Financial Stability Board Report

as of 31 December 2010

HSH NORDBANK

CONTENTS

HSH Nordbank AG

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FINANCIAL STABILITY BOARD REPORT

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

In view of the crisis underway on financial markets since 2007 the Financial Stability Board* (FSB) 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 as of 31 December 2010 and also deal with HSH Nordbank's leverage finance portfolio, the former Financial Institution Group (FIG) portfolio, the exposure to US monolines and the former Credit Trading portfolio, all of which have been transferred into the Bank's Restructuring Unit (RU).

* The FSB is a joint body made up of regulatory authorities from states and 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.

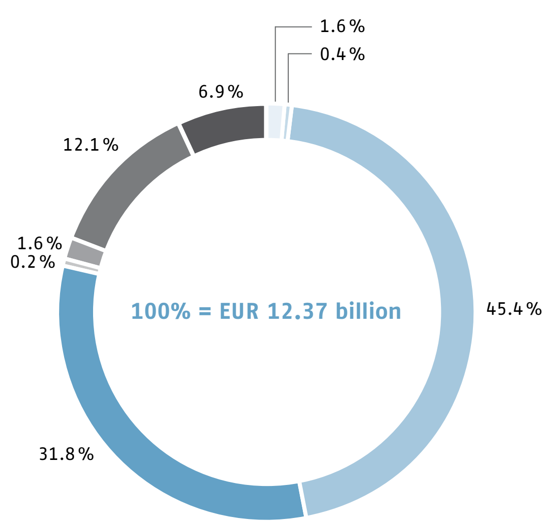
I. CREDIT INVESTMENT PORTFOLIO

1. Portfolio overview

1.1 BREAKDOWN OF CREDIT INVESTMENT PORTFOLIO (CIP)

- The CIP is a broadly diversified portfolio.
- 20.5 % of the portfolio is AAA rated and 84.3 % is investment grade.
- The Bank continues to actively reduce the Credit Investment Portfolio. Assets with an outstanding of EUR 3.2 billion were sold since year end 2009.
- Furthermore, maturities and full or partial redemptions amounted to EUR 2.4 bn since year end 2009. On the other hand, the portfolio volume in Euro equivalent increased by EUR 0.9 billion due to FX effects.
- Taken together, the CIP notional decreased by EUR 4.7 billion since year end 2009.[1)]

Breakdown of credit investment portfolio by asset class (Exposure as of 31 December 2010)

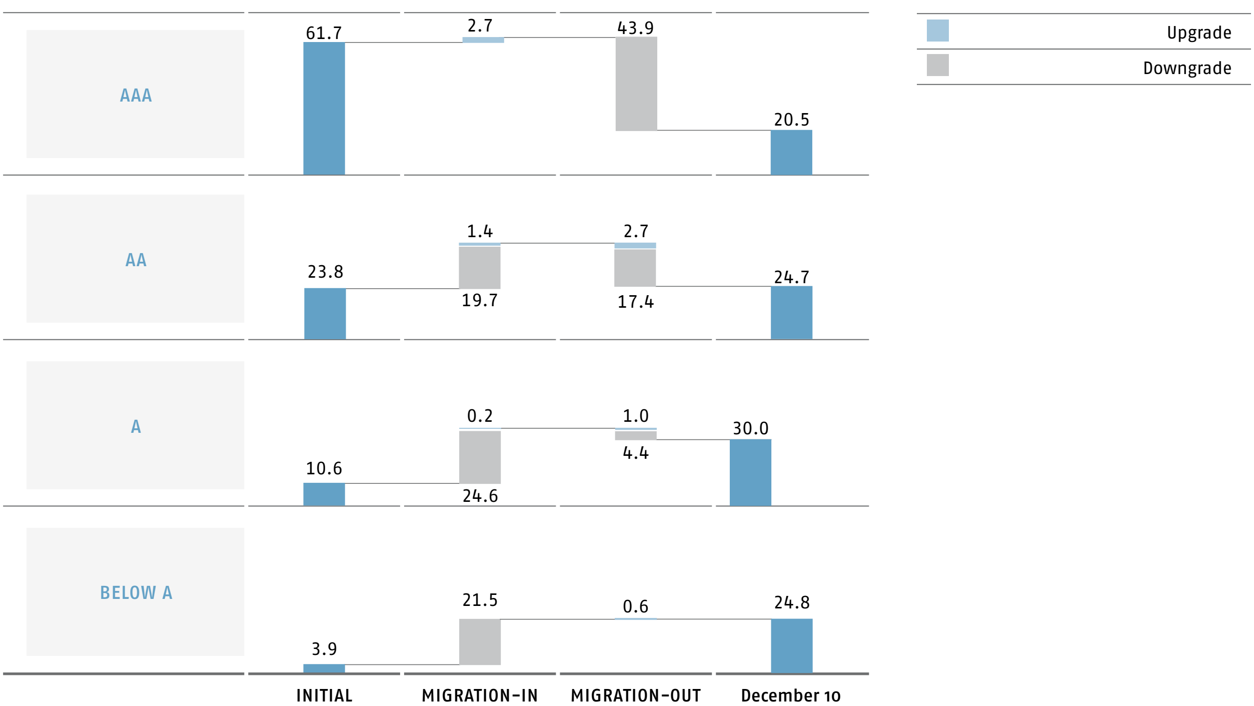


	1.6 %	EUR 0.20 billion Synth. CDO
	0.4 %	EUR 0.05 billion Special Funds
	45.4 %	EUR 5.62 billion Other ABS
	31.8 %	EUR 3.93 billion Single Names
	0.2 %	EUR 0.02 billion Hedge Funds / Other Funds
	1.6 %	EUR 0.20 billion High Yield Loans / Convertibles
	12.1 %	Subprime EUR 1.49 billion thereof RMBS HEL: EUR 0.98 billion thereof COA / COC: EUR 0.51 billion
	6.9 %	SIV Carrera EUR 0.85 billion thereof Capital Notes: EUR 0.02 billion thereof Senior Notes: EUR 0.83 billion

1) The HSH-sponsored SIV Carrera has been deconsolidated following the "vertical slice" in August 2010. The year-end figures 2009 include all Carrera assets, respectively.

1.2 RATING MIGRATION

Rating distribution and development of actual portfolio (in %)[1]



[1] Carrera deconsolidation shown first time.

1.3 ANNUAL RESULT 2009 AND ANNUAL RESULT 2010

Results include effects from positions that have reached maturity or were liquidated in the meantime.

Gains are shown with positive, losses with negative sign.

Annual result 2009 (€ million)

					Annual result 2009			
	Asset class	**IFRS Category**	**Exposure 31 Dec. 2008 (€ billion)**	**Exposure 31 Dec. 2009 (€ billion)**	**M-T-M**	**P&L effect [1]**	**Revaluation Equity Surplus**	**Change in hidden reserve / loss 2009**
2.1	Synthetic CDO	DFV	0.69	0.20	+145	+145	0	0
	CDS on Indices	HFT	0.00	0.00	0	0	0	0
	Special Fund	AFS	0.50	0.18	+4	+4	0	0
2.2	SIV [4]	LAR, AFS	0.07	0.07	0	0	0	0
2.3	Other ABS	Mainly LAR	8.87	7.77	+486	-4	-2	+493
2.4	Single Names	DFV, AFS, LAR, HFT	8.69	6.68	+510	+136	+300	+73
2.5	Hedge Funds / Other Funds	AFS	0.60	0.20	-18	-28	+10	0
	Others (Convertibles, NY HY Loan Portfolio)	AFS, LAR	0.47	0.24	+56	+1	0	+55
	SUM		**19.89**	**15.33**	**+1,183**	**+255**	**+308**	**+620**
2.6	RMBS HEL	LAR	1.26	1.13	-102	-107 [3]	0	+5
	CDO of ABS, CDO of CDO [2]	DFV, LAR	0.69	0.64	-7	-7	0	0
	Subprime Portfolio		**1.95**	**1.77**	**-109**	**-114**	**0**	**+5**
	TOTAL SUM		**21.84**	**17.10**	**+1,074**	**+140**	**+308**	**+625**

1) P&L effects resulting from relevant M-T-M changes, net change in risk provisions and realised losses / gains. Interest results et. al. are unconsidered.

2) Including third-party managed portfolio

3) In 2008, HSH Nordbank has changed its methodology concerning the calculation of intrinsic values and recoverable amounts for impaired RMBS HEL positions. The P / L benefit from this so-called level 3 valuation was EUR 370 million in 2008 and EUR 12 million in 2009. In 2010 the spread between market and model valuation tightened, lowering the P&L by about EUR 29 million.

4) The HSH-sponsored Structured Investment Vehicle Carrera has been deconsolidated in August 2010. Consequently, the remaining Capital Note (EUR 0.02 billion) and the senior facilities (EUR 0.83 billion) consisting of repos and liquidity lines are reported within the asset class "SIV". For details please see pg. 8 of this report.

Additional result 2010 (€ million)

	Asset class	IFRS category	Exposure 31 Dec. 2009 (€ billion)	Exposure 31 Dec. 2010 (€ billion)	Annual Result 2010: M-T-M	P&L effect [1]	Revaluation Equity Surplus	Change in hidden reserve / loss 2010
2.1	Synthetic CDO	DFV	0.20	0.20	+11	+11	0	0
	CDS on Indices	HFT	0.00	0.00	0	0	0	0
	Special Fund	AFS	0.18	0.05	+2	+2	0	0
2.2	SIV [4]	LAR, AFS	0.07	0.85	0	-1	0	+1
2.3	Other ABS	Mainly LAR	7.77	5.62	+391	+59	+4	+328
2.4	Single Names	DFV, AFS, LAR, HFT	6.68	3.93	-126	-96	-34	+4
2.5	Hedge Funds / Other Funds	AFS	0.20	0.02	+3	+3	0	0
	Others (Convertibles, NY HY Loan Portfolio)	AFS, LAR	0.24	0.20	+13	0	0	+13
	SUM		**15.33**	**10.88**	**+294**	**-23**	**-30**	**+347**
2.6	RMBS HEL	LAR	1.13	0.98	+3	+3 [3]	0	0
	CDO of ABS, CDO of CDO [2]	DFV, LAR	0.64	0.51	-26	-26	0	0
	Subprime Portfolio		**1.77**	**1.49**	**-23**	**-23**	**0**	**0**
	TOTAL SUM		**17.10**	**12.37**	**+271**	**-46**	**-30**	**+347**

1) P&L effects resulting from relevant M-T-M changes, net change in risk provisions and realised losses / gains. Interest results et. al. are unconsidered.
2) Including third-party managed portfolio
3) In 2008, HSH Nordbank has changed its methodology concerning the calculation of intrinsic values and recoverable amounts for impaired RMBS HEL positions. The P / L benefit from this so-called level 3 valuation was EUR 370 million in 2008 and EUR 12 million in 2009. In 2010 the spread between market and model valuation tightened, lowering the P&L by about EUR 29 million.
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2. Portfolio details

2.1 SYNTHETIC CDOs

Synthetic CDOs (as of 31 December 2010)

Exposure	(€ billion)	0.20
P&L 10	(€ million)	+11
P&L 09	(€ million)	+145
IFRS category		DFV

- The Synthetic CDO portfolio consists of one remaining Super Senior Tranche. It has been unwound just before year-end 2010 (settlement in the first days of January 2011), thus the exposure is shown in this report for the last time.
- The exit from this transaction has mitigated downside risk and realized positive P / L.

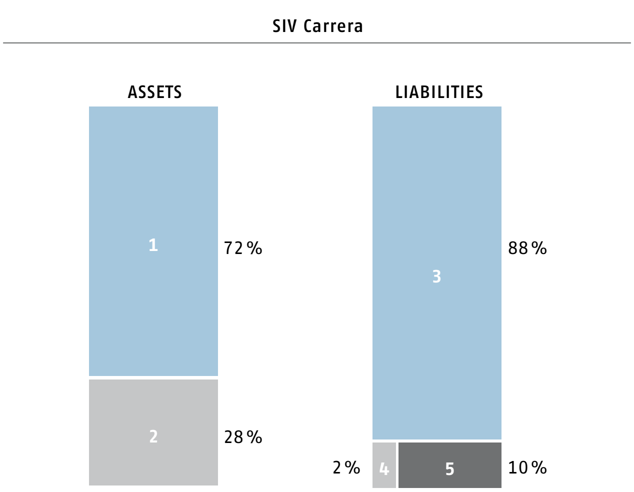
2.2 SIV CARRERA

SIV (as of 31 December 2010)

Exposure		
Capital Notes	(€ billion)	0.02
Senior Facility	(€ billion)	0.83
IFRS category		LAR

- In 2010 Carrera's portfolio size has been substantially reduced from EUR 2.54 billion at year-end 2009 (fully consolidated until 30th September 2010) to EUR 0.95 billion by a vertical slice transaction.
- The vehicle's asset portfolio consists of ABS (72 %) and Financial Institutions (28 %).
- The credit risk of Carrera's asset pool is concentrated in the subordinated Capital Notes. HSH Nordbank only holds a minority interest in these notes (17 % of all Notes).
- The senior liabilities are fully provided by HSH Nordbank. The credit risk in these facilities is low because of the efficient first-loss protection provided by the subordinated Capital Notes.

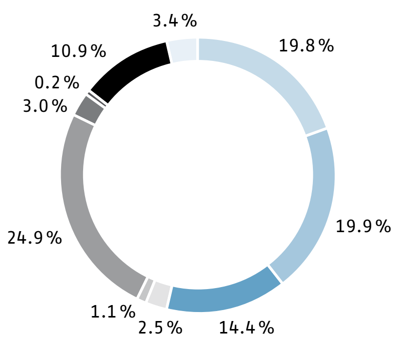
Carrera's balance sheet



	1	ABS
	2	Financial Institutions
	3	Repos & Liq. Loans
	4	Capital Notes (HSH Nordbank)
	5	Capital Notes (3rd Parties)

2.3 OTHER ABS

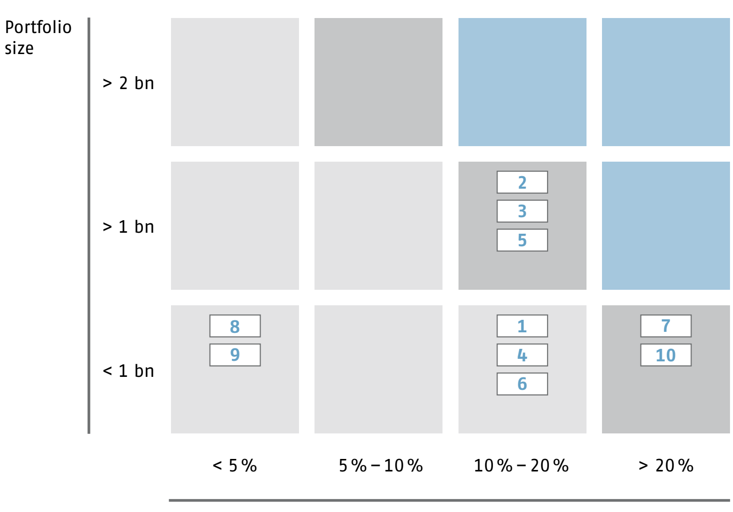
Distribution by region and asset class (as of 31 December 2010)



19.8 %	EUR 1.1 billion Student Loans ABS
19.9 %	EUR 1.12 billion US CLO / CBO & TruPS
14.4 %	EUR 0.81 billion CMBS
2.5 %	EUR 0.14 billion Commercial Real Estate CDO
1.1 %	EUR 0.06 billion Emerging Markets ABS
24.9 %	EUR 1.40 billion EU High Yield CLO / CDO
3 %	EUR 0.17 billion EU SME CLO
0.2 %	EUR 0.01 billion Non-US Consumer ABS
10.9 %	EUR 0.61 billion Non-US RMBS
3.4 %	EUR 0.19 billion Others

Total	(€ billion)	5.62
P&L 10	(€ million)	+59
P&L 09	(€ million)	–4

as of 31 December 2010 (life-to-date)



	Latent critical
	Critical
1	Non-US RMBS
2	EU High Yield CLO / CDO
3	Student Loan ABS
4	CMBS
5	US CLO, CBO & TruPS CDO
6	EU SME CLO & Lease ABS
7	US Commercial Real Estate CDO
8	Emerging Markets ABS
9	Non-US Consumer ABS
10	Others

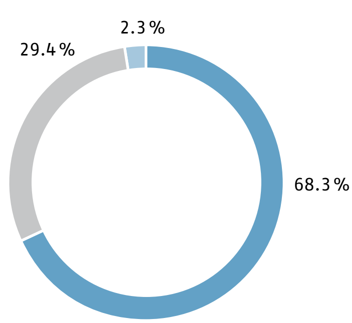
2.3a NON-US RMBS 1

Non-US RMBS (as of 31 December 2010)

Exposure	(€ billion)	0.61
IFRS category		LAR

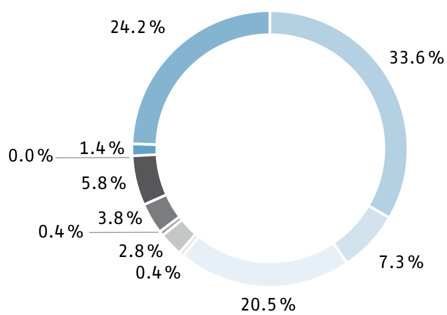
- The current portfolio consists of high quality mostly AAA rated Residential Mortgage Backed Securities ('RMBS'), concentrated mainly in the UK (61.5 %) and Spain (24.2 %).
- The Non-US RMBS portfolio has decreased further due to redemptions and selective tranche sales. 72.2 % of the current portfolio is prime with 7.3 % UK buy-to-let ('BTL') and 20.5 % UK non-conforming ('NC').
- The mark-to-market figure of the portfolio is 87.56 %.
- Downgrades to date: 17 out of 54 tranches. Most of the downgrades (11) refer to the UK Non-Conforming segment.
- UK Non-Conforming RMBS: Despite further pressure to be expected for this segment over the next year, the impact of further stress is mitigated as this sub-portfolio benefits from a high weighted average credit enhancement (33 %).
- Spanish RMBS: 9 recent senior tranches whereof 3 were downgraded. The weakest tranche is now rated AAA / A2 (S&P / Moody's).
- Outlook: The economic outlook for Spain and the UK (in total 85.7 % of this portfolio) is negative. Rising unemployment rates and / or higher interest rates would exert pressure on affordability / mortgage loan performance and on house prices.
- Extension risk due to lower prepayments (limited refinancing opportunities) and clean up calls not made. Further downgrades are expected due to S&P's counterparty criteria revision.

Distribution by Rating



68.3 %	AAA
29.4 %	Other Investment Grade (AA+ – BBB+)
2.3 %	Below Investment Grade (BB+ – D)

Distribution by mortage type & country



	33.6 %	UK Prime
	7.3 %	UK BTL
	20.5 %	UK NC
	0.4 %	Argentina Prime
	2.8 %	Australia Prime
	0.4 %	Germany Prime
	3.8 %	Ireland Prime
	5.8 %	Italy Prime
	0.0 %	Netherlands Prime
	1.4 %	Portugal Prime
	24.2 %	Spain Prime

2.3b EU HIGH YIELD CLO / CDO 2

EU High Yield CLO / CDO (as of 31 December 2010)

Exposure	(€ billion)	1.40
IFRS category		LAR, DFV

- 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.
- The investment standards included collateral criteria such as ramp-up status, portfolio quality and concentration limits, structural criteria (diversion tests, haircuts), portfolio manager quality (internal scoring) and stress tests based on cash flow analysis (break-even default rates under conservative recovery assumptions).
- Significant spread tightening on CLO mezzanine and senior tranches caused by the search for yield in the broader credit market in the fourth quarter 2010. Stable outlook for senior tranches with prices expected to slightly improve in 2011.
- Rating agencies and market participants have reduced their default forecasts on the basis of new fundamental data (improving underlying performance, better economic stability and improved access to capital, etc.). The number of distressed companies has fallen as well. These were reflected in continued decrease of CCC and lower rated assets in CLO portfolios.
- In longer term portfolio might still be impacted by refinancing risk (leveraged loan “maturity wall” in 2013 –2015), particularly applicable to CCC rated or highly leveraged companies. Expiry of reinvestment period in CLOs will restrict portfolio manager’s ability to restructure / refinance problem loans. Impact on senior tranches should be very limited.
- It is expected that some senior tranches might suffer minor downgrades during 2011 due to new counterparty criteria being introduced by S&P.

2.3c STUDENT LOAN ABS 3

Student Loan ABS (as of 31 December 2010)

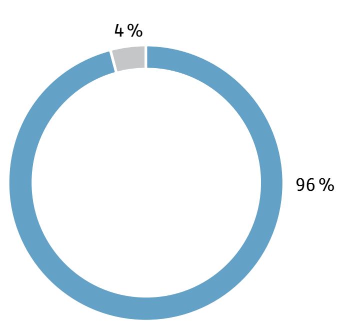
Exposure	(€ billion)	1.11
IFRS category		LAR

- The US government guaranteed nature of the FFELP (Federal Family Education Loan Program) Student Loan ABS portfolio represents a joint probability of default consisting of the performance of the under-lying portfolio as well as the servicer's ability to maintain the US Government Guaranty of at least 96 % on the student loans.
- The ratings outlook for the student loan ABS sector remains stable.
  - Interest rates are expected to remain low over the near term. FFELP losses have remained very low due to the government guarantee.
  - The basis spread between 3 month LIBOR and CP rates has returned to pre-2007 levels which is in line with historical norms after unprecedented spike which occurred during the financial crisis in late 2008 into early 2009 and which put pressure on excess spread as present in FFELP student loans transactions. As the markets have since returned to the normal trend, the risk of severe spread widening is regarded to be low, absent another financial shock.

The asset performance outlook for the FFELP student loan ABS is stable.

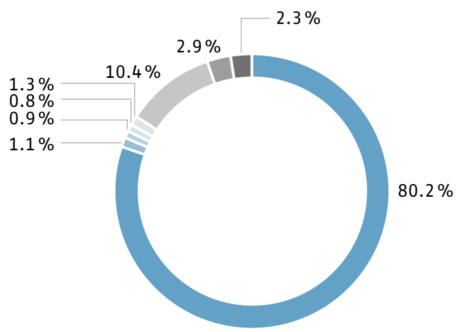
- While the economic conditions continue to put stress on some borrowers ability to repay their loans, delinquencies, deferments and forbearance have not risen substantially within most FFELP transactions in the recent months. Given the government guarantee along with the relatively stable collateral performance it is expected that these transactions will unlikely suffer principal loss.

Distribution by guarantees (government / private)



■	96 %	FFELP Guaranteed
■	4 %	Private

Rating distribution



80.2 %	AAA
1.1 %	AA+
0.9 %	AA−
0.8 %	A
1.3 %	A−
10.4 %	BBB
2.9 %	BBB−
2.3 %	BB

2.3d CMBS 4

CMBS (as of 31 December 2010)

Exposure	(€ billion)	0.81
IFRS category		LAR, AFS, DFV

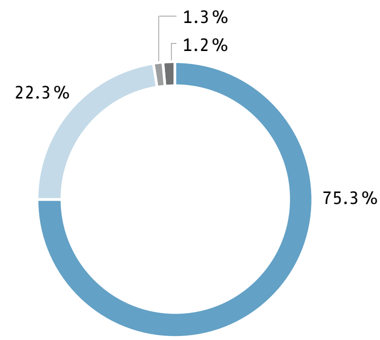
US CMBS

- The CMBS portfolio comprises mainly conduit deals backed by a diversified portfolio of different property types throughout the country.
- Fundamentals in the CRE market improve and consensus cumulative loss expectations decrease. Property prices bottom and begin to recover. Rate and magnitude of recovery depends on asset quality and location. 2011 refinancing needs are modest; maturity wall creeps closer, but is manageable.
- Our investments are in the more senior notes of the capital structures of these transactions and we believe that the structural features and credit enhancement provide adequate shield against unexpected losses.
- Mark-to-market prices in the US CMBS portfolio have increased to over par as a function of the outlook for the CMBS market as well as the high fixed rate coupons of the CMBS in the portfolio.

European & Asian CMBS

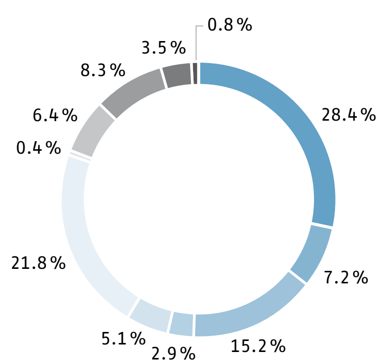
- The EMEA CMBS portfolio consists of mainly senior tranches from European and two Asian / Pacific CMBS transactions.
- The overall Non-US CMBS portfolio rental income based on highly diversified tenant base.
- Property value declines especially for secondary property quality led for many underlying loans to LTV trigger / covenant breaches which increases loan defaults and downgrades on notes as well as higher refinance risk at loan maturity.
- Refinance risk is significant as high volume of maturing loans fall upon difficult lending environment which lead to workout processes, standstill agreements and extensions in many cases.
- The outlook for the Non US CMBS sector remains negative. However, most of the Bank's EMEA CMBS investments are senior in the capital structure and benefit from high credit enhancement percentages.

Country distribution



75.3 %	Europe
22.3 %	North America
1.3 %	Pacific
1.2 %	EM Asia

Rating distribution



28.4 %	AAA
7.2 %	AA+
15.2%	AA
2.9 %	AA−
5.1 %	A+
21.8 %	A
0.4 %	A−
6.4 %	BBB+
8.3 %	BBB
3.5 %	BBB−
0.8 %	BB

2.3e US CLO, CBO & TRUPS CDO 5

5 **Product: US CLO, CBO & TruPS CDO** (as of 31 December 2010)

Exposure	(€ billion)	1.12
IFRS category		LAR

- This portfolio consists primarily of managed arbitrage cash flow CLOs with 88.8 % CLOs backed by predominantly first lien senior secured sub-investment grade corporate loans, 4.4 % 1999 – 2001 vintage short maturity CBOs backed by investment grade or high yield bonds and 6.9 % Trust Preferred CDOs backed by hybrid Trust Preferred Securities issued by small US regional banks and thrifts.
- Defensively selected portfolio with a focus e. g. to avoid large structured finance buckets within CLOs. In terms of ranking 76.0 % are first priority most senior tranches, 10.1 % are 2nd priority "Junior AAA" tranches, 11.1 % are originally AA tranches and 2.8 % are mezzanine tranches originally rated A / BBB.
- In the fourth quarter EUR 25.7 million of 4 mezzanine CBO and CLOs have been sold, with EUR 31.7 million of originally rated A or BBB tranches remaining in 5 mezzanine CBOs and 1 CLO.
- Both Moody's and S&P continued upgrading CLO tranches and S&P placed another 10 CLOs under review for upgrade in Q4.
- The Moody's lagging 12 months US speculative grade issuer corporate default rate declined to 3.3 % in 2010, down from 14.1 % in 2009. Moody's forecasts the US 12 months HY issuer default rate to decline to 2.1 % by end of 2011 in a base case scenario.

2.3f EU SME CLO 6

6 **Product: EU SME CLO** (as of 31 December 2010)

Exposure	(€ billion)	0.17
IFRS category		LAR

- Diversified portfolio of European small- and mid-sized enterprise CLOs, a few other European CDOs and some other Lease ABS.
- Transactions securitising granular portfolios, well diversified over European countries and industries. Several seasoned deals in this portfolio continue to de-lever.
- Data on the different underlying collateral portfolios show some stabilisation.

2.3g REMAINING ABS 7 8 9

7 US COMMERCIAL REAL ESTATE CDO (as of 31 Dec. 2010)

- Only 19 % of the CRE CDOs are backed by riskier collateral originated in weaker vintages (2004 to 2006). 56 % of the CRE CDOs are 2001 through 2003 vintages which are performing relatively well. The remainder of the CRE CDOs are backed by AAA CMBS tranches which are stable.
- Due to recent changes in rating methodology along with continued decline in the commercial real estate market several of the deals have recently been downgraded. The agencies have adjusted their models to assume higher default rates, loss rates, and correlations. Nonetheless, most of the portfolio is backed by less risky collateral and has significant levels of credit support.

Exposure	(€ billion)	0.14
IFRS category		LAR, DFV

8 EMERGING MARKETS ABS (as of 31 Dec. 2010)

- Global economic downturn has left marks on the EM ABS portfolio. The weighted average rating of the portfolio is BBB+ based on S&P ratings. Most of our EM Diversified Payment Rights ABS are downgraded to their underlying collateral rating as a consequence of the severe crisis within the monoline insurer industry starting in 2009.
- Nevertheless the EM ABS portfolio shows a stable performance. With respect to the DPR ABS all debt service coverage ratios (DSCR) are in compliance as collections prove quite resilient to economic slow down.
- The major part of this portfolio (~86 %) are Turkish Diversified Payment Rights ABS.

Exposure	(€ billion)	0.06
IFRS category		LAR

9 NON-US CONSUMER ABS (as of 31 Dec. 2010)

- Only one Italian consumer deal is left in this bucket. Traditionally Italian consumers can be characterized by a low indebtedness and high saving rates.
- Performance is in line with expectations.
- Top rating (AAA).

Exposure	(€ billion)	0.01
IFRS category		LAR

2.4 SINGLE NAMES

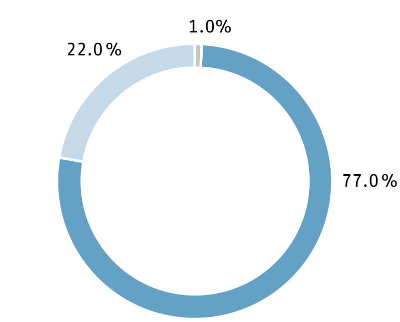
Single Names (as of 31 December 2010)

Exposure	(€ billion)	3.93
P&L 10	(€ million)	–96
P&L 09	(€ million)	+136
IFRS category		DFV, AFS, LAR, HFT

- The Single Names portfolio has been reduced in Q4 2010 through active sales of EUR 347 m and redemptions of about EUR 255 million.
- Market development within Q4:
  In the period from late August to the beginning of December two themes dominated global financial markets. Through the early part of the period, the perceived slow pace of economic recovery in the major advanced economies helped intensify investor expectations that Central Banks would introduce further accommodative

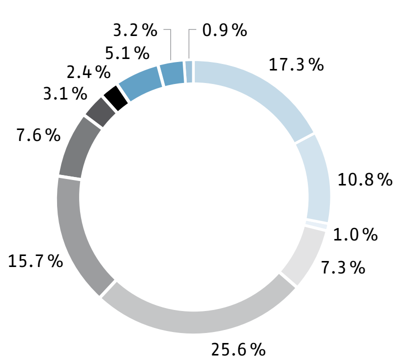
measures. Since early November, attention has shifted to the Euro area, with market participants becoming increasingly concerned about exposures to Ireland and other economies. Once again, credit-spreads increased significantly on gov. bonds issued by affected countries. This time concerns were driven by two factors: the deteriorating fiscal situation in Ireland that stemmed from continued government support for troubled banks; and consideration of EU treaty changes that would make it possible to impose losses on holders of bonds issued by governments in financial distress. Even as an EU support package for Ireland was agreed in late November, the stress persisted, with attention turning first to Portugal and Spain and later to Belgium and Italy. However, the situation stabilized in December in anticipation of possible ECB support.

Distribution by sector



	77.0%	Financials
	22.0%	Public Finance
	1.0%	Corporates

Rating distribution



	17.3%	AAA
	10.8%	AA+
	1.0%	AA
	7.3%	AA–
	25.6%	A+
	15.7%	A
	7.6%	A–
	3.1%	BBB+
	2.4%	BBB
	5.1%	BBB–
	3.2%	BB+ and below
	0.9%	NR

2.5 HEDGE FUNDS / OTHER FUNDS

Hedge Funds / Other Funds (as of 31 December 2010)

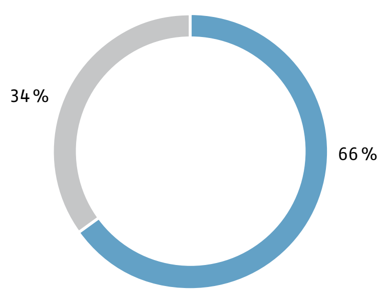
Exposure	(€ billion)	0.02
P&L 10	(€ million)	+3
P&L 09	(€ million)	−28
IFRS category		AFS

Hedge Funds

– The net exposure to this asset category has been reduced significantly in Q4 2010 because of a cash distribution to HSH leaving only a small remaining exposure in this asset class.

2.6 SUBPRIME-RELATED EXPOSURE

as of 31 December 2010



■	66 %	Home Equity Loans RMBS
■	34 %	CDO of ABS, CDO of CDO

as of 31 December 2010		COA / COC	HEL	Total
Total exposure	(€ billion)	0.51	0.98	1.49
P&L 10	(€ million)	−26	+3	−23
P&L 09	(€ million)	−7	−107	−114
IFRS category		LAR, DFV	LAR	LAR, DFV

1 RMBS OF HEL

RMBS of HEL (as of 31 December 2010)

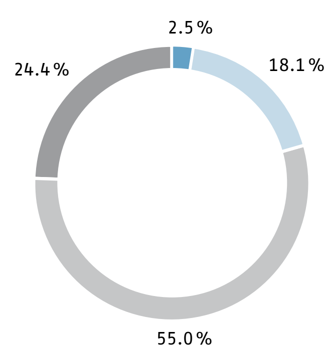
Exposure	(€ billion)	0.98
P&L 10	(€ million)	+3
P&L 09	(€ million)	−107
IFRS category		LAR

– The US RMBS portfolio consists primarily of subprime securities as well as a few HELOC (Home Equity Line of Credit), Option-Arm and Prime Jumbo RMBS assets. The US housing market remains in a depressed condition, but the housing market appears to be slowly stabilizing.

These securitizations were designed to withstand very moderate low single digit cumulative losses per historical norms. However, the severe decline in housing and poor economic climate experienced over the last few years led to persistently high delinquencies and foreclosures which have resulted in significant losses within the transactions. These unprecedented defaults have had a predominant effect within RMBS securitizations issued between 2005 and 2007. The mezzanine classes in many transactions, particularly 2006 and 2007 vintage are expected to continue to experience losses as defaulted loans are liquidated, but the performance of the remaining loans in these transactions have shown signs of stabilizing.

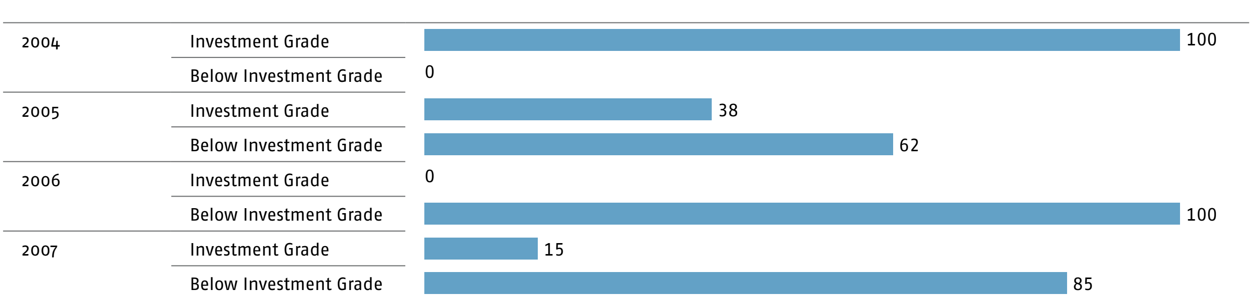
- The US mortgage market has shown some moderate signs of stabilizing after several quarters of decline. While the HSH portfolio delinquency growth rates have been leveling off for most of the portfolio, losses continue to grow, particularly in the 2006 and 2007 transactions due to large pipelines of non-performing loans and declining home values.
- Prepayment rates in the mortgage market remain very low due to the shutdown in the subprime origination channel, tougher lending standards, and limited market liquidity.
- Security prices have risen in recent months but still remain at relatively low levels compared to intrinsic values.
- Ratings downgrade risk remains. Almost the entire outstanding subprime issuance for 2006 and 2007 as well as a significant portion of 2005 has been and remains under further downgrade pressure as the securitizations liquidate defaulted loans into a weak housing market.

Distribution of Notional by vintage

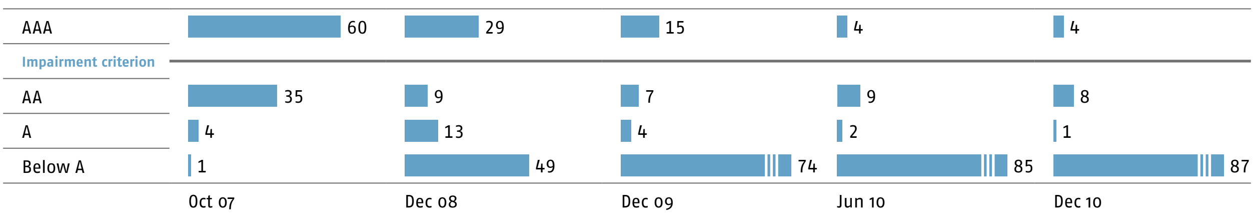


2.5 %	2004 Vintage
18.1 %	2005 Vintage
55.0 %	2006 Vintage
24.4 %	2007 Vintage

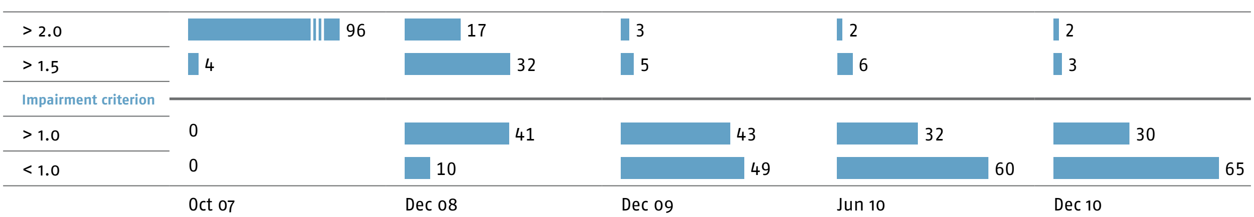
Rating distribution by vintage (in %)



1 **RMBS HEL rating migration** (in %)



RMBS HEL loss coverage migration (in %)



II. SUMMARY OF MONOLINE EXPOSURE

1. EXPOSURE TO MONOLINES

Indirect monoline exposure (€ million)	31 Dec 2010	30 Sep 2010
CIP[1] wrapped ABS	319.2	345.0
CIP wrapped Single Names	71.7	70.2
Global Markets London Single Names	71.6	66.8
Total	**462.5**	**482.0**
Synthetic CDO[2]	2.5	2.5
Grand Total	**465.0**	**484.5**

[1] CIP: Credit Investment Portfolio
[2] Exposure in terms of "Instantaneous Default Loss" (IDL) as of end of December 2010. This is an estimated mark-to-market loss of the synthetic CDO in the event of an immediate default of a relevant reference entity (Monoliner). The regarding synthetic CDO has been sold shortly after year end.

- No direct monoline exposure
- The increase in Global Markets London Single Names portfolio results from currency movements (AUS$).
- The total p/l effect of this portfolio amounts to EUR −61.5 million life-to-date, consisting of impairments of EUR −17,9 million and valuation losses on trading positions of EUR −43.6 million.

III. FORMER FINANCIAL INSTITUTIONS GROUP (FIG)

1. FORMER FIG

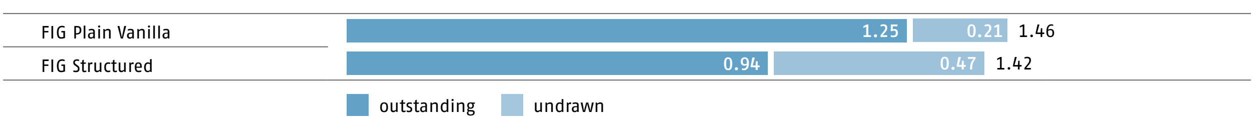
Former FIG (as of 31 December 2010)

Exposure	(€ billion)	2.89
Outstanding	(€ billion)	2.20
Undrawn	(€ billion)	0.69
P&L effect 2010	(€ million)	+15
IFRS category		predominantly LAR

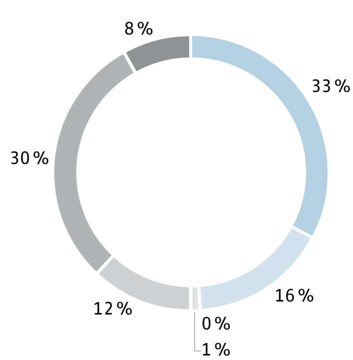
– This portfolio comprises Financial Institutions loan assets that have been allocated to the Restructuring Unit. It consists of a plain vanilla loan book to financial institutions (amounting to EUR 1.47 billion) as well as loans which are structured or have structured elements (amounting to EUR 1.42 billion).

– In the fourth quarter 2010 the portfolio has been reduced by EUR 0.14 billion (asset sales, redemptions and F/X effects).

Total Exposure (€ billion)



Product Distribution of FIG – Outstanding and Undrawn (as of 31 December 2010)



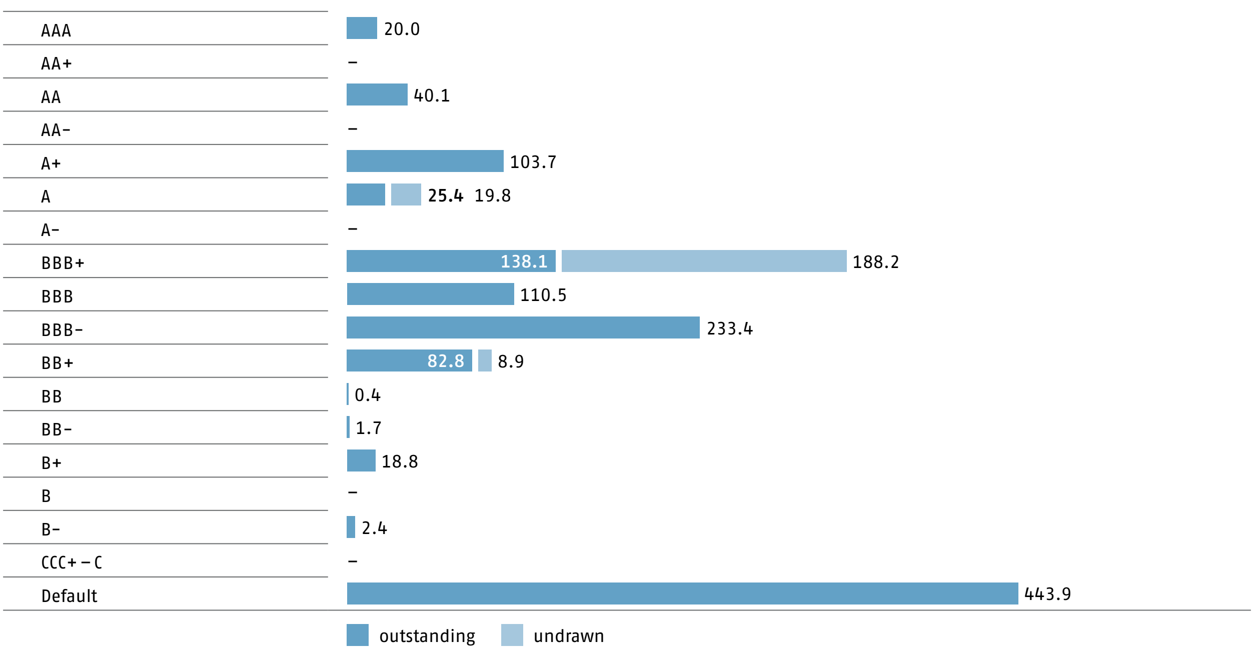
33 %	Structured Loans (outstanding)
16 %	Structured Loans (undrawn)
0 %	Bond Emerging Markets (outstanding)
1 %	Bond Financials (outstanding)
12 %	Loan Emerging Markets (outstanding)
30%	Loan Financials (outstanding)
8 %	Loan Financials (undrawn)

2. FIG PORTFOLIO DETAILS

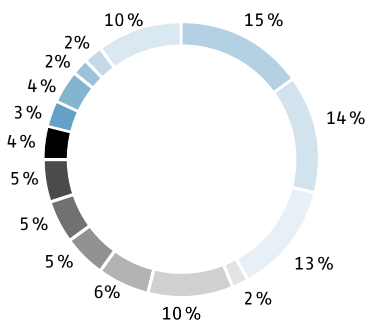
FIG Plain Vanilla (as of 31 December 2010)

Exposure	(€ billion)	1.47
Outstanding	(€ billion)	1.25
Undrawn	(€ billion)	0.22
P&L effect 2010	(€ million)	+7
IFRS category		predominantly LAR

Distribution by S&P rating equivalents for FIG Plain Vanilla – Outstanding and Undrawn (€ million)



Regional distribution of FIG Plain Vanilla – Outstanding and Undrawn (in %)

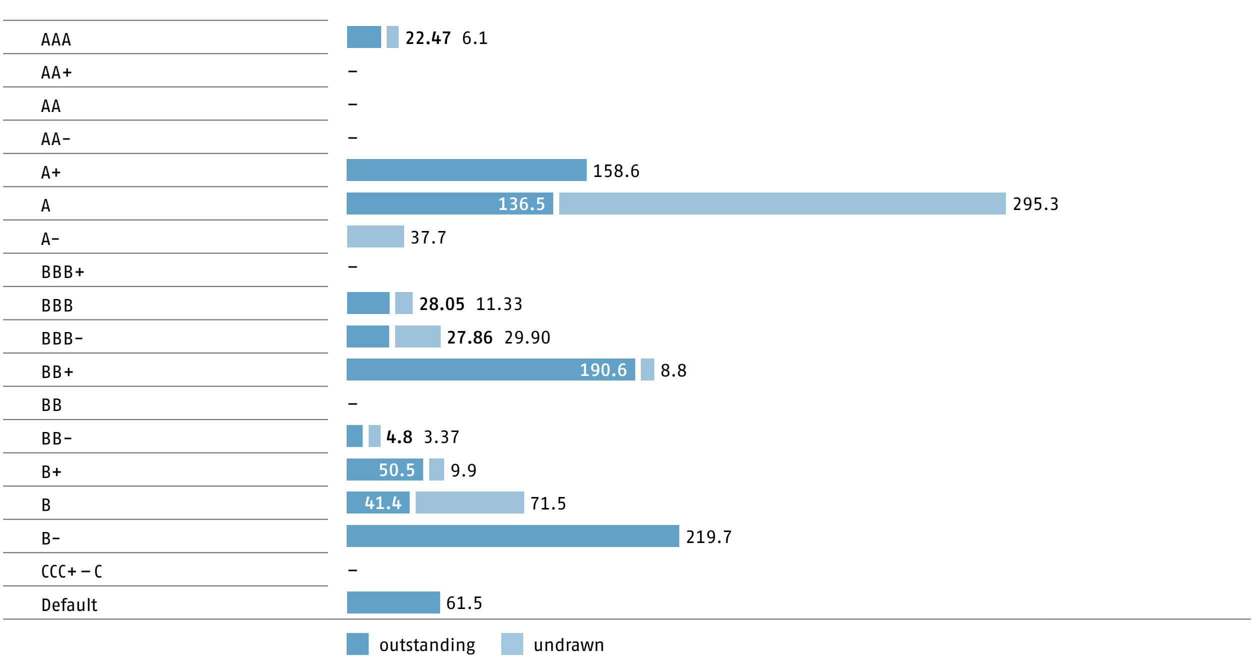


15 %	Iceland
14 %	Denmark
13 %	USA (undrawn)
2 %	USA (outstanding)
10 %	United Arab Emirates
6 %	Germany
5 %	Italy
5 %	Kuwait
5 %	France
4 %	Switzerland (outstanding)
3 %	Switzerland (undrawn)
4 %	Bahrain
2 %	South Africa
2 %	Portugal
10 %	Others

FIG Structured (as of 31 December 2010)

Exposure	(€ billion)	1.42
Outstanding	(€ billion)	0.94
Undrawn	(€ billion)	0.47
P&L effect 2010	(€ million)	+8
IFRS category		predominantly LAR

Distribution by S&P rating equivalents for FIG Structured – Outstanding and Undrawn (€ million)



IV. FORMER CREDIT TRADING

1. CREDIT TRADING

Credit Trading (as of 31 December 2010)

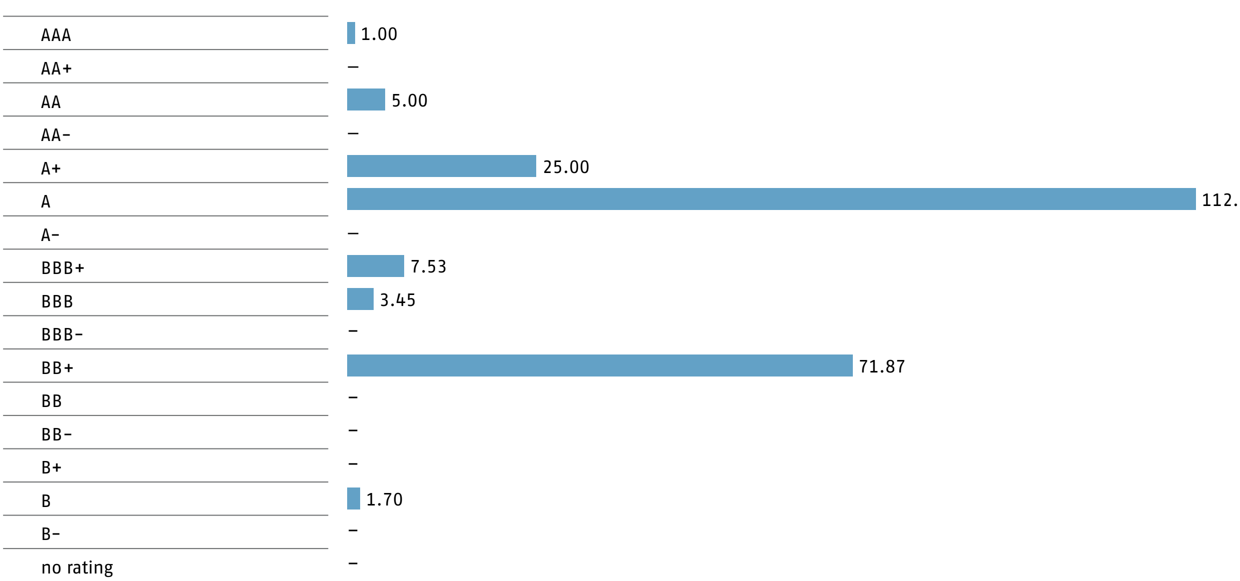
Exposure		
Bonds	(€ billion)	0.23
CDS net	(€ billion)	-0.07
IFRS category		LAR / HFT

The long / short CDS portfolio of the former Credit Trading Book has been reduced significantly. In December 2010 the iTraxx-CDS-Portfolio and most of the Single Name-CDS-Portfolio were sold.

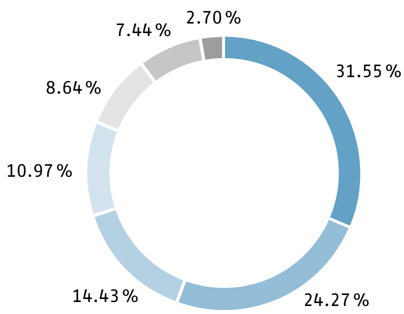
The remaining credit training portfolio consists of:

- a 228 EUR million outright bond portfolio (97.7 % Financials; 62.9 % rated A– or better) and
- a downsized long / short Single Name CDS portfolio. Long and short positions are fairly equal in size, most names neutralize each other. Overall, the Bank was:
  - EUR 269.7m CDS short (HSH Nordbank as protection buyer);
  - EUR 269.1 m CDS long (HSH Nordbank as protection seller).
- In January 2011 most of these remaining CDS positions (short: 221.7 million EUR; long: 221.8 million EUR) were sold. As a consequence, the leftover in the bucket is small

Distribution of notional by financial ratings for bonds (€ million)



Regional distribution of bonds (in %)



	31.55 %	Australia
	24.27 %	UK
	14.43 %	USA
	10.97 %	Canada
	8.64 %	Netherlands
	7.44 %	Ireland
	2.70 %	Germany

V. LEVERAGED FINANCE (LBO)

1. LEVERAGED FINANCE OF GLOBAL HEAD CORPORATES

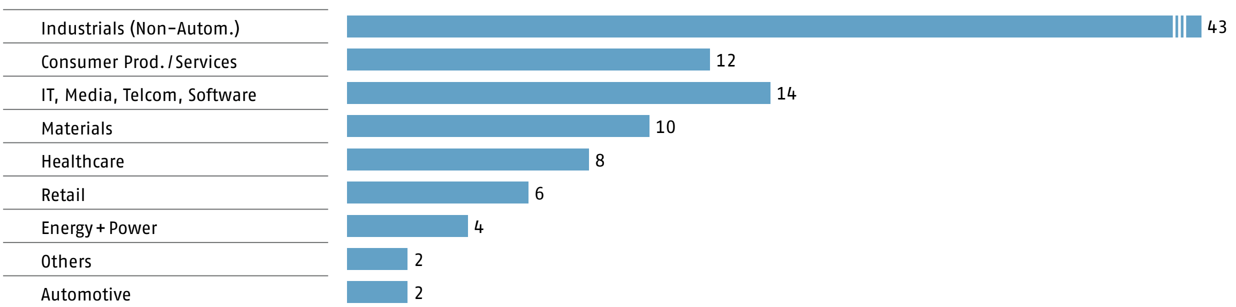
– As of December 31st, 2010 funded exposure was at EUR 3.7 bn, unfunded exposure at EUR 0.6 billion. [1)]

Change in exposure from 30 September 2010 (€ billion)

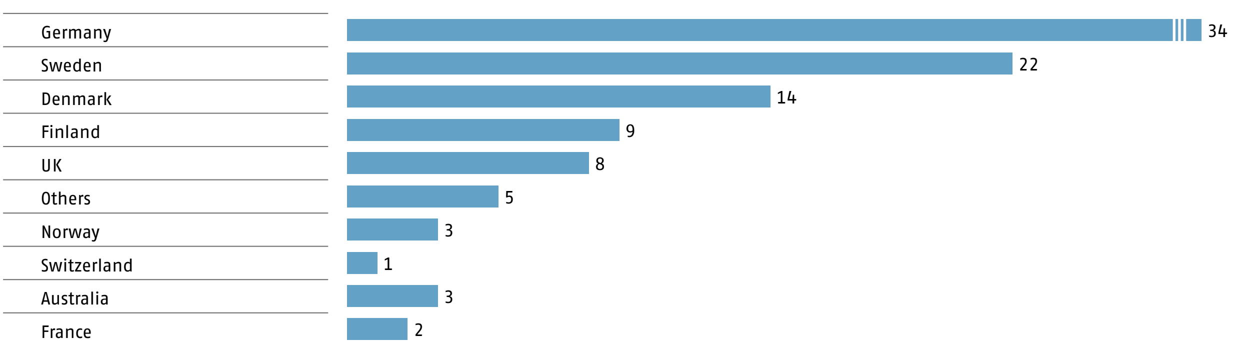
Exposure as of 30 September 2010	5.0
Net Change of Outstanding	–0.6
Writedowns	0
Exposure as of 31 December 2010	4.4
Risk provision as of 31 December 2010	0.4

1) Due to roundings the numbers do not add up to 4.4 billion

Distribution by Industry (in %)



Distribution by Regions (in %)



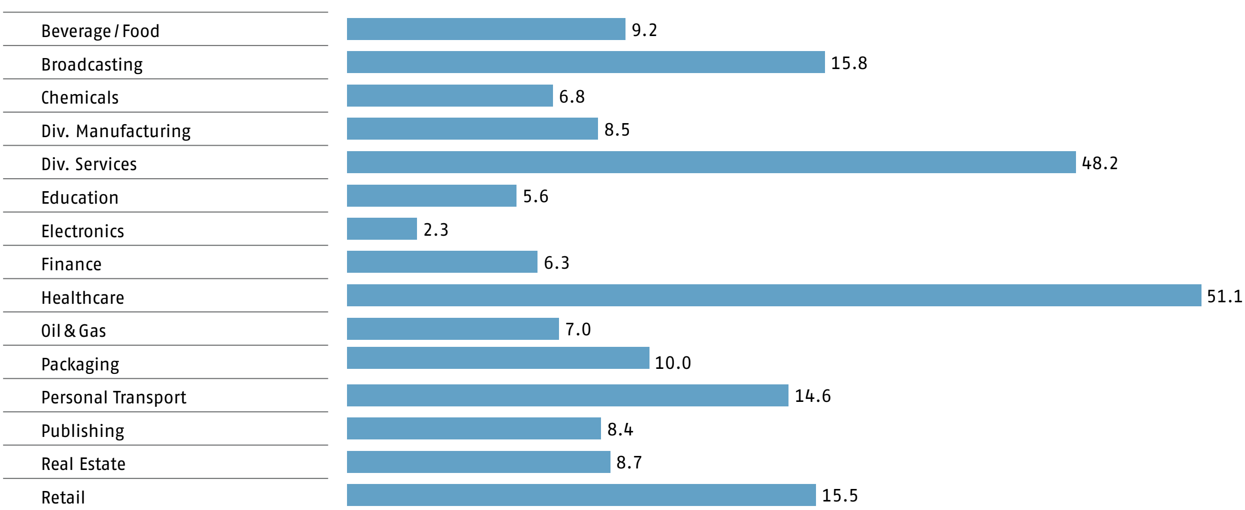
2. LBOs (PART OF CREDIT INVESTMENT PORTFOLIO HIGHLIGHTED BEFORE)

Change in exposure from 30 September 2010 (USD million)

Exposure as of 30 September 2010	250
Net Change of Outstanding	−32
Writedowns	0
Exposure as of 31 December 2010	218
Risk provision as of 31 December 2010	0

- Part of Credit Investment Portfolio (contained in NY HY Loan Portfolio)
- As of 31 December 2010 the total exposure included USD 13.7 million undrawn Revolving Credit Facilities.

Distribution by Industry (term loans in USD million)



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