **53.9** | **52.8** | **63.7** | **1,760** | **1,934** |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Total (without Default)** | | | | | | | | |
| Central governments and central banks | 0.0 | 0.0 | 22.3 | 22.3 | 1.9 | 1.8 | 22,831 | 25,420 |
| Institutions | 0.2 | 0.2 | 18.3 | 19.2 | 19.3 | 20.9 | 6,513 | 6,943 |
| Corporates | 1.4 | 1.0 | 32.3 | 30.7 | 51.4 | 48.5 | 29,270 | 29,096 |
| Equity holding exposures [1] | 1.4 | 2.1 | 90.0 | 90.0 | 283.1 | 312.9 | 39 | 42 |
| **Total** | **0.7** | **0.5** | **26.9** | **26.0** | **28.8** | **26.2** | **58,654** | **61,501** |

[1] Only equity holdings under the PD-LGD approach; with regulatory LGD of 65 % or 90 % and default incl. surcharge for unexpected risks; CCF = 100 %

## 3.3. UNDRAWN LOAN COMMITMENTS AND AVERAGE EXPOSURE VALUES UNDER THE IRB APPROACH

Based on the rating level ranges listed in Section 3.2 the assessment basis for undrawn loan commitments and the average exposure values weighted by commitment for each exposure class are given in Table 5 in accordance with Article 452 subparagraph (e) (i) and (iii) CRR.

**[TAB. 5] ASSESSMENT BASIS IN € M AND AVG. EXPOSURE VALUE OF UNDRAWN LOAN COMMITMENTS AND OF NON-DERIVATIVE OFF-BALANCE SHEET ASSETS**

| | Central governments and central banks | | Institutions | | Corporates | | Equity holding exposures[1] | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| **IRBA exposure class** | **30.6. 2016** | 31.12. 2015 | **30.6. 2016** | 31.12. 2015 | **30.6. 2016** | 31.12. 2015 | **30.6. 2016** | 31.12. 2015 | **30.6. 2016** | 31.12. 2015 |
| **Rating range 1: 1(AAAA) – 1(AA+)** | | | | | | | | | | |
| Basis for evaluation of loan commitments | 22 | 2 | – | – | – | – | – | – | 22 | 2 |
| Basis for evaluation of non-derivative assets not reported | 0 | 0 | – | – | – | – | – | – | 0 | 0 |
| Avg. exposure value of loan commitments | 7 | 0 | – | – | – | – | – | – | 7 | 0 |
| Avg. exposure value of loan commitments | 0 | 0 | – | – | – | – | – | – | 0 | 0 |
| **Rating range 2: 1(AA) – 1(A-)** | | | | | | | | | | |
| Basis for evaluation of loan commitments | – | – | 1,080 | 1,066 | 1,000 | 1,001 | – | – | 2,080 | 2,068 |
| Basis for evaluation of non-derivative assets not reported | – | – | 36 | 55 | 220 | 121 | – | – | 256 | 176 |
| Avg. exposure value of loan commitments | – | – | 176 | 176 | 15 | 15 | – | – | 99 | 98 |
| Avg. exposure value of loan commitments | – | – | 11 | 10 | 7 | 4 | – | – | 8 | 6 |
| **Rating range 3: 2 – 5** | | | | | | | | | | |
| Basis for evaluation of loan commitments | – | – | 108 | 107 | 3,866 | 3,694 | – | – | 3,974 | 3,801 |
| Basis for evaluation of non-derivative assets not reported | – | – | 79 | 68 | 1,037 | 1,042 | – | – | 1,116 | 1,110 |
| Avg. exposure value of loan commitments | – | – | 10 | 15 | 13 | 11 | – | – | 13 | 11 |
| Avg. exposure value of loan commitments | – | – | 33 | 37 | 16 | 11 | – | – | 17 | 12 |
| **Rating range 4: 6 – 9** | | | | | | | | | | |
| Basis for evaluation of loan commitments | – | – | – | 24 | 2,893 | 3,158 | – | – | 2,893 | 3,182 |
| Basis for evaluation of non-derivative assets not reported | – | – | 0 | 0 | 611 | 897 | – | – | 611 | 897 |
| Avg. exposure value of loan commitments | – | – | – | 4 | 15 | 11 | – | – | 15 | 11 |
| Avg. exposure value of loan commitments | – | – | 0 | 0 | 9 | 13 | – | – | 9 | 13 |
| **Rating range 5: 10 – 12** | | | | | | | | | | |
| Basis for evaluation of loan commitments | – | – | – | – | 131 | 183 | – | – | 131 | 183 |
| Basis for evaluation of non-derivative assets not reported | – | – | – | – | 22 | 16 | – | – | 22 | 16 |
| Avg. exposure value of loan commitments | – | – | – | – | 3 | 21 | – | – | 3 | 21 |
| Avg. exposure value of loan commitments | – | – | – | – | 2 | 2 | – | – | 2 | 2 |
| **Rating range 6: 13 – 15** | | | | | | | | | | |
| Basis for evaluation of loan commitments | 10 | – | – | – | 100 | 32 | – | – | 110 | 32 |
| Basis for evaluation of non-derivative assets not reported | – | – | – | – | 54 | 39 | – | – | 54 | 39 |
| Avg. exposure value of loan commitments | 4 | – | – | – | 4 | 1 | – | – | 4 | 1 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Avg. exposure value of loan commitments | – | – | – | – | 8 | 2 | – | – | 8 | 2 |
| **Rating range 7 (Default): 16 – 18** | | | | | | | | | | |
| Basis for evaluation of loan commitments | – | – | – | – | 37 | 60 | – | – | 37 | 60 |
| Basis for evaluation of non-derivative assets not reported | – | – | – | – | 22 | 25 | – | – | 22 | 25 |
| Avg. exposure value of loan commitments | – | – | – | – | 1 | 1 | – | – | 1 | 1 |
| Avg. exposure value of loan commitments | – | – | – | – | 2 | 1 | – | – | 2 | 1 |
| **Total** | | | | | | | | | | |
| **Basis for evaluation of loan commitments** | **32** | **2** | **1,189** | **1,198** | **8,026** | **8,128** | **–** | **–** | **9,247** | **9,328** |
| **Basis for evaluation of non-derivative assets not reported** | **0** | **0** | **115** | **124** | **1,967** | **2,139** | **–** | **–** | **2,082** | **2,263** |
| **Avg. exposure value of loan commitments** | **6** | **0** | **161** | **158** | **14** | **12** | **–** | **–** | **33** | **31** |
| **Avg. exposure value of non-derivative assets not reported** | **0** | **0** | **26** | **25** | **12** | **11** | **–** | **–** | **13** | **12** |

1) Only equity holdings under the PD-LGD approach; with regulatory LGD of 65 % or 90 % and default incl. surcharge for unexpected risks; CCF = 100 %

# 4. LEVERAGE RATIO

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

### Definition

In the frame of the Basel III framework (CRR/CRD IV), the leverage ratio complements the risk based capital requirements as a non-risk based debt ratio. The leverage ratio is the quotient of the Tier 1 capital and the overall risk measurement position and is indicated as a percentage. The overall risk measurement position consists of the nominal value of the asset and off-balance sheet business (incl. derivatives) under special consideration of relevant valuation approaches especially for leverage ratio. At the present time, the leverage ratio is an observation parameter. As a reference value the Basel Committee of Banking Regulation determined a minimum leverage ratio of 3 % in the Basel III leverage ratio framework and disclosure requirements of January 2014. It is further planned to implement the leverage ratio as an additional minimum capital ratio as from 2018.

### Information on the level of leverage ratio

As at the reporting date, the leverage ratio amounts to 7.17 %. In accordance with Article 499 (2) CRR, the option was utilised in order to determine the Tier 1 capital on the basis of the Basel III transitional regulations according to Article 499 (1) subparagraph b CRR.

The decline of the total leverage ratio exposure mainly results from the structural measures mentioned in the introduction and the ongoing winding down strategy pursued for high-risk legacy portfolios held in the Restructuring Unit.

**[TAB. 6] LEVERAGE RATIO IN € M AND %**

| | **30.6.2016** | 31.12.2015 |
|---|---|---|
| Tier 1 capital | 5,803 | 5,899 |
| Total leverage ratio exposure | 80,970 | 91,087 |
| Leverage Ratio (debt ratio) | 7.17% | 6.48% |

# 5. LIST OF ABBREVIATIONS

| | |
|---|---|
| ABCP | Asset Backed Commercial Paper |
| ABF | Asset Backed Funding |
| ABS | Asset Backed Securities |
| AöR | Anstalt öffentlichen Rechts |
| Avg. | Average |
| ASU | Ancillary services undertaking in accordance with Article 4 (18) CRR |
| BaFin | Bundesanstalt für Finanzdienstleistungsaufsicht (Federal Financial Supervisory Authority) |
| Basel II / Basel III | Baseler Framework Agreement |
| CCF | Credit Conversion Factor |
| CDS | Credit Default Swaps |
| CI | Credit institution in accordance with Article 4 (1) CRR |
| CoRep | Common solvency ratio reporting |
| CRD | Directive 2013/36/EU of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (Capital Requirements Directive) |
| CRR | Regulation (EU) No. 575/2013 of 26 June 2013 on prudential requirements for credits institutions and investment firms as amended on 30 November 2013 (Capital Requirements Regulation) |
| CRSA | Credit Risk Standardised Approach |
| CVA | Credit Valuation Adjustments |
| DA | Direct write-downs |
| DSGV | Deutscher Sparkassen- und Giroverband (German Association of Savings Banks and Giro Banks) |
| EaD | Exposure at Default (gross loan volume at the date of default) |
| EBA | European Banking Authority (Europäische Bankenaufsichtsbehörde) |
| ECA | Export Credit Agency |
| ECAI | External Credit Assessment Institutions |
| EL | Expected Loss |
| EMIR | European Market Infrastructure Regulation |
| EU-Commission | European Commision |
| ECB | European Central Bank |
| FCR | Foreign Currency Rating |
| FI | Financial institution in accordance with Article 4 (26) CRR |
| Fitch | Fitch Ratings |
| FV | Total receivables |
| GuV | Income statement |
| HGB | Handelsgesetzbuch (German Commercial Code) |
| IAS | International Accounting Standards |
| IFRS | International Financial Reporting Standard |
| InstitutsVergV | Institutsvergütungsverordnung (German Ordinance on the Remuneration of Financial Institutions) as amended on 16 December 2013 |
| IRB | Internal Rating Based |
| IRBA | Internal Rating Based Approach |
| ISDA | International Swaps and Derivatives Association |
| KWG | Gesetz über das Kreditwesen/Kreditwesengesetz (German Banking Act) as amended on 28 August 2013 |

| | |
|---|---|
| LBO | Leveraged Buyout |
| LCH | London Clearing House |
| LCR | Local Currency Rating |
| LeDIS | Legal Database Information System |
| LGD | Loss Given Default |
| LLC | Limited Liability Company |
| Ltd. | Limited |
| M | Maturity |
| MaRisk | Mindestanforderungen an das Risikomanagement (Minimum Requirements for Risk Management) |
| Moody's | Moody's Investors Service |
| OpRisk | Operational Risk |
| OTC | Over the counter |
| PD | Probability of Default |
| PoWB | Portfolio valuation allowances |
| PQC | Process quality controlling |
| RechKredV | Kreditinstituts-Rechnungslegungsverordnung |
| RSU | RSU Rating Service Unit GmbH & Co. KG |
| RW | Risk Weight |
| SFA | Supervisory Formula Approach |
| SME | Small and medium-sized enterprises |
| SolvV | Solvabilitätsverordnung (German Solvency Regulation) |
| S & P | Standard & Poor's |
| SPV | Special Purpose Vehicle |
| SR | S Rating und Risikosysteme GmbH |
| TWR | Bearer of economic risk |
| VaR | Value-at-Risk |
| IU | Insurance undertaking in accordance with Article 4 (5) CRR |

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