FSB

Financial Stability Board Report

as of 30 September 2010

HSH NORDBANK

CONTENTS

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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 Interim Report as of 30 September 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.

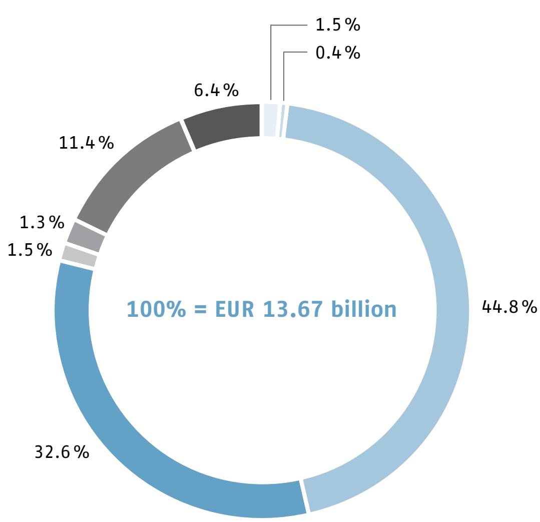
I. CREDIT INVESTMENT PORTFOLIO

1. Portfolio overview

1.1 BREAKDOWN OF CREDIT INVESTMENT PORTFOLIO (CIP)

- The CIP is a broadly diversified portfolio.
- 24.9 % of the whole portfolio is AAA rated and still 82.3 % is investment grade.
- The Bank continues to actively reduce the Credit Investment Portfolio. Assets with an outstanding of EUR 2.26 billion were sold since year end 2009. Furthermore, maturities and full or partial redemptions amounted to EUR 1.79 billion since year end 2009. On the other hand, the portfolio volume in EURO equivalent increased by EUR 0.71 billion due to FX effects.
- The deconsolidation of the SPV Carrera resulted in a reduction of EUR 0.97 billion, mainly in “other ABS”, while the Bank’s risk positions in Carrera of EUR 0.88 billion (Capital Notes and senior facilities) are now shown in the SIV bucket. Further details see page 8.
- Taken together, the CIP notional decreased by EUR 3.43 billion since year end 2009. [1)]

Breakdown of credit investment portfolio by asset class (Notional as of 30 September 2010)

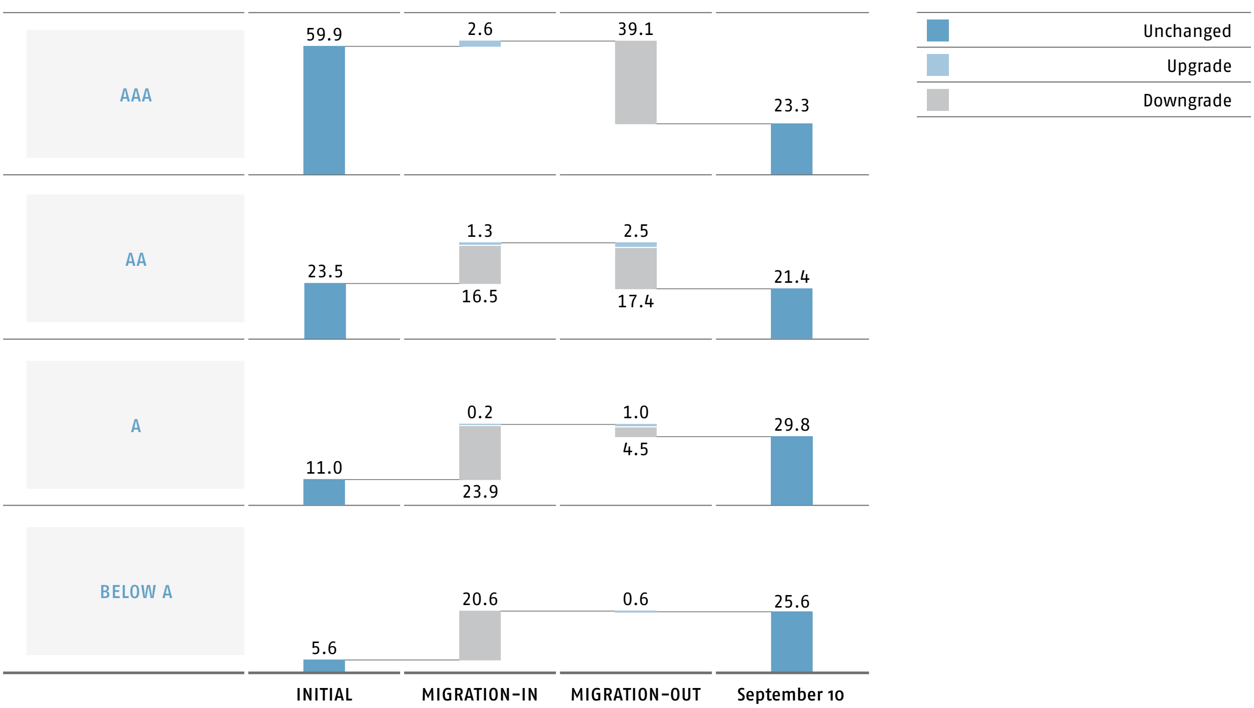


1.5 %	EUR 0.20 billion Synth. CDO
0.4 %	EUR 0.05 billion Special Fund
44.8 %	EUR 6.12 billion Other ABS
32.6 %	EUR 4.48 billion Single Names
1.5 %	EUR 0.20 billion Hedge Funds / Other Funds
1.3 %	EUR 0.17 billion High Yield Loans / Convertibles
11.4 %	Subprime EUR 1.57 billion thereof RMBS HEL: EUR 1.03 billion thereof COA / COC: EUR 0.54 billion
6.4 %	SIV EUR 0.88 billion thereof Capital Notes: EUR 0.02 billion thereof Senior Facilities: EUR 0.86 billion

1) Comparison vs year-end is including all Carrera assets prior to deconsolidation of the vehicle.

1.2 RATING MIGRATION

Rating distribution and development of actual portfolio (in %)



1.3 ANNUAL RESULT 2009 AND RESULT Q1–Q3 / 2010

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

Please note that – compared to FSB Reports produced until Q3 / 2009 – we have changed the sign convention for this table: Gains are now 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.

4) The HSH-sponsored Structured Investment Vehicle Carrera has been deconsolidated in August 2010. Consequently, from now on the remaining Capital Note (EUR 19 million) and the senior facilities (EUR 858 million) consisting of repos and liquidity lines are reported within the asset class "SIV". For details please see page 8 of this report.

Additional result Q1–Q3 / 2010 (€ million)

	Asset class	IFRS category	Exposure 31 Dec. 2009 (€ billion)	Exposure 30 Sep. 2010 (€ billion)	Additional result Q1–Q3 / 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	+2	+2	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	0.88	0	0	0	0
2.3	Other ABS	Mainly LAR	7.77	6.12	+325	+54	+1	+269
2.4	Single Names	DFV, AFS, LAR, HFT	6.68	4.48	-125	-115	-21	+11
2.5	Hedge Funds / Other Funds	AFS	0.20	0.20	+1	+1	0	0
	Others (Convertibles, NY HY Loan Portfolio)	AFS, LAR	0.24	0.17	+4	0	0	+4
	SUM		**15.33**	**12.10**	**+206**	**-59**	**-19**	**+285**
2.6	RMBS HEL	LAR	1.13	1.03	+33	+33 [3]	0	0
	CDO of ABS, CDO of CDO [2]	DFV, LAR	0.64	0.54	-27	-27	0	0
	Subprime Portfolio		**1.77**	**1.57**	**+6**	**+6**	**0**	**0**
	TOTAL SUM		**17.10**	**13.67**	**+212**	**-53**	**-19**	**+285**

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 stated P&L by about EUR 29 million.
4) The HSH-sponsored Structured Investment Vehicle Carrera has been deconsolidated in August 2010. Consequently, from now on the remaining Capital Note (EUR 19 million) and the senior facilities (EUR 858 million) consisting of repos and liquidity lines are reported within the asset class "SIV". For details please see page 8 of this report.

2. Portfolio details

2.1 SYNTHETIC CDOs

Synthetic CDOs (as of 30 September 2010)

Exposure	(€ billion)	0.20
P&L 10	(€ million)	+2
P&L 09	(€ million)	+145
IFRS category		DFV

- The Synthetic CDO portfolio consists of one remaining position, a so-called Leveraged Super Senior Tranche that matures in September 2012.
- This position has suffered 6 defaults since inception (Fannie Mae, Freddie Mac, Lehman Brothers, Washington Mutual Inc, Thomson and CIT Group Inc).
- 78 % of the underlying reference obligations are investment-grade rated.
- Despite the defaults in the underlying portfolio the tranche benefits of a comfortable subordination which has improved from 6.87 % to 7.67 % in September 2010.

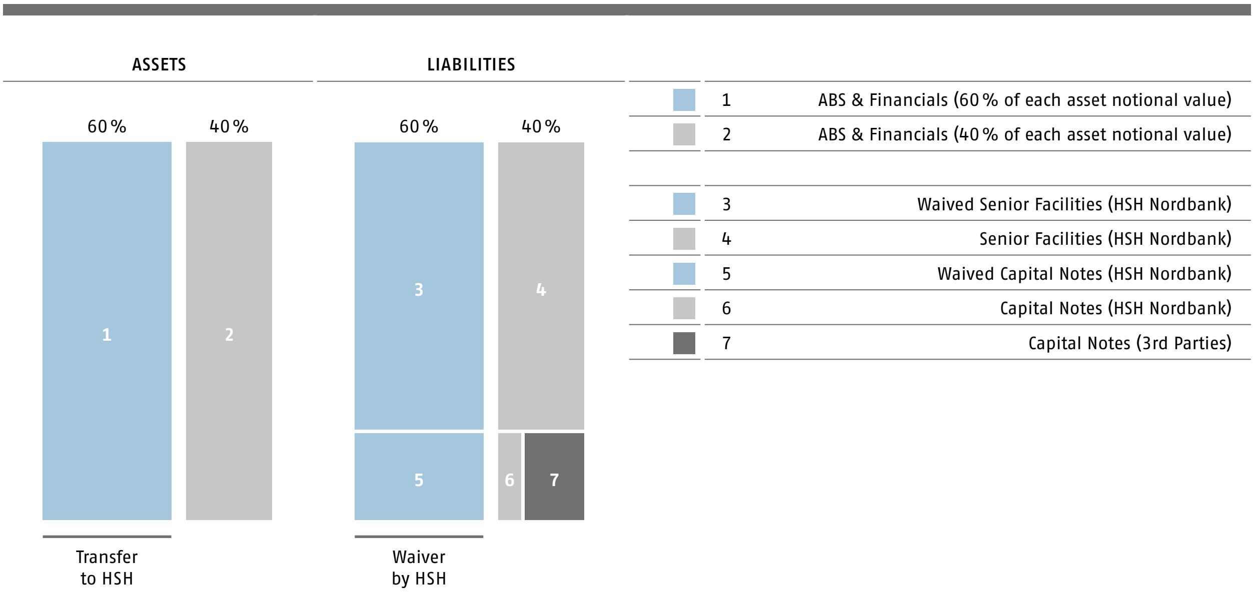
2.2 SIV

SIV (as of 30 September 2010)

Exposure		
Capital Notes	(€ billion)	0.02
Senior Facility	(€ billion)	0.86
IFRS category		LAR

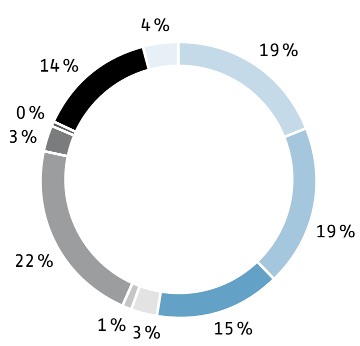
- In August 2010 Carrera and HSH Nordbank entered into a "Vertical Slice" agreement allowing Carrera to sell 60 % of its assets to HSH Nordbank in return for a waiver of 60 % the outstanding senior liabilities and Capital Notes of the vehicle (as held by HSH Nordbank).
- Consequently, Carrera's portfolio size has been substantially reduced from EUR 2,590 million to remaining EUR 970 million leaving HSH Nordbank with only 17 % of outstanding Carrera's Capital Notes.
- The credit risk of Carrera's asset pool is concentrated in the subordinated Capital Notes. So far, the bank held 67 % of these notes and consequently had to fully consolidate the vehicle. For this reason all of Carrera's portfolio assets have been reported within the respective asset classes in previous issues of this report, disregarding the risk mitigating effects from third party investors holding a portion of the Equity Notes.
- Given that following the vertical slice HSH Nordbank only holds a minority interest in the Carrera Capital Notes the vehicle has been subject to deconsolidation. Accordingly, starting with this report, Carrera's portfolio composition will not be reported anymore but the amounts of HSH Nordbank's exposure to the vehicle (EUR 19 million Capital Notes and EUR 858 million Senior Facilities).
- The Capital Notes are subordinated to senior liabilities and as such provide efficient first-loss credit protection to them.

Illustration of Vertical Slice



2.3 OTHER ABS

Distribution by region and asset class (as of 30 September 2010)

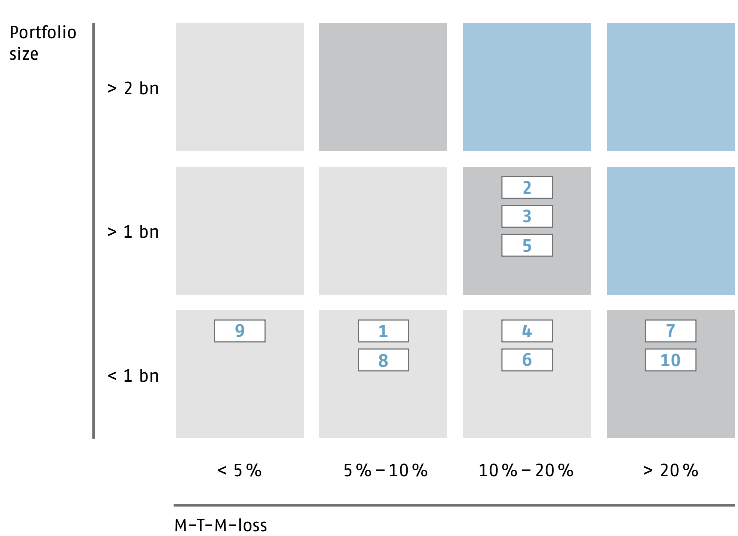


19 %	EUR 1.16 billion Student Loan ABS
19 %	EUR 1.14 billion US CLO / CBO & TruPS
15 %	EUR 0.90 billion CMBS
3 %	EUR 0.18 billion Commercial Real Estate CDO
1 %	EUR 0.06 billion Emerging Markets ABS
22 %	EUR 1.42 billion EU High Yield CLO / CDO
3 %	EUR 0.18 billion EU SME CLO
0 %	EUR 0.01 billion Non-US Consumer ABS
14 %	EUR 0.84 billion Non-US RMBS
4 %	EUR 0.23 billion Others

Total	(€ billion)	6.12 *
P & L 10	(€ million)	+54
P & L 09	(€ million)	−4

* Compared with the last report the portfolio size "Other ABS" has been reduced by EUR 0.64 billion because of the slice into the SIV Carrera (see page 8)

as of 30 September 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

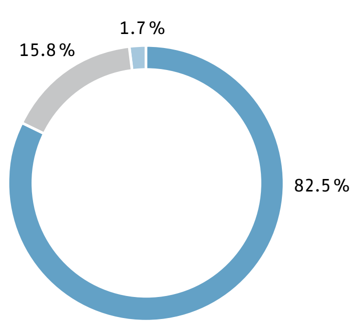
2.3a NON-US RMBS 1

Non-US RMBS (as of 30 September 2010)

Exposure	(€ billion)	0.84
IFRS category		LAR

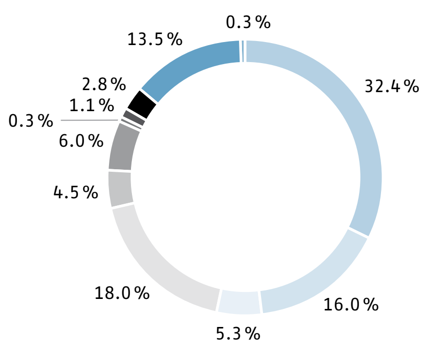
- The current portfolio is diversified of high quality mostly AAA rated Residential Mortgage Backed Securities (RMBS), concentrated mainly in the UK (53.7 %), Spain (18.0 %) and Australia (13.5 %).
- The Non-US RMBS portfolio has decreased further due to redemptions and selective tranche sales.
- Most of the current portfolio (78.8 %) is prime with 5.3 % UK buy-to-let (BTL) and 16.0 % UK non-conforming (NC).
- Downgrades to date: 12 out of 82 tranches.
- Extension risk due to lower prepayments and clean up calls not made. Main reasons for lower prepayment rates are limited refinancing opportunities for borrowers / less attractive sales opportunities, especially in Spain and the UK non-conforming sector.
- The m-t-m figure of the portfolio has slightly recovered to 90.2 %.
- Outlook: The future economic development is still unclear. A potential further rise of unemployment rates and / or higher interest rates would exert pressure on mortgage loan performance and on house prices. This might negatively impact existing RMBS pools.

Distribution by Rating



82.5 %	AAA
15.8 %	Other Investment Grade (AA+ – BBB+)
1.7 %	Below Investment Grade (BB+ – D)

Distribution by mortage type & country



32.4 %	UK Prime
16.0 %	UK NC
5.3 %	UK BTL
18.0 %	Spain Prime
4.5 %	Italy Prime
6.0 %	Netherlands Prime
0.3 %	Germany Prime
1.1 %	Portugal Prime
2.8 %	Ireland Prime
13.5 %	Australia Prime
0.3 %	Argentina Prime

2.3b EU HIGH YIELD CLO / CDO 2

EU High Yield CLO / CDO (as of 30 September 2010)

Exposure	(€ billion)	1.42
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 eligibility (internal scoring) and stress tests based on cash flow analysis (break-even default rates under conservative recovery assumptions).
- Leveraged loan pricing in the third quarter of 2010 improved slightly on the back of worldwide economic recovery and strong price appreciation for the US leverage loan market. The technical bid remained strong driven by continued prepayments and low level of primary activity in Europe. Secondary market spreads continue to compress towards current new issuance levels.
- The default rates carry on reducing since the peak in mid 2009. Rating agencies and market participants have reduced their default forecasts on the basis of new fundamental information (improving underlying performance, better economic stability and improved access to capital, etc.). The number of distressed companies has fallen as well.
- Where possible and unconstrained, CDO managers tend to have increased the exposure to senior secured loans, as the limited investable cash could be invested in senior loans at wider spreads, thus benefiting the CDO arbitrage.
- The situation in the collateral portfolios has generally improved although some deals still face a high concentration of CCC or lower rated loans.

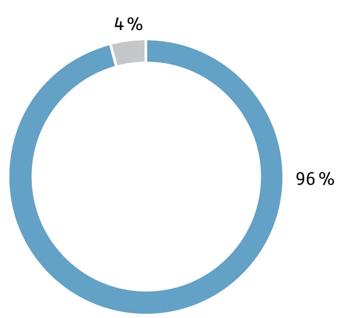
2.3c STUDENT LOAN ABS 3

Student Loan ABS (as of 30 September 2010)

Exposure	(€ billion)	1.16
IFRS category		LAR

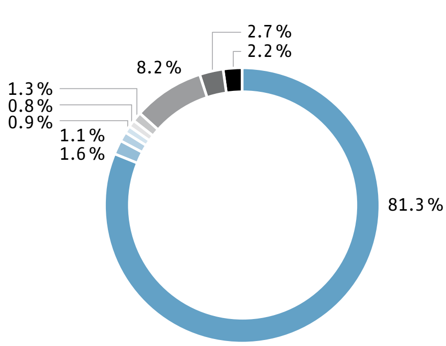
- The US government guaranteed nature of the FFELP Student Loan ABS portfolio represents a joint probability of default consisting of the performance of the underlying portfolio as well as the servicer's ability to maintain the US Government Guaranty of at least 96 % on the student loans.
- Only transactions serviced by exceptional performers as designated by the US Dept. of Education qualified for investment under HSH Nordbank's student loan ABS criteria.
- The mark-to-market of the reduced Student Loan portfolio has slightly decreased compared to the previous quarter, lowering the m-t-m figure just beneath 90%.

Distribution by guarantees (government / private)



96 %	FFELP Guaranteed
4 %	Private

Rating distribution



81.3 %	AAA
1.6 %	AA+
1.1 %	AA
0.9 %	AA−
0.8 %	A
1.3 %	A−
8.2 %	BBB
2.7 %	BBB−
2.2 %	BB

2.3d CMBS 4

CMBS (as of 30 September 2010)

Exposure	(€ billion)	0.90
IFRS category		LAR, AFS, DFV

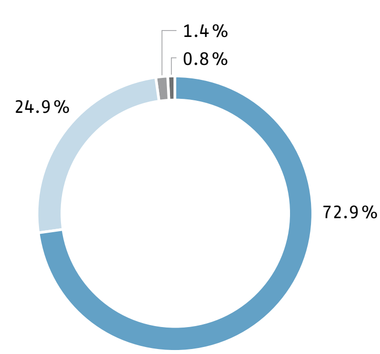
US CMBS

- The CMBS portfolio comprises mainly conduit deals backed by a diversified portfolio of different property types throughout the country.
- Fundamentals for US commercial real estate market remain negative. There has been ratings volatility in the junior triple-A and below portion of numerous recent issue CMBS deals. However, property value declines are expected to taper off over the next few quarters and it is likely that losses will be lower than some previous expectations as many maturing loans are extended and non-performing loans are restructured rather than liquidated. Additionally, liquidity is slowly increasing as investors are beginning to return to the market.

European & Asian CMBS

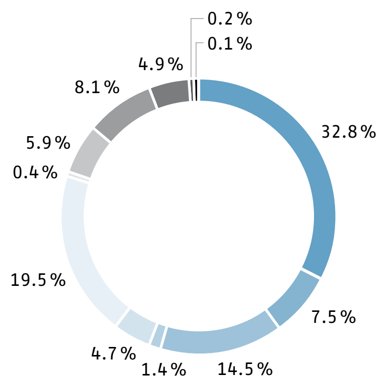
- The EMEA CMBS portfolio consists of mainly senior tranches from European and two Asian CMBS transactions.
- Defensive portfolio, purchases based on a deal-by-deal fundamental analysis (only high quality collateral with stable rental income sustaining predefined stress tests on a loan by loan basis) and structural features.
- The overall Non-US CMBS portfolio rental income based on highly diversified tenant base.
- Beside recent stabilization in economic environment and property values further value declines especially in the UK and for secondary property quality are expected and 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. 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 increased credit enhancement percentages.

Country distribution



72.9%	Europe
24.9%	North America
1.4%	Pacific
0.8%	EM Asia

Rating distribution



	32.8 %	AAA
	7.5 %	AA+
	14.5%	AA
	1.4 %	AA–
	4.7 %	A+
	19.5 %	A
	0.4 %	A–
	5.9 %	BBB+
	8.1 %	BBB
	4.9 %	BBB–
	0.2 %	BB
	0.1 %	NR

2.3e US CLO, CBO & TRUPS CDO 5

5 **Product: US CLO, CBO & TruPS CDO** (as of 30 September 2010)

Exposure	(€ billion)	1.14
IFRS category		LAR

- This portfolio consists primarily of managed arbitrage cash flow CLOs with 90.8 % CLOs backed by predominantly first lien senior secured corporate loans, 2.5 % 1999–2001 vintage short maturity CBOs backed by high yield bonds and 6.7 % 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 74.2 % are first priority most senior tranches, 10.1 % are 2nd priority “Junior AAA” tranches, 11.0 % are originally AA tranches and 4.7 % are mezzanine tranches originally rated A/BBB.
- In the third quarter 29 % of the Trust Preferred CDOs have been sold.
- After downgrading CLOs more severely than S & P in early 2009 Moody’s started upgrading several CLOs during 2010 which previously have been downgraded.
- The Moody’s lagging 12 months US speculative grade issuer corporate default rate declined to 4.0 % in the third quarter, down from 6.4 % in the second quarter. A further decline is very likely when high October 2009 defaults will exit this 12 months observation. Moody’s forecasts the US 12 months HY issuer default rate to decline to 2.8 % by end of the year and to 2.2 % a year from now.

2.3f EU SME CLO 6

6 **Product: EU SME CLO** (as of 30 September 2010)

Exposure	(€ billion)	0.18
IFRS category		LAR, DFV

- 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 and the portfolio benefits from fast repayments.

2.3g REMAINING ABS 7 8 9

7
US COMMERCIAL REAL ESTATE CDO
(as of 30 Sep. 2010)

- About 21 % of the outstanding balance of the CRE CDOs portfolio is backed by riskier collateral originated in weaker vintages (2004 to 2006). The remaining 79 % of the portfolio balance is backed by 2001 through 2003 vintage collateral which are performing relatively well.
- Most of the portfolio is backed by less risky collateral and has significant levels of credit support.

Exposure	(€ billion)	0.18
IFRS category		LAR, DFV

8
EMERGING MARKETS ABS
(as of 30 Sep. 2010)

- Global economic downturn has left marks on the EM ABS portfolio. The weighted average rating of the portfolio is around BBB+ which is primarily due to the severe downgrades within the monoline insurer industry in 2009. This caused most of our EM Diversified Payment Rights ABS to be downgraded to their underlying collateral rating.
- Nevertheless the EM ABS portfolio shows a relatively 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 only Korean RMBS transaction is redeeming fast and exhibits a stable performance and rating (AAA / Aa1 / AAA).

Exposure	(€ billion)	0.06
IFRS category		LAR

9
NON-US CONSUMER ABS
(as of 30 Sep. 2010)

- This portfolio decreased due to scheduled repayments during the last quarter. 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. AAA-rating

Exposure	(€ billion)	0.01
IFRS category		LAR

2.4 SINGLE NAMES

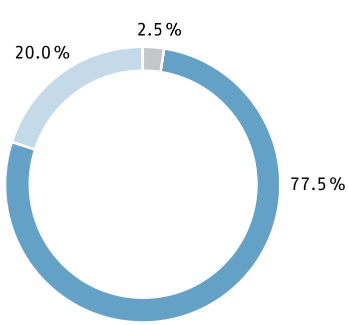
Single Names (as of 30 September 2010)

Exposure	(€ billion)	4.48*
P&L 10	(€ million)	–115
P&L 09	(€ million)	+136
IFRS category		DFV, AFS, LAR, HFT

*Compared with the last report the portfolio size "Single Names" has been reduced by EUR 0.21 billion because of the slice into the SIV Carrera (see page 8)

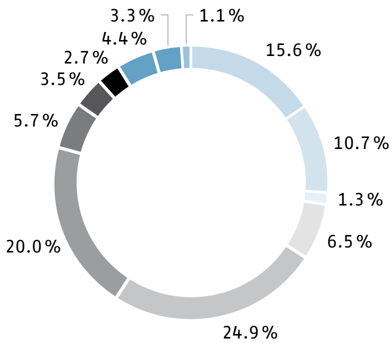
– The Single Names portfolio has been reduced in Q3 2010 through active sales of EUR 0.77 billion and redemptions of about EUR 0.26 billion.
– Market development within Q3 and outlook:
The period from early June to late August saw investors shift their attention from the funding problems of European sovereigns to the diverse global growth outlook and the implications for asset prices. In the early part of the period, improved access to funding for a number of European sovereigns and reduced uncertainty following the release of the EU bank stress tests contributed to lower risk premia for most sovereigns and larger banks. Credit spreads declined and equity prices rose across the globe. Bank equity prices also responded favorably to a series of national and international regulatory announcements. Having declined through June and July, yields rose for Greece, Ireland and Portugal from early August. In Ireland, larger than expected losses at a government-supported bank increased government borrowing expectations. In any case Greece, Spain, Portugal and Ireland all passed crucial tests of their ability to issue bonds despite negative rating action.
Q4 will be crucial for the impact through quantitative easing (QE2) by the Fed. It is possible that the Fed's monetary decisions are able to drive certain financial market assets to elevated valuation levels, which can result in asset bubbles and increasing level risk .

Distribution by sector



77.5 %	Financials
20.0 %	Public Finance
2.5 %	Corporates

Rating distribution



	15.6 %	AAA
	10.7 %	AA+
	1.3 %	AA
	6.5 %	AA−
	24.9 %	A+
	20.0 %	A
	5.7 %	A−
	3.5 %	BBB+
	2.7 %	BBB
	4.4 %	BBB−
	3.3 %	BB+ and below
	1.1 %	NR

2.5 HEDGE FUNDS / OTHER FUNDS

Hedge Funds / Other Funds (as of 30 September 2009)

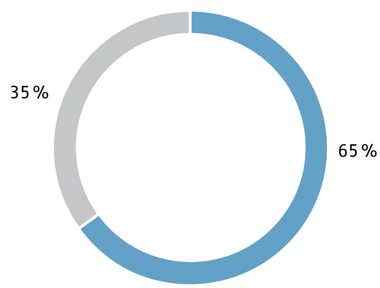
Exposure	(€ billion)	0.20
P&L 10	(€ million)	+1
P&L 09	(€ million)	−28
IFRS category		AFS

Hedge Funds

– Only one former CPPI structure still in existence
– Current Underlying Assets: 95 % Cash, 5 % Hedge Funds
– Liquidation of platform in negotiation with parties
– Accounting: Mark-to-Market treatment imposed to AFS position via impairment assumption

2.6 SUBPRIME-RELATED EXPOSURE

as of 30 September 2010



65 %	Home Equity Loans RMBS
35 %	CDO of ABS, CDO of CDO

as of 30 September 2010		COA / COC	HEL	Total
Total exposure	(€ billion)	0.54	1.03	1.57
P&L 10	(€ million)	−27	+33	+6
P&L 09	(€ million)	−7	−107	−114
IFRS category		LAR, DFV	LAR	LAR, DFV

1 RMBS OF HEL

RMBS of HEL (as of 30 September 2010)

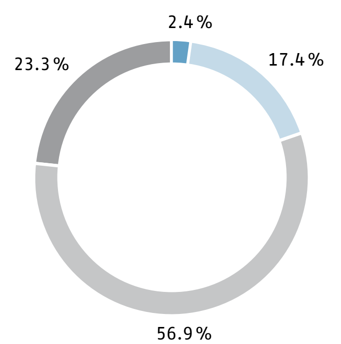
Exposure	(€ billion)	1.03 *
P&L 10	(€ million)	+33
P&L 09	(€ million)	−107
IFRS category		LAR

* Compared with the last report the portfolio size "RMBS HEL" has been reduced by EUR 0.11 billion because of the slice into the SIV Carrera (see page 8)

- The HEL portfolio continues to experience losses on several 2006 mezzanine bonds as expected. While the rate of deterioration has mostly flattened out in the subprime housing market, losses will continue within 2006 mezzanine class bonds and reach some 2007 senior bonds as the securitizations liquidate or modify the pipeline of defaulted loans.
- 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 rallied slightly in recent months but still remain at relatively low levels.

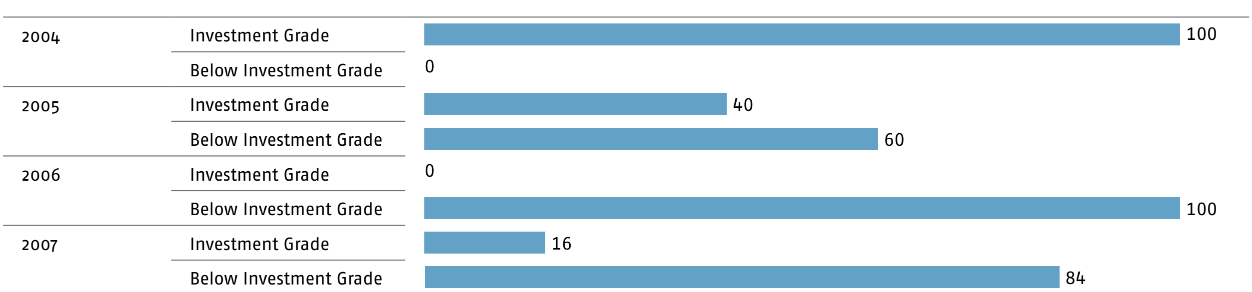
– Ratings downgrade risk remains. Almost the entire outstanding subprime issuance for 2006 and 2007 as well as a significant portion of 2005 has been and remains under further downgrade pressure as the securitizations liquidate defaulted loans into a weak housing market.

Distribution of notional by vintage

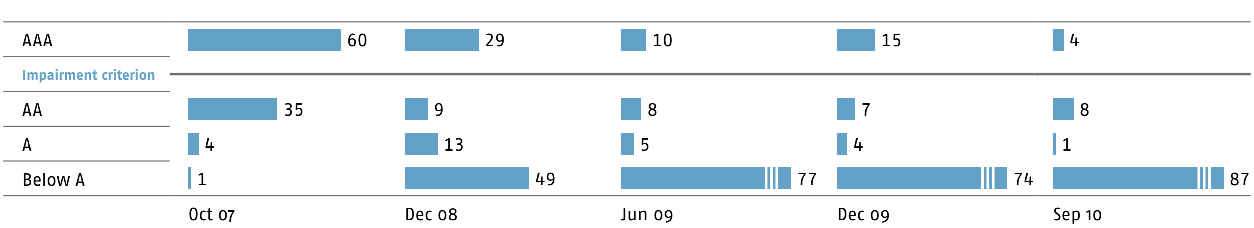


	2.4 %	2004 Vintage
	17.4 %	2005 Vintage
	56.9 %	2006 Vintage
	23.3 %	2007 Vintage

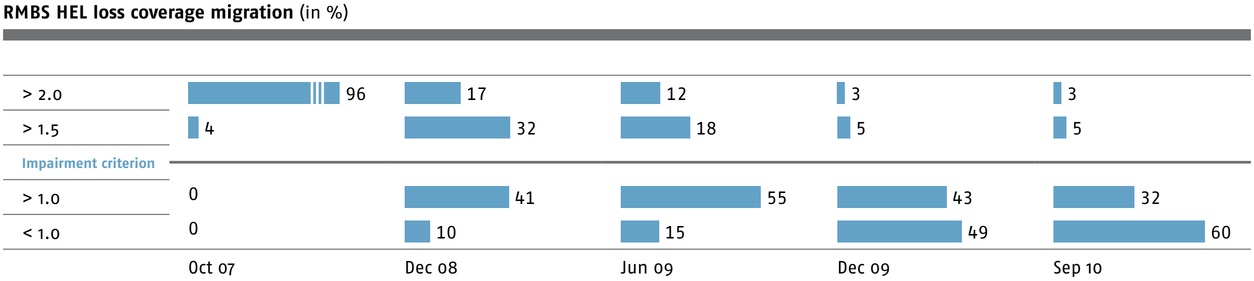
Rating distribution by vintage (in %)



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)	30 Sep 2010	30 Jun 2010
CIP[1] wrapped ABS	345.0	496.0[2]
CIP wrapped Single Names	70.2	78.9
Global Markets London Single Names	66.8	65.3
Total	**482.0**	**640.2**
Synthetic CDO[3]	2.5	2.5
Grand Total	**484.5**	**642.7**

[1] CIP: Credit Investment Portfolio
[2] Including Carrera assets prior to deconsolidiation
[3] Exposure in terms of "Instantaneous Default Loss" (IDL) as of end of September 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).

- No direct monoline exposure
- The total exposure has been substantially reduced in the third quarter, because EUR 68.9 million out of "CIP wrapped ABS" sliced into SIV Carrera (see page 8).
- 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 −49.0 million life-to-date, consisting of impairments of EUR −22.2 million and valuation losses on trading positions of EUR −26.8 million.

III. FORMER FINANCIAL INSTITUTIONS GROUP (FIG)

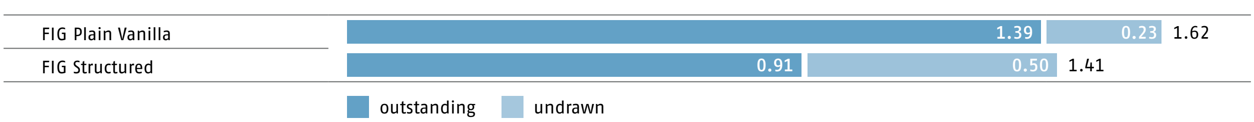
1. FORMER FIG

Former FIG (as of 30 September 2010)

Exposure	(€ billion)	3.03
Outstanding	(€ billion)	2.29
Undrawn	(€ billion)	0.73
P&L effect 2010	(€ million)	+11
IFRS category		mainly 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 1.62 billion) as well as loans which are structured or have structured elements (amounting to EUR 1.41 billion).
- In the third quarter 2010 the portfolio has been reduced by EUR 0.56 billion (asset sales, redemptions an F/X effects).

Total Exposure (€ billion)

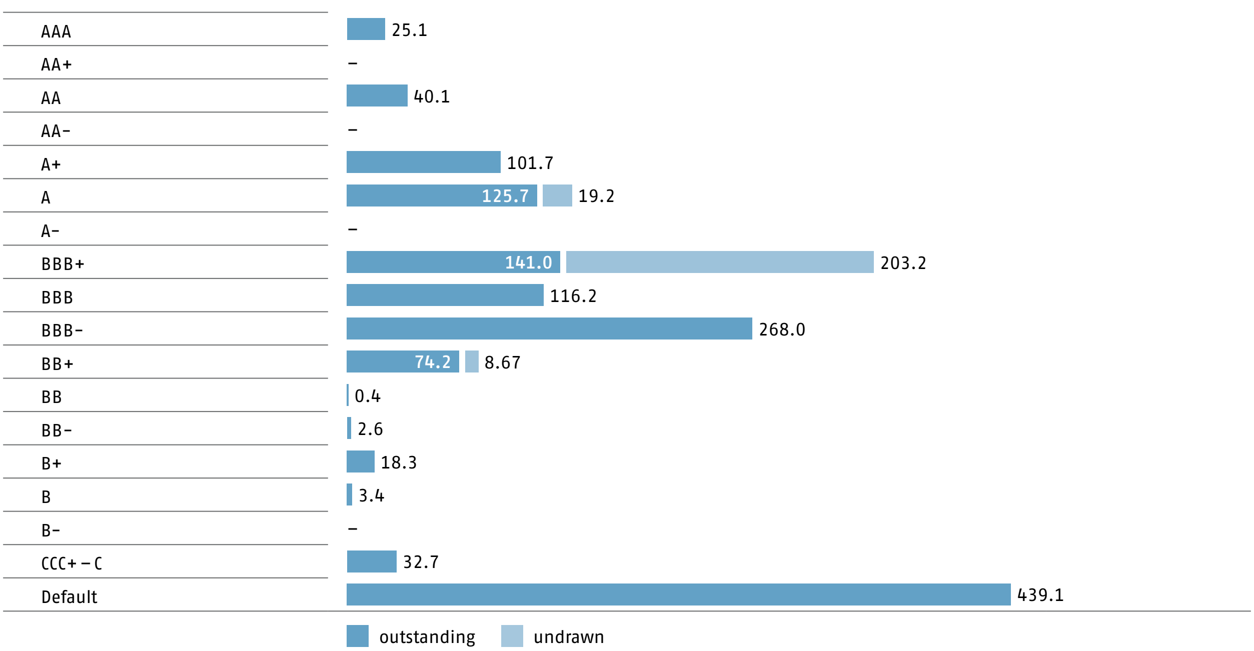


2. FIG PORTFOLIO DETAILS

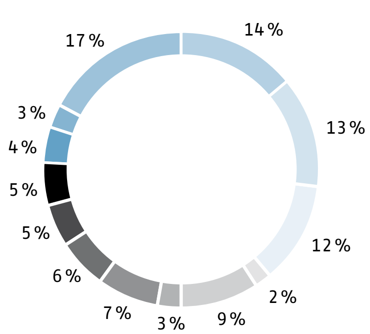
FIG Plain Vanilla (as of 30 September 2010)

Exposure	(€ billion)	1.62
P&L effect	(€ million)	+1.2
IFRS category		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 %)

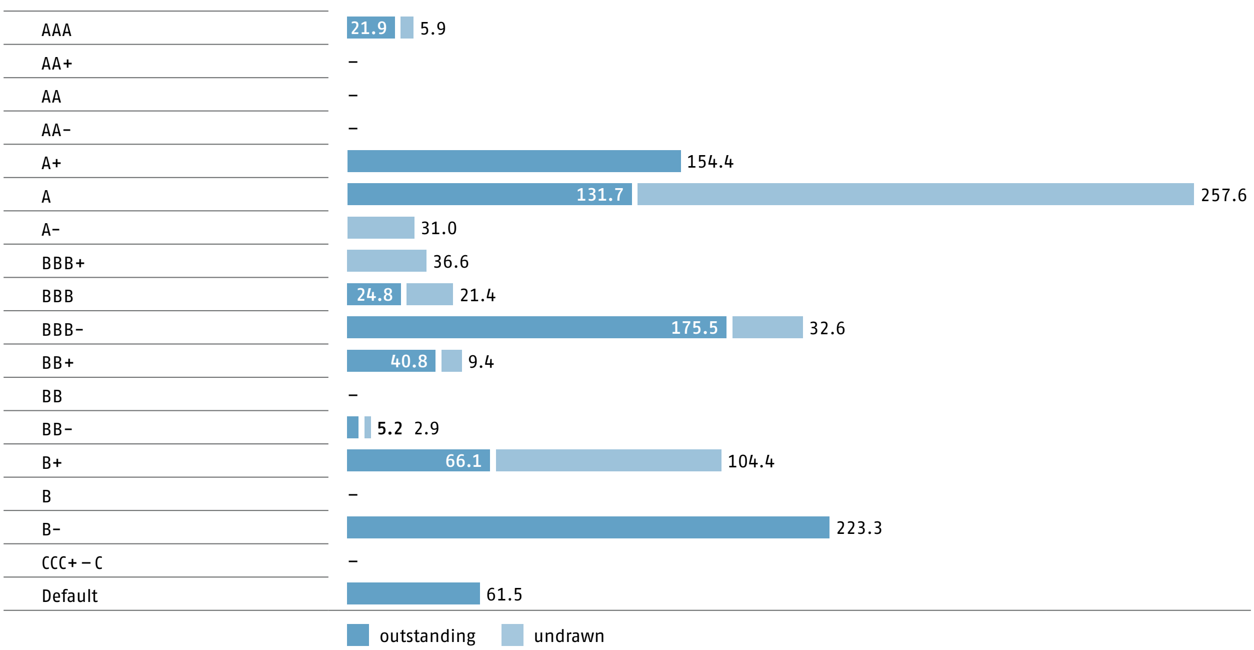


14 %	Denmark
13 %	Iceland
12 %	USA (undrawn)
2 %	USA (outstanding)
9 %	United Arab Emirates
3 %	Switzerland (undrawn)
7 %	Switzerland (outstanding)
6 %	France
5 %	Germany
5 %	Italy
4 %	Kuwait
3 %	Bahrain
17 %	Others

FIG Structured (as of 30 September 2010)

Exposure	(€ billion)	1.41
P&L effect 2010	(€ million)	+9.8
IFRS category		mainly 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 30 September 2010)

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

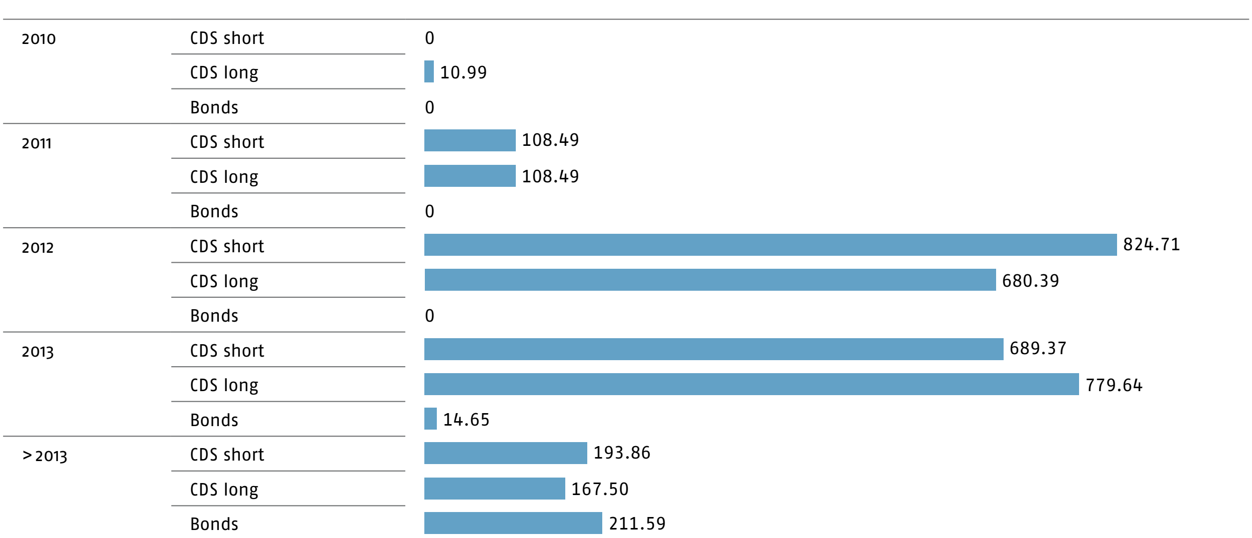
The former Credit Trading Portfolio has been made static (no active trading) and consists of

- a 226 EUR million **outright bond portfolio** (97.7 % Financials) and
- a **long/short CDS portfolio** whose short positions (including proxy hedges e.g. by iTraxx) in nominal terms exceed its long positions:
  - 1.82 EUR billion CDS short (HSH Nordbank as protection buyer);
  - 1.75 EUR billion CDS long (HSH Nordbank as CDS protection seller)

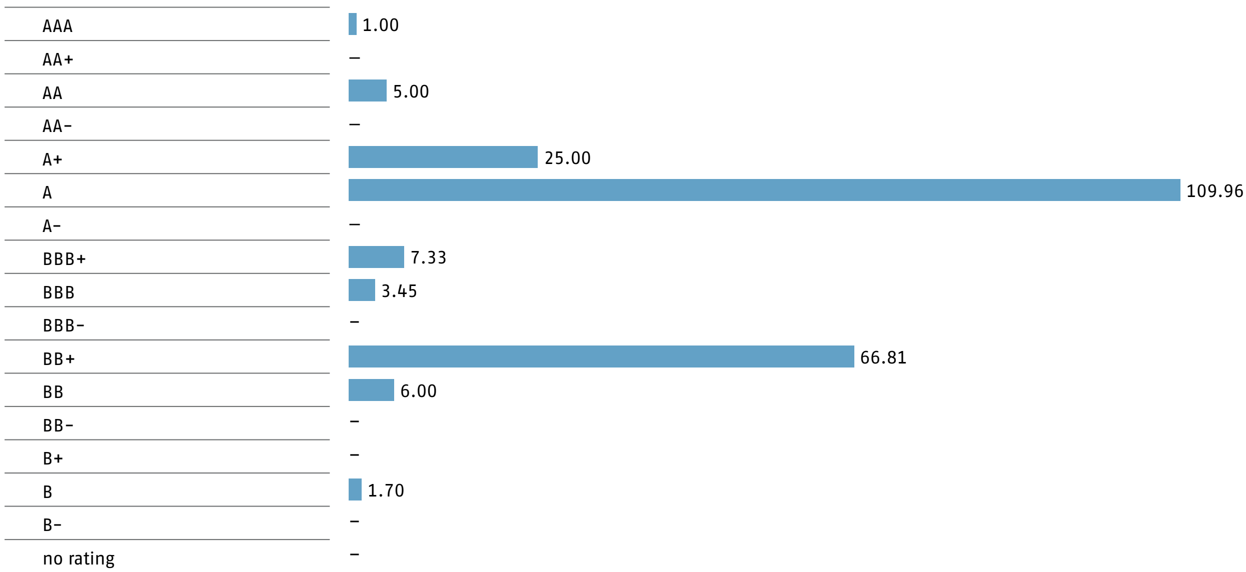
thereof:	– iTraxx:	0.71 EUR billion short; 0.66 EUR billion long
	– Single Names:	1.10 EUR billion short; 1.10 EUR billion long

- The bond portfolio has been significantly reduced by an asset sale (UK financial MTN 07/12). Of the remaining portfolio 62.30 % of the bonds are rated A– or better.

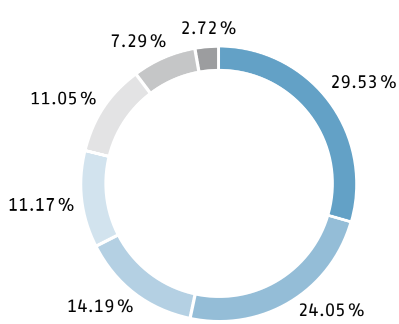
Maturity profile (€ million)



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



Regional distribution of bonds (in %)



	29.53 %	Australia
	24.05 %	UK
	14.19 %	USA
	11.17 %	Netherlands
	11.05 %	Canada
	7.29 %	Ireland
	2.72 %	Germany

V. LEVERAGED FINANCE (LBO)

1. LEVERAGED FINANCE OF GLOBAL HEAD CORPORATES

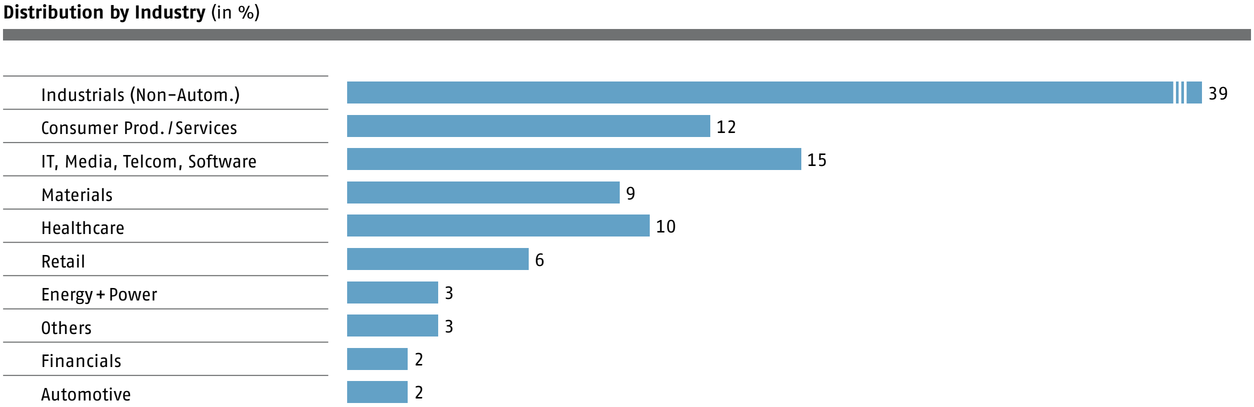
– As of 30 September 2010 funded exposure was at EUR 4.2 billion, unfunded exposure at EUR 0.7 billion.*

Change in exposure from 30 June 2010 (€ billion)

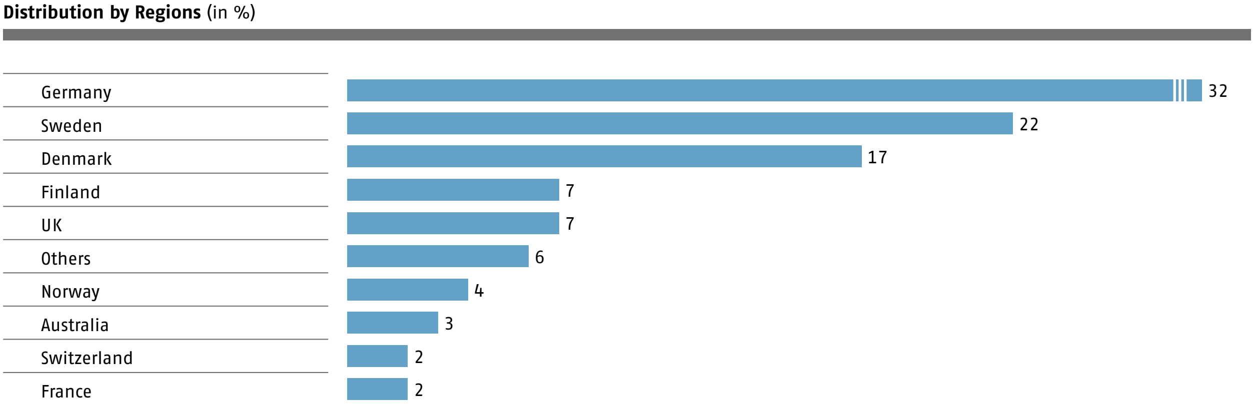
Exposure as of 30 June 2010	5.2
Net Change of Outstanding	–0.2
Writedowns	0
Exposure as of 30 September 2010	5.0
Risk provision as of 30 September 2010	0.36

*Due to roundings the numbers do not add up to 5.0 billion

Distribution by Industry (in %)



Distribution by Regions (in %)



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

Change in exposure from 30 June 2010 (USD million)

Exposure as of 30 June 2010	278
Net Change of Outstanding	−28
Writedowns	0
Exposure as of 30 September 2010	250
Risk provision as of 30 September 2010	0

- Part of Credit Investment Portfolio (contained in NY HY Loan Portfolio)
- As of 30 September 2010 the total exposure included USD 15.7 million undrawn Revolving Credit Facilities.

Distribution by Industry (term loans in USD million)