Financial Stability Forum Report

as of 31 December 2008

HSH NORDBANK

CONTENTS

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FINANCIAL STABILITY FORUM REPORT

Publication of detailed information on HSH Nordbank's portfolios which are affected by the Financial Markets Crisis (as recommended by the Financial Stability Forum)

In view of the crisis underway on financial markets since 2007 the Financial Stability Forum* (FSF) recommends that banks provide greater disclosure on portfolios which are affected by the market turmoil. The aim is to increase transparency on exposure to structured credit products among others and thereby contribute to a lasting stabilisation of the markets.

These disclosures supplement the comments on the Credit Investment Portfolio in the risk report of our annual report 2008 and also deal with HSH Nordbank's leverage finance portfolio, the exposure to US monolines, Financial Institutions Group as well as Credit Trading.

* The FSF is a joint body made up of 26 regulatory authorities from 12 states and 11 international organisations, appointed by the Finance Ministers and central bank Governors of the G7 countries to analyse the causes of the turbulence on financial markets and to develop recommendations for strengthening the financial system.

RELEVANT PORTFOLIO

During H2 2008, the adverse market and economic developments widened from "subprime"-related assets to several additional asset classes and resulted in an overall Financial Markets Crisis.

Large defaults like Lehman, Washington Mutual and Icelandic Banks Kaupthing, Glitnir and Landsbanki occurred.

Due to these developments we expect the FSF Reporting Standards to be modified that the additional affected asset classes will be considered. We already anticipate this change in this report by adding two portfolios.

2007 + 2008 H1: SUBPRIME CRISIS

Affected Portfolios:

- I Credit Investment Portfolio
- II Leveraged Finance (LBO)
- III Monolines

2008 H2– TODAY: FINANCIAL MARKETS CRISIS

Affected Portfolios:

- I Credit Investment Portfolio
- II Leveraged Finance (LBO)
- III Monolines
- IV Financial Institutions Group
- V Credit Trading

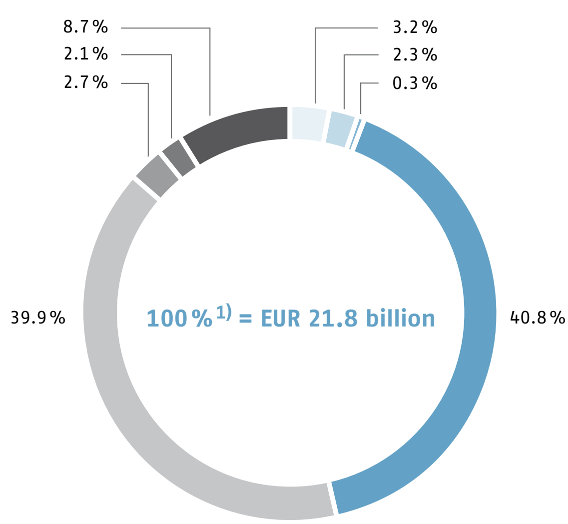
I. CREDIT INVESTMENT PORTFOLIO

1. Portfolio overview

1.1 BREAKDOWN OF CREDIT INVESTMENT PORTFOLIO

- 90 % of the whole portfolio is investment grade
- Excluding Single Names 59.9 % of the portfolio is AAA
- Credit investment portfolio is broadly diversified
- Strict own investment guidelines apply
- Portfolio reduction in progress

Breakdown of credit investment portfolio by asset class (Notional as of 31 December 2008)

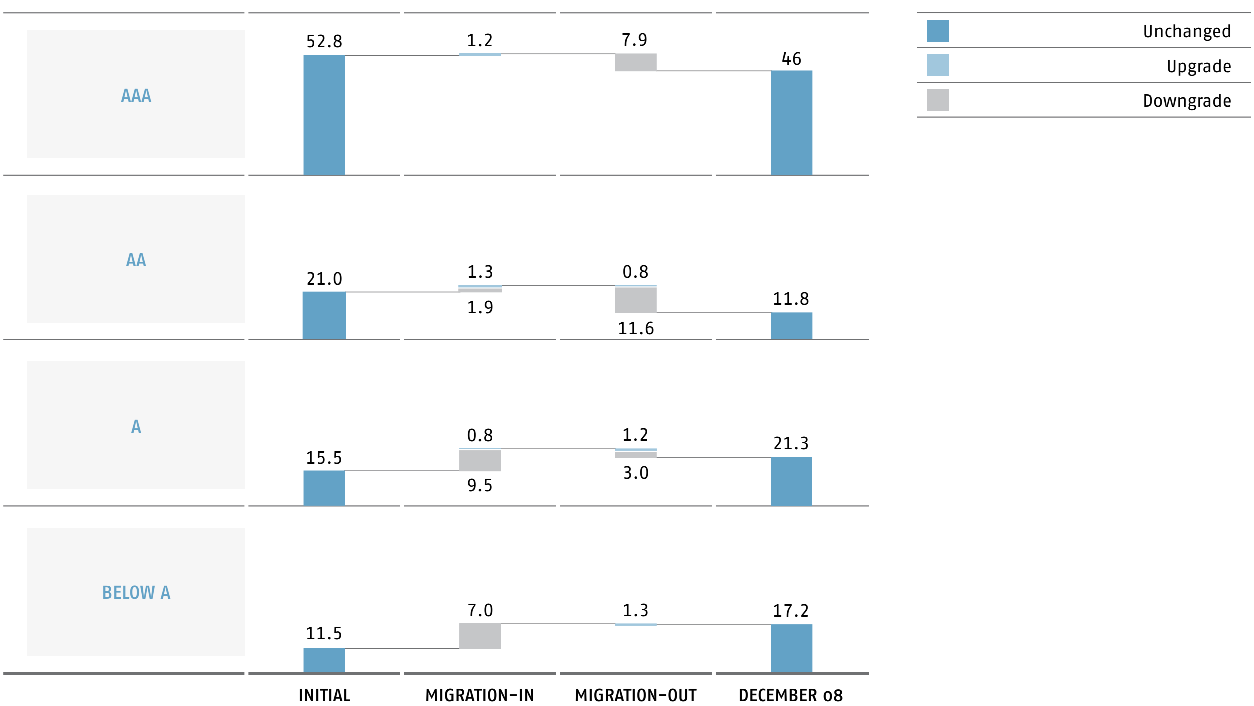


3.2 %	EUR 0.7 billion Synthetic CDO
2.3 %	EUR 0.5 billion Special Fund
0.3 %	EUR 0.07 billion SIVs
40.8 %	EUR 8.9 billion Other ABS (excl. Subprime)
39.9 %	EUR 8.7 billion Single Names (Bonds and CDS)
2.7 %	EUR 0.6 billion Hedge Funds / other Funds
2.1 %	EUR 0.5 billion High-Yield Portfolio, Convertible Bonds
8.7 %	Suprime related EUR 1.9 billion RMBS HEL: EUR 1.2 billion CDO of ABS / CDO of CDO: EUR 0.7 billion

1) Incl. assets of Carrera and Poseidon

1.2 RATING MIGRATION

Rating distribution (in %)



1.3 CREDIT INVESTMENT PORTFOLIO

Annual 2007 and 2008 results

Annual 2007 (€ million)

	Asset class	IFRS Category	Exposure 31 Dec. 2007[1]	Annual result 2007: M-T-M-loss	P&L	Revaluation Equity Surplus	Hidden losses 2007
2.1	Synthetic CDO[2]	DFV	1,878	214	413	0	0
2.1	CDS on Indices	HFT	353	10	10	0	0
	Special Fund[4]	DFV, HFT	866	29	29	0	0
	SIV Capital Notes[1]	LAR	143	143	143	0	0
2.2	Other ABS	mainly LAR	9,734	300	70	1	229
2.3	Single Names	DFV, AFS, LAR, HFT	13,641	179	95	58	26
2.4	Hedge Funds / Other Funds	AFS	868	25	24	1	0
	Others (Convertibles, NY HY Loan Portfolio)	DFV, LAR	461	-6	-16	0	10
	Non Subprime related Portfolio: SUM[1]		**27,944**	**894**	**768**	**60**	**265**
2.5	RMBS HEL[3]	mainly LAR	1,312	244	279	0	0
2.5	CDO of ABS, CDO of CDO[3] [5]	DFV, LAR	712	269	284	0	0
	Subprime Portfolio		2,024	513	563	0	0
	TOTAL SUM[1]		**29,968**	**1,407**	**1,331**	**60**	**265**

Annual 2008 (€ million)

	Asset class	IFRS Category	Exposure 31 Dec. 2008	Annual result 2008: M-T-M-loss	P&L	Revaluation Equity Surplus	Hidden losses 2008
2.1	Synthetic CDO[2]	DFV	695	617	418	0	0
2.1	CDS on Indices	HFT	0	19	19	0	0
	Special Fund[4]	DFV, HFT	500	99	99	0	0
	SIV Capital Notes[1]	LAR	70	0	0	0	0
2.2	Other ABS	mainly LAR	8,868	1,758	346	2	1,410
2.3	Single Names	DFV, AFS, LAR, HFT	8,688	789	453	259	77
2.4	Hedge Funds / Other Funds	AFS	598	118	80	37	0
	Others (Convertibles, NY HY Loan Portfolio)	DFV, LAR	470	100	24	0	76
	Non Subprime related Portfolio: SUM[1]		**19,888**	**3,499**	**1,439**	**298**	**1,563**
2.5	RMBS HEL[3]	mainly LAR	1,256	12	-30	0	7
2.5	CDO of ABS, CDO of CDO[3] [5]	DFV, LAR	693	179	164	0	0
	Subprime Portfolio		1,949	191	134	0	7
	TOTAL SUM[1]		**21,837**	**3,691**	**1,574**	**298**	**1,570**

1) Incl. realized loss of EUR 56 million due to restructuring
2) M-T-M movements of January / February 2008 considered in annual result 2007
3) M-T-M movements of January 2008 considered in annual result 2007
4) Cash component not considered in notional as of 31 Dec. 2008
5) Including third-party managed portfolio

2. Portfolio details

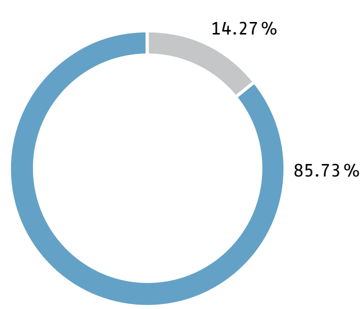
2.1 SYNTHETIC CDOs

Synthetic CDOs (as of 31 December 2008)

Exposure	(€ million)	695
P&L 07	(€ million)	(413)
P&L 08	(€ million)	(418)
IFRS		DFV / HFT

- Synthetic structures with corporate debt referenced via Credit Default Swaps as underlyings. The total exposure of EUR 695 million includes one Leveraged Super Senior position (EUR 200 million).
- Synthetic CDOs referencing European / US Single Names
- Synthetic CDOs overweight in financials
- Average rating of the underlying collateral is A
- Participation in rated tranches
- Thickness and subordination of tranches selected on the basis of predetermined investment criteria: A minimum portfolio diversification, tranche subordination, as well as concentration and quality of underlyings
- Durations vary between 0.5 and 6.4 years
- The high mark-to-market losses are caused by the general market spread widening since 2007, especially among the monolines and Financials.
- Credit events in the portfolio: Tribune, Fannie Mae, Freddie Mac, Lehman Brothers, Washington Mutual Inc. and several Icelandic banks. All trades referring to these names have suffered severe rating migration, as a result some of the deals might get downgraded

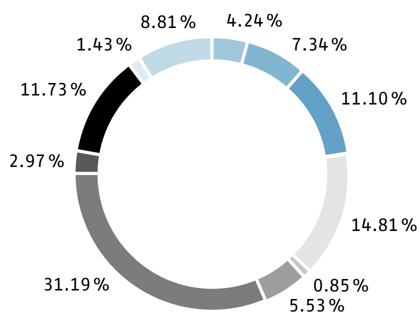
Rating category distribution by IDL**



	14.27 %	B-Inv-Grade
	85.73 %	Inv-Grade

* Exposure corresponds to proxy Instantaneous Default loss (IDL) as of end of December 2008. This is an estimated mark-to-market loss in the event of an immediate default

Industry distribution by IDL

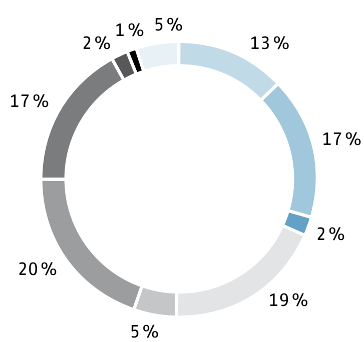


4.24 %	Basic Materials
7.34 %	Communications
11.10 %	Consumer, Cyclical
14.81 %	Consumer, Noncyclical
0.85 %	Diversified
5.53 %	Energy
31.19 %	Financial
2.97 %	Government
11.73 %	Industrial
1.43 %	Technology
8.81 %	Utilities

2.2 OTHER ABS

Distribution by region and asset class (as of 31 December 2008)

For details see following subportfolio:

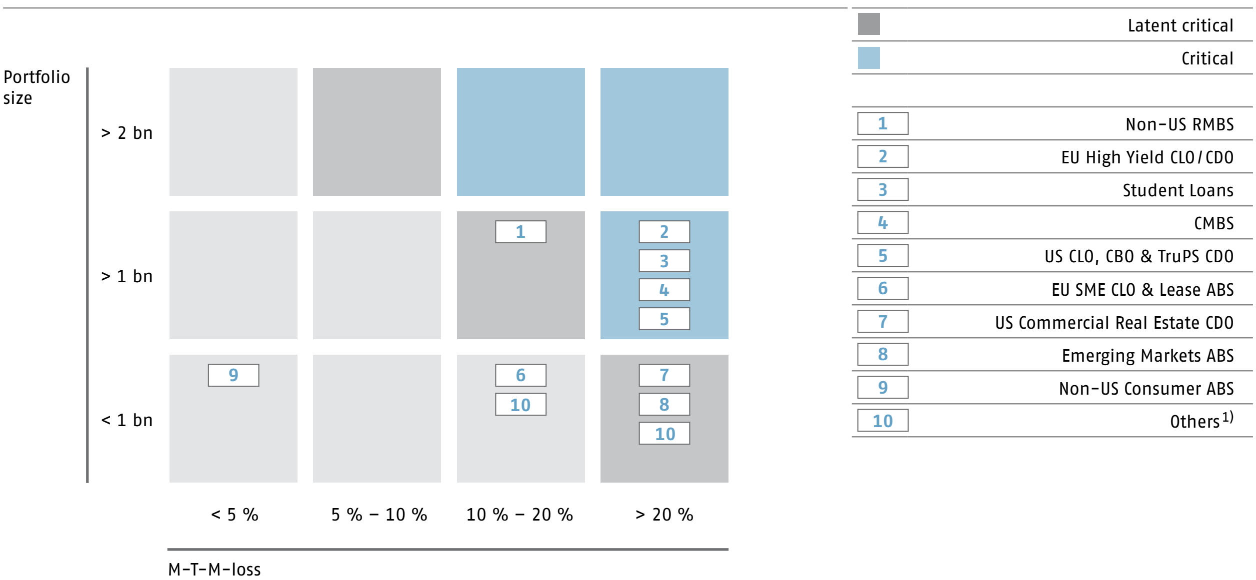


13 %	CMBS
17 %	Student Loans
2 %	Emerging Markets
19 %	EU High Yield CLO / CDO
5 %	Others[1)]
20 %	Non-US RMBS
17 %	US CLO, CBO & TruPS CDO
2 %	US Commercial Real Estate CDO
1 %	Non-US Consumer ABS
5 %	EU SME CLO & Lease ABS

Total	(€ million)	8,868
P & L 07	(€ million)	(70)
P & L 08	(€ million)	(346)

1) US Credit cards; ABS shipping; ABS aircraft

as of 31 December 2008



1) US Credit cards 0.06; ABS shipping 0.06; ABS aircraft 0.16; Cash CDOs on Single Names 0.10

2.2a NON-US RMBS 1

Non-US RMBS (as of 31 December 2008)

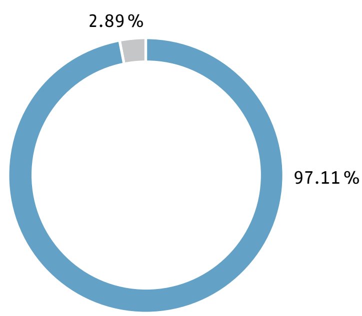
Exposure	(€ billion)	1.70
IFRS		LAR

- Diversified portfolio of high quality mostly AAA rated RMBS, concentrated mainly in Australia (44.3 %) and UK (32.35 %).
- Most of the portfolio (86 %) is prime with 3.1 % UK buy-to-let and 10.2 % UK non-conforming ('NC').
- Considerable spread volatility of RMBS assets due to the current market liquidity crisis.
- Extension risk due to lower CPR's / limited refinancing opportunities.
- Downgrades thus far: 3 out of 118 tranches. Outlook: Further downgrades expected in 2009 / 2010, mainly for the UK NC sector. No prime Australian / European RMBS downgrade in this portfolio so far.
- Two tranches of one UK non-conforming RMBS, Eurosail 2007 3BL, Class A3C (GBP 10.5 million, CE 20.04 %) and

B1C (GBP 6.5 million, CE 12.88 %), downgraded and written down due to the discontinuation of the currency swap which previously was provided by Lehman's.

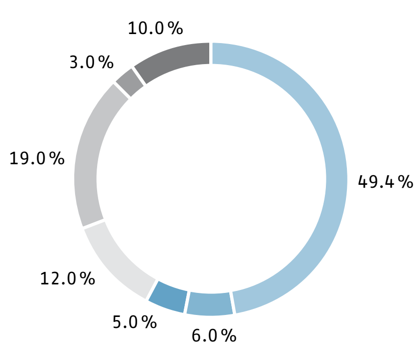
- Moodys / S&P downgraded the subordinated tranche of one Australian RMBS (PUMA H1) in the portfolio from Aa2 / AA to Aa3 / AA- following the downgrade of PMI and Genworth, not due to credit concerns. HSH owns AUD 11.5 million, EUR 5.7 million of this tranche which is performing well.
- 9 tranches were repaid in full over the course of 2008.

Distribution by Rating



97.11 %	AAA
2.89 %	Others

Distribution by mortage type & country



49.4 %	Australia Prime
6.0 %	Diverse Prime
5.0 %	Italy Prime
12.0 %	Spain Prime
19.0 %	UK Prime
3.0 %	UK Buy-to-let
10.0 %	UK Non-conforming

2.2b EU HIGH YIELD CLO / CDO 2

EU High Yield CLO / CDO (as of 31 December 2008)

Exposure	(€ billion)	1.62
IFRS category		LAR

- Defensive portfolio – 91 % AAA-rated, predominantly senior positions. The 9 % more volatile AA and A mezzanine positions are seasoned (mainly 2002-2004 vintages).
- The portfolio consists primarily of managed arbitrage cash flow CLOs, mainly backed by first lien senior secured loans and managed by tier one managers with extensive track records going back to at least 2002.
- S&P recently announced to revise their CLO Rating Methodology. Following the worsening in the high yield credit environment we expect that mezzanine CDO tranches will be most affected by potential rating methodology changes. Only one AAA rated and one AA rated tranche is currently on rating watch negative. The already finished Fitch rating methodology change had no rating effect on tranches held by HSH.
- Our strict investment standards included collateral criteria such as ramp-up status, portfolio quality and concentration limitations, structural criteria (diversion tests, haircuts), portfolio manager eligibility (internal scoring) and stress tests based on cash flow analysis (break-even default rates under conservative recovery assumptions) and a strong focus on disciplined asset selection and risk aversion in 2005 – 2007.

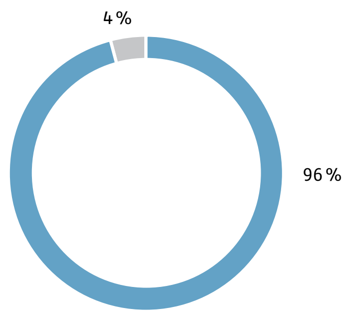
2.2c STUDENT LOANS 3

Student Loan ABS (as of 31 December 2008)

Exposure	(€ billion)	1.53
IFRS category		LAR

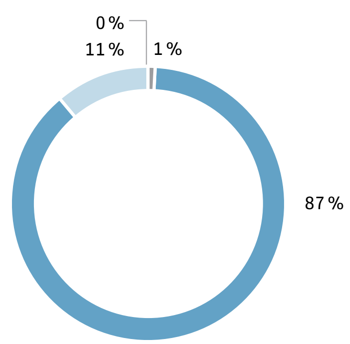
- US government guaranteed nature of the FFELP Student Loan ABS portfolio represents a joint probability of default consisting of the performance of the underlying portfolio as well as the servicer's ability to maintain the US Government Guaranty of at least 97 % on the student loans
- Only transactions serviced by exceptional performers as designated by the US Dept. of Education qualify for investment under HSH IM's student loan ABS criteria
- Current portfolio primarily consisting of US Government Guaranteed Student Loans which represent 96 % of the portfolio.

Distribution by guarantees (government / private)



	96 %	FFELP Guaranteed
	4 %	Private

Rating distribution



	87 %	AAA
	11 %	AA+
	1 %	A
	0 %	AA

2.2d CMBS 4

CMBS (as of 31 December 2008)

Exposure	(€ billion)	1.13
IFRS category (mainly)		LAR

US CMBS

– The CMBS portfolio comprises mainly conduit deals backed by a diversified portfolio of different property types throughout the country

European & Asian CMBS

– Highly rated quality portfolio of Asian and European CMBS
– Defensive portfolio, based on a deal-by-deal fundamental analysis (only high quality collateral with stable rental income sustaining predefined stress tests on a loan by loan basis) and structural features
– Highly diversified tenant base, with no tenant contributing more than 3,8 % of the overall CMBS portfolio rental income. Only 4 tenants, all of them investment grade rated, contribute more than 1% of total portfolio income

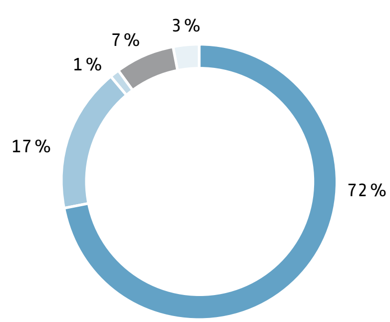
Risk: US CMBS

- Fundamentals for US commercial real estate market are poised to decline. Volatility in ratings expected due to higher losses than rating agency base cases. Due to aggressive underwriting standards and expected weakening fundamentals losses are expected to increase and spreads to widen
- There have been no rating downgrades in our US-CMBS portfolio. The CMBS in the HSH portfolio are all AAA with substantial credit enhancement

European & Asian CMBS

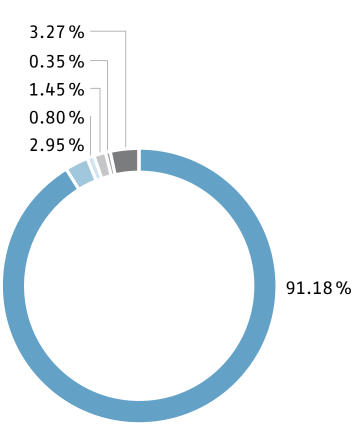
- Further deteriorating economic environment and declining property values especially in the UK are associated with ICR/DSCR and LTV trigger/covenant breaches on underlying loan level which increases loan defaults and downgrade potential as well as refinance risk. In this background also HSH investments saw some downgrades and neg. rating outlooks in the past months. However, most HSH EMEA CMBS investments are senior in the capital structure and benefit from increased credit enhancement percentages

Country distribution



72 %	Europe
17 %	America
1 %	Pacific
7 %	Asia
3 %	Diverse

Distribution by rating



91.18 %	AAA
2.95 %	AA
0.80 %	AA–
1.45 %	A
0.35 %	BBB+
3.27 %	NR

2.2e US CLO, CBO & TRUPS CDO 5

5 **US CLO, CBO & TruPS CDO** (as of 31 December 2008)

Exposure	(€ billion)	1.51
IFRS category		LAR

- The subportfolio consists primarily of managed arbitrage cash flow CLOs, backed by predominantly first lien senior secured loans
- Strong focus on CLOs with 78.4 % backed by primarily Senior Secured Loans, 3.0 % old vintage CBOs backed by HY bonds and 18.6 % CDOs backed by Bank Trust Preferred Securities
- Defensively built portfolio with currently 80 % most senior tranches, entitled to first cashflows. 94.9 % AAA to AA- by S&P and 92.1% Aaa to Aa3 by Moody's. In total 112 tranches across 82 CDOs (2 CLOs fully redeemed), avg. investment amount EUR 14.1 million per tranche, weighted average rating AA-/Aa3 (worst rating used).
- Strong focus on disciplined asset selection and risk aversion in a low spread environment. Strict focus on CLO manager selection based on successful track record; avoidance of primarily equity friendly portfolio criteria (i.e. high buckets for structured finance, 2nd lien loans or HY bonds); OC Test haircut required for CCC/Caa and discount asset and detailed documentation check to identify weaknesses such as loose asset type definitions.
- The most risky positions are 4 mezz CBOs (USD 36.5 million or 1.75 %) and the TruPS CDOs, while 11 out of 14 tranches are the most senior tranches. All tranches were originally rated Aaa/AAA. Moody's downgraded 5 of the snr. notes and S&P one, but all others are under review for downgrade. 58.6 % AAA, 19.3 % AA and 22.1 % A based on lowest rating, but more downgrades expected

2.2f EU SME CLO & LEASE ABS 6

6 **EU SME CLO & Lease ABS** (as of 31 December 2008)

Exposure	(€ billion)	0.39
IFRS category		LAR

- Defensive Portfolio
  - 100 % AAA-rated senior un-levered positions
  - Thoroughly selected investment given the few opportunities found in these markets in a tight spread environment during the 2005–2007 period.
  - Only transactions securitising granular portfolios of at least 1000 obligors, with no obligor accounting for more than 1 % of the portfolio
  - Only transactions originated and serviced by major market participants with considerable track record and at least 5 year default and delinquency data
  - Redemptions are reducing the portfolio amount
- Since spreads compressed in 2004, our strategy has been to concentrate on AAA Senior tranches in order to protect par value until corporate credit risk got properly repriced. This limited our negative M-T-M effect
- Our strict investment criteria include collateral criteria such as portfolio quality (concentration limitations, industry exposures) structural criteria, originator and servicer track record and market position.
- No position on watch for downgrade.
- Overall we do not expect principal losses within this subportfolio

2.2g REMAINING ABS 7 8 9

7
US COMMERCIAL REAL ESTATE CDO
(as of 31 December 2008)

- The average rating is AA.
- Only 13.79 % of the CRE CDOs are backed by riskier collateral originated in weaker vintages (2004 to 2006). 69 % of the CRE CDOs are 2001 through 2003 vintages which are performing exceptionally well and in many cases the subordinated tranches have been upgraded. The remainder of the CRE CDOs are backed by AAA CMBS tranches which are extremely stable
- No rating downgrades in the CRE CDO portfolio

Exposure	(€ billion)	0.21
IFRS category		LAR (mainly)

8
EMERGING MARKETS ABS
(as of 31 December 2008)

- EM ABS portfolio shows stable performance, no delinquencies or defaults
- 77.2 % of the portfolio is wrapped by monoline insurers
- The weighted average rating is A.
- Since Nov. 2007 monoline insurers have come under pressure due to the subprime and CDO woes; future business model still unclear
- Overall EM ABS underlying performance remained very stable during current market turmoil and is expected further to perform well

Exposure	(€ billion)	0.21
IFRS category		LAR (mainly)

9
NON-US CONSUMER ABS
(as of 31 December 2008)

- Small portfolio of European Consumer ABS, including credit cards and auto receivables
- Good quality, all AAA rated

Exposure	(€ billion)	0.06
IFRS category		LAR (mainly)

2.3 SINGLE NAMES

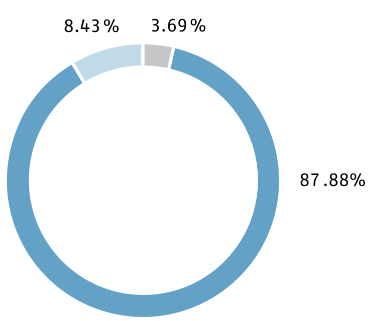
Single Names (as of 31 December 2008)

Exposure	(€ billion)	8.69
P&L 08	(€ million)	(453)
IFRS Category		DFV, AFS, LAR, HFT

- Investment stop for more than 1 year now. Exposures are monitored very carefully
- Portfolio hit by accelerating financial crisis due to high Financials exposure through default of Lehman Brothers and technical credit event of Fannie Mae and Freddie Mac
- Market development until end of Q1 2009

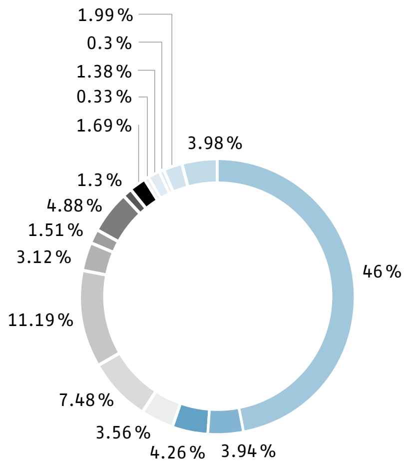
Credit spreads have tightened significantly since December following further global government intervention. The resulting expectation of major government balance sheet deterioration has led sovereign CDS spreads to widen strongly. The diminishing distinction between sovereign and financial risk has started a spread convergence trend between the two. Major corporates are likely to display the same trend in the medium term. Going forward we expect continuing sovereign CDS spread widening. Whilst the current credit bear market rally may continue in the short-term, we expect renewed significant widening in Q2 and beyond as the failure of public bailout attempts becomes increasingly visible.

Distribution by sector



	87.88 %	Financials
	8.43 %	Sovereigns
	3.69 %	Corporates

Rating distribution



	46 %	AAA
	3.94 %	AA+
	4.26 %	AA
	3.56 %	AA–
	7.48 %	A+
	11.19 %	A
	3.12 %	A–
	1.51 %	BBB+
	4.88 %	BBB
	1.3 %	BBB–
	1.69 %	BB+
	0.33 %	B+
	1.38 %	B
	0.3 %	B–
	1.99 %	CCC and below
	3.98 %	NR

2.4 HEDGE FUNDS / OTHER FUNDS

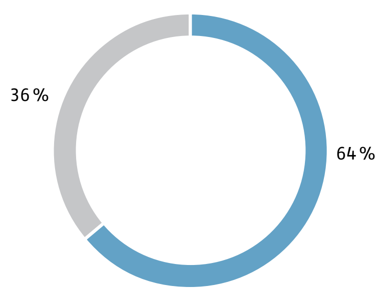
Hedge funds / other funds (as of 31 December 2008)

Exposure	(€ billion)	0.60
P & L 08	(€ million)	(80)
IFRS		AFS

– Fund of funds approach: HSH Nordbank is mainly invested to Hedge Funds via CPPI-structures (total initial exposure about EUR 425 million)
– In early 2009, HSH Nordbank has reduced this exposure substantially
– HSH Nordbank has also initiated necessary steps for reducing its “other funds” exposure.

2.5 SUBPRIME RELATED EXPOSURE

as of 31 December 2008



	1	64 %	RMBS of HEL (Home Equity Loans)
	2	36 %	CDO of ABS, CDO of CDO

€ million	COA / COC	HEL	Total
Total exposure	683	1,256	1,949
P&L 2008	(164)	30	(134)
IFRS Category	LAR, DFV	LAR	n / a
P&L 2007	(284)	(279)	(563)

1 RMBS OF HEL

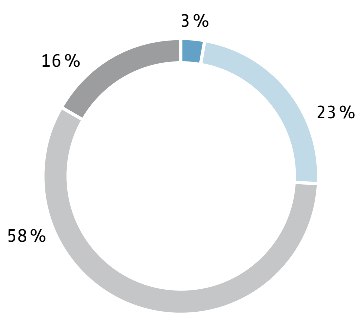
RMBS of HEL (as of 31 December 2008)

Exposure	€ million	1,256
P & L 07	€ million	(279)
P & L 08	€ million	30
IFRS		LAR

- The HEL portfolio is of high quality and has performed well relative to the industry average with respect to delinquencies and cumulative losses
- We attribute the better than average performance to a strict adherence to the RMBS investment parameters, a conservative and disciplined credit strategy, and a proactive portfolio management
- The US mortgage market is still under stress due to rising delinquencies and declining house prices in key regions. Nevertheless, the HSH portfolio delinquencies and losses outperform the ABX. To date, the HSH portfolio delinquency growth rates for 2004–2006 vintages are levelling off while 2007 vintage continues to accelerate
- Prepayments in the mortgage market continues to slow down due to the shutdown in the Sub-prime origination channel and continued house price decline in key regions
- Security prices remain depressed. However, the HSH weighted average portfolio mark still outperforms the ABX

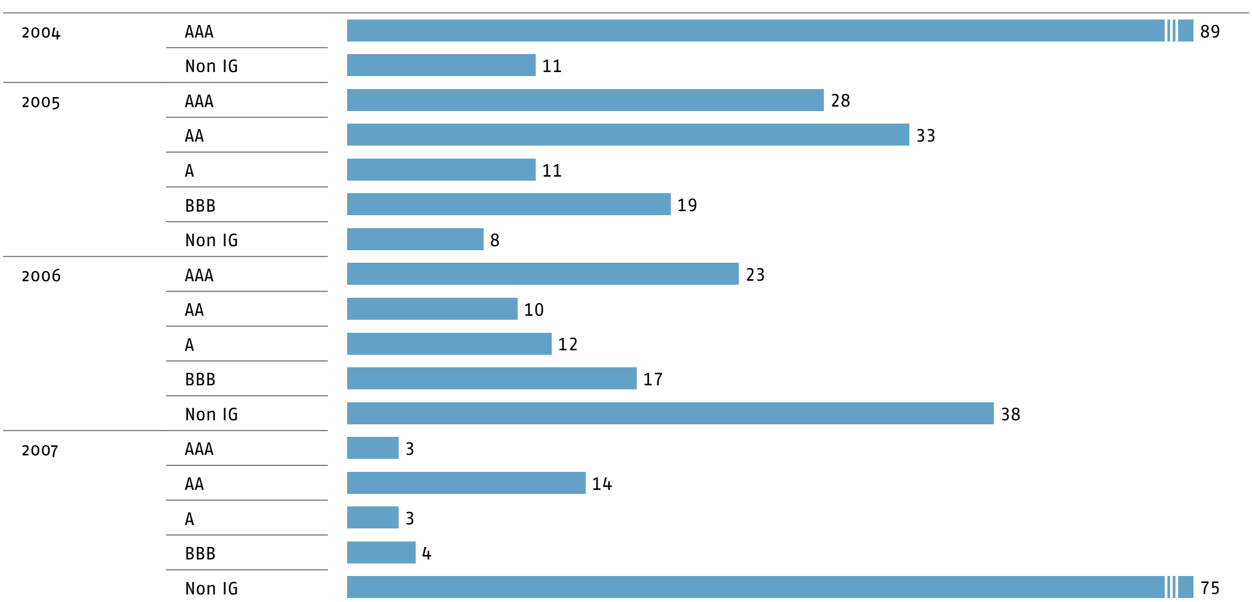
– Ratings downgrade risk remains. To date, securities downgraded in the HSH portfolio still remain far below those experienced in the overall market on a percentage and absolute basis

Distribution by vintage (€ million)



	3 %	2004 Vintage
	23 %	2005 Vintage
	58 %	2006 Vintage
	16 %	2007 Vintage

Rating distribution by vintage (in %)



Rating migration (in %)

	Oct 07	Jan 08	Jun 08	Sep 08	Dec 08
AAA	60	58	42	36	29
AA	35	35	27	20	10
A	4	3	8	9	13
Below A	1	4	23	35	49

Loss coverage migration (in %)

	Oct 07	Jan 08	Jun 08	Sep 08	Dec 08
> 2.0	96	49	27	15	17
> 1.5	4	34	37	34	32
Impairment criterion					
> 1.0	0	17	35	49	41
< 1.0	0	0	1	2	10

II. LEVERAGED FINANCE (LBO)

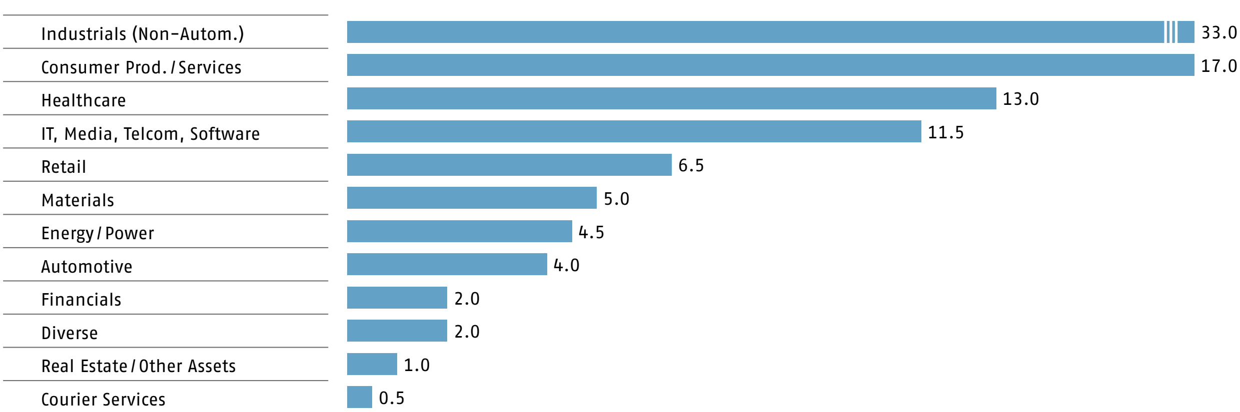
1. GLOBAL HEAD CORPORATES

Change in exposure from Dec 31st, 2007 (€ billion)

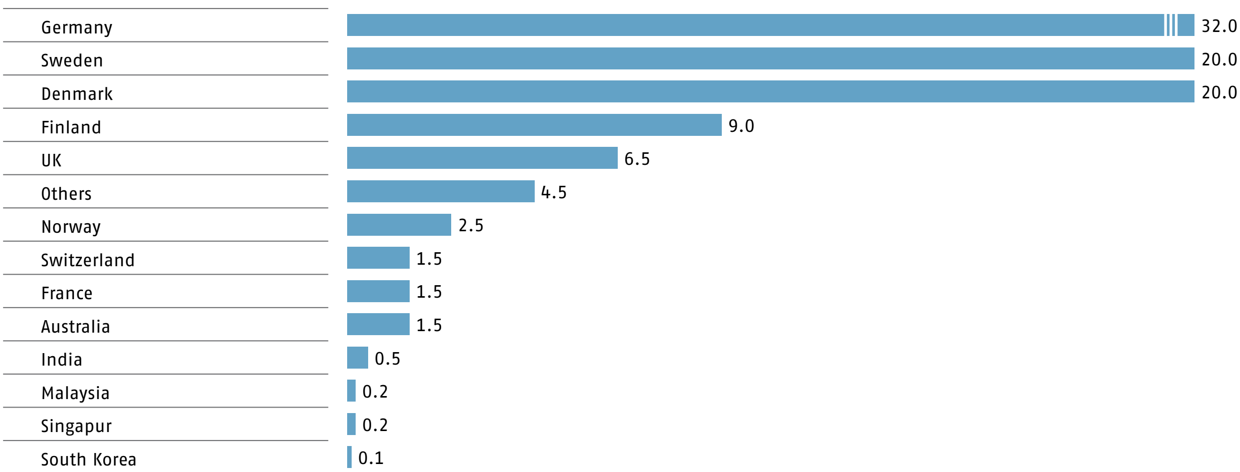
Exposure as of 31 December 2007	6.5
Net Change of Outstanding	-0.1
Risk provision as of 31 December 2008	0.2
Exposure as of 31 December 2008	6.4

– As of Dec 31st, 2008 funded exposure was at EUR 5.4 billion, unfunded exposure at EUR 1.0 billion

Distribution by Industry (in %)



Distribution by Geography (in %)



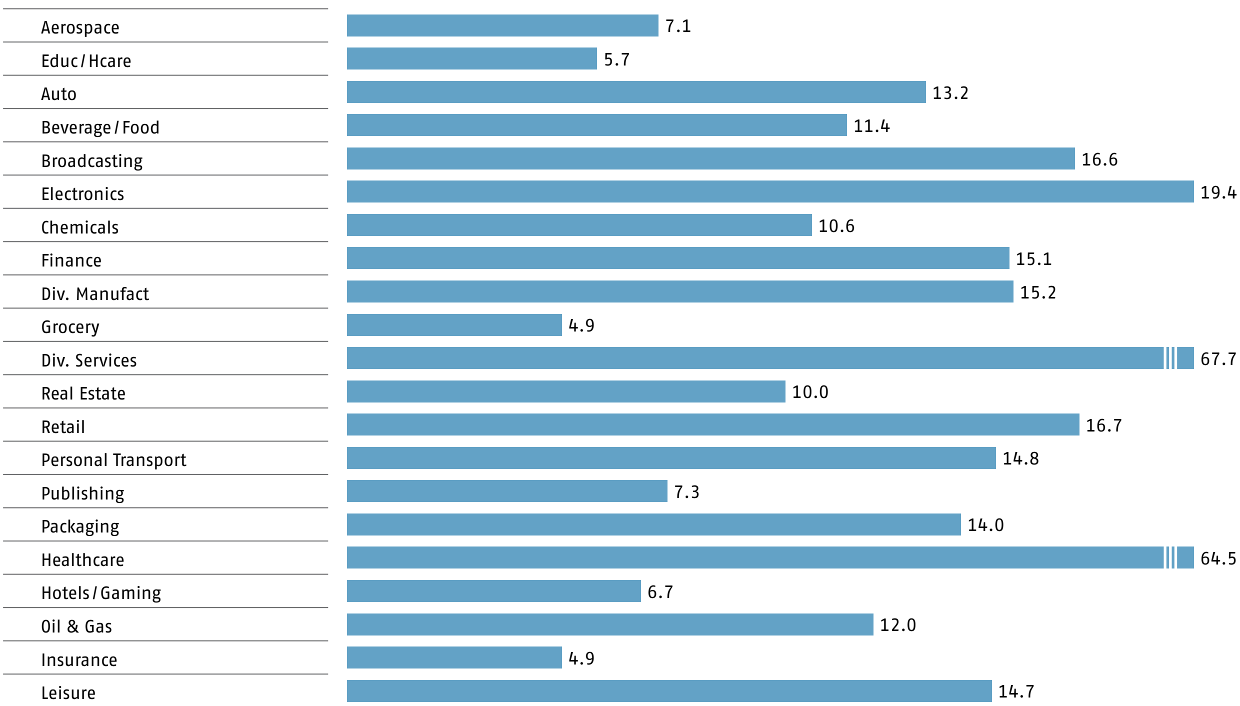
2. LBO'S BEING PART OF CREDIT INVESTMENT PORTFOLIO HIGHLIGHTED BEFORE

Change in exposure from 30 June 2008 (USD million)

Exposure as of 31 December 2007	373.2
Net Change of Outstanding	15.0
Writedowns	0
Exposure as of 31 December 2008	388.2

- Part of Credit Investment Portfolio (contained in NY HY Loan Portfolio)
- As of Dec 31st, 2008 funded exposure of Term Loans was at USD 352.5 million, Revolving Credit Facilities were totalling at USD 35.7 million thereof USD 12.2 million drawn

Distribution by Industry of US Portfolio (term loans in USD million)



III. MONOLINES

1. SUMMARY OF MONOLINE EXPOSURE

No direct monoline exposure

Indirect Monoline exposure (€ million)	31 Dec 2008	30 June 2008
CIP* wrapped ABS	645.0	614.5
CIP wrapped Single Names	71.5	63.7
Global Markets London Single Names	88.5	108.2
Transportation NY wrapped ABS	0	45.4
Total	**805.0**	**831.8**
CIP Synthetic CDO**	98.7	61.8
Grand Total	**903.8**	**893.6**

* CIP: Credit Investment Portfolio
** Exposure corresponds to proxy Instantaneous Default loss (IDL) as of end of December 2008. This is an estimated mark-to-market loss in the event of an immediate default

- The total exposure of EUR 903.8 million is to seven different monolines rated from AAA to CCC. Life-to-date impairment is at EUR 86.0 million, thereof EUR 61.4 million in 2008
- All transaction within HSH Nordbank portfolio are performing with the exception of three transactions totalling EUR 20.3 million. Although monolines made payments due so far, impairment for these three transactions is life-to-date EUR 10.8 million (thereof EUR 8.9 million in 2008)
- Monoline valuations are fully captured in the M-T-M valuation of the relevant sub-portfolios

IV. FINANCIAL INSTITUTIONS GROUP

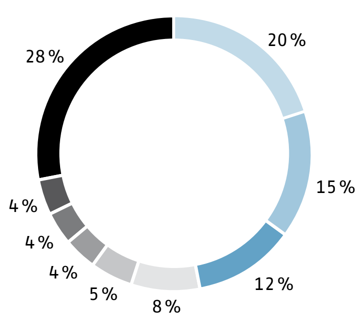
1. FIG

FIG (as of 31 December 2008)

Exposure	€ billion	8.7
P&L 08	€ million	(975)
IFRS		mainly LAR

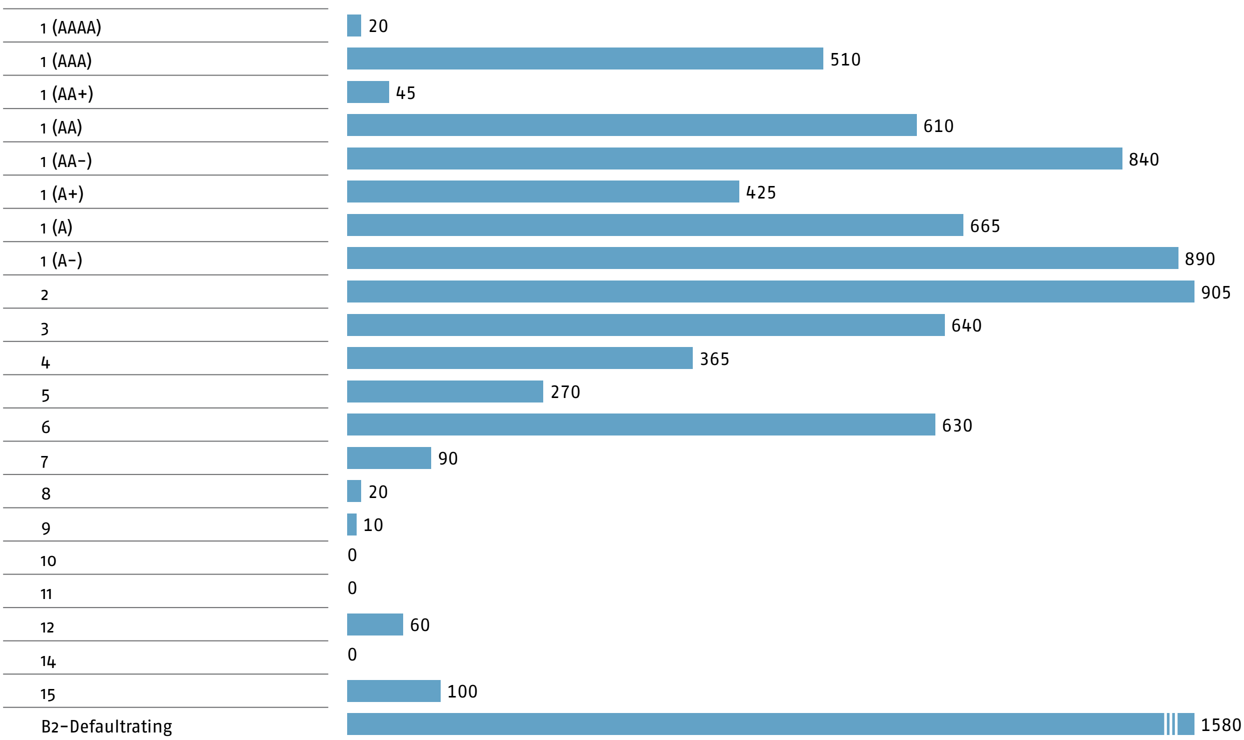
– Total portfolio of EUR 8.7 billion consists of a plain vanilla loan book to financial institutions (amounting to EUR 5.7 billion) as well as loans which are structured or have structured elements (Exposure EUR 3 billion)
– 2008 overall P/L for FIG was at EUR (975) million, thereof EUR (571) million for the structured loan book and the reminder of EUR (404) million for the plain vanilla book
– Due to the relatively strong involvement of HSH Nordbank in the Scandinavian region the Iceland crisis and the related defaults of the three largest banks Glitnir, Kaupthing and Landsbanki was even severe. The FIG portfolio was affect by a P/L impact of EUR (274.9) million by its exposure to ten different Icelandic banks
– The mentioned above results in the reassessment of the FI Group portfolio as “affected by the financial markets crisis”

Distribution by region (in %)



20 %	Denmark
15 %	UK
12 %	USA
8 %	Ireland
5 %	Luxembourg
4 %	Germany
4 %	Iceland
4 %	United Arab Emirates
28 %	Others

Rating distribution by internal rating (€ million)



2. FIG STRUCTURED LOANS

FIG structured loans (as of 31 December 2008)

Exposure	€ billion	3
P&L 08	€ million	(571)
IFRS		mainly LAR

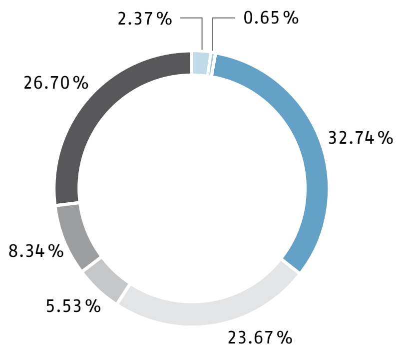
– The FI Group structured loan book (EUR 3 billion) includes 43 positions of loans / credit facilities which are structured or have structured elements

– Underlying transactions mainly contain economic risks of credits (45 %), securitizations (38 %) and to a smaller extend Private Equity (14 %) and Bonds (3 %)

– 2008 overall P/L impact was at EUR (571) million for the structured loan book. The biggest part of amortization of the structured loan book fell upon one transaction

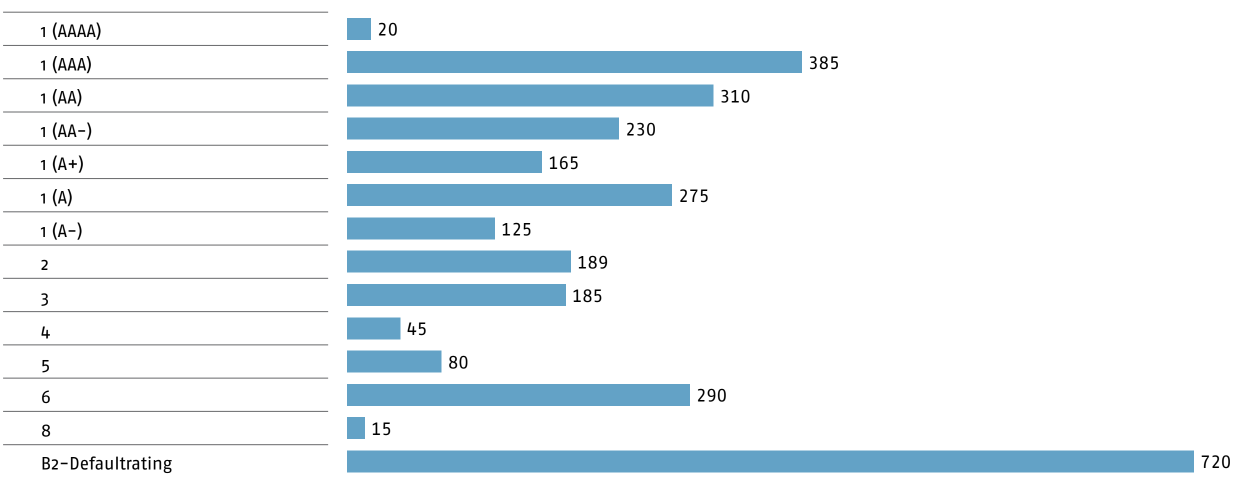
– The negative P/L impact of this portfolio was also mainly due to single events like Lehman Brothers, Glitnir, Kaupthing, Landsbanki and Washington Mutual

Distribution by region (in %)



	2.37 %	Bermuda
	0.65 %	Denmark
	32.74 %	UK
	23.67 %	Ireland
	5.53 %	Cayman Islands
	8.34 %	Luxembourg
	26.70 %	USA

Rating distribution by internal rating (€ million)



V. CREDIT TRADING

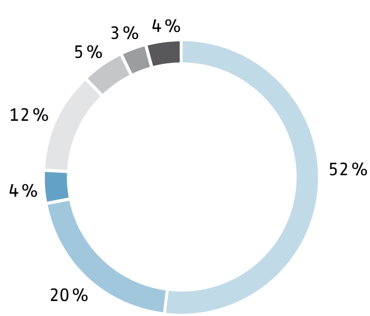
1. CREDIT TRADING

Credit Trading (as of 31 December 2008)

Exposure	€ billion	1.3
P&L 08	€ million	(46.3)
IFRS		LAR

- Portfolio mainly consisting of Bonds (73 %), CDS (27 %)
- Bond Exposure is largely to banks (52 %) and other Financials (20 %)
- Due to market illiquidity, securities were re-allocated from IFRS category HfT to LaR in 2008
- CDS Portfolio 2.9 billion CDS short (HSH Nordbank as protection seller); 3.2 billion CDS long (HSH Nordbank as CDS protection buyer): Downsizing in progress; CDS market risk largely hedged
- Bond exposure reduction during 2008 from EUR 1.3 billion to EUR 1 billion (Amortization EUR 6 million), further reduction depending on market liquidity; Largest critical position within portfolio EUR 46 million
- Strong MtM-losses (EUR 46.3 million) within AfS-/HfT-Portfolio (already realized in P/L) due to Defaults of Lehman, Iceland, Washington Mutual a.o.

Distribution by industry (in %)



52 %	Bank
20 %	Financial
4 %	Government
12 %	Industrial
5 %	Service
3 %	Telephone
4 %	Utility