

CORPORATE GOVERNANCE

All information included in this Corporate Governance Report represents the status on 9 May 2016.

As an unlisted company, HSH Nordbank has recognised the German Corporate Governance Code (GCGC) voluntarily since 2005. The Management Board and Supervisory Board of HSH Nordbank expressly support the content and purposes of the GCGC. Corporate governance at HSH Nordbank is principally based on the provisions of the German Public Companies Act, the German Banking Act as well as such internal rules as the Articles of Association, the Rules of Procedure applicable to the Management Board and the Supervisory Board as well as the Code of Conduct of HSH Nordbank. By presenting our system for the managing and monitoring of the Bank and transparent reporting on conformity to the rules of the Code, we aim to enhance the confidence of shareholders and investors, clients, employees and the general public in HSH Nordbank.

DECLARATION IN ACCORDANCE WITH SECTION 161 OF THE GERMAN PUBLIC COMPANIES ACT

In accordance with Section 161 of the German Public Companies Act, the Management and Supervisory Boards of listed companies are required to publish an annual declaration in which they indicate the extent to which their management and oversight system complies with or deviates from the recommendations of the German Corporate Governance Code. Our aim is to conform to the Code as fully as possible even as a non-listed company. In December 2015, the Management Board and the Supervisory Board of HSH Nordbank therefore voluntarily issued a Declaration of Conformity with the GCGC in which the deviations from the Code recommendations were disclosed.

DECLARATION OF CONFORMITY

Since publishing the last Declaration of Conformity on 3 December 2015, the Management Board and the Supervisory Board of HSH Nordbank declare that HSH Nordbank has conformed to the recommendations of the German Corporate Governance Code in the version dated 5 May 2015 in every respect save for the following exceptions stated below. As of the date on which the next Declaration of Conformity is published, HSH Nordbank will be conforming to all the recommendations of the Code in the version dated 5 May 2015 save for the exceptions stated below.

Section 4.2.3 provides that compensation for the Management Board shall comprise fixed and variable components.

According to the provisions of the EU state aid decision and the Bank's obligation under the guarantee made available by the states of Hamburg and Schleswig-Holstein, the current Management Board compensation system does not provide for any variable compensation for members of the Management Board.

Section 4.2.3 (3) requires that in the case of benefit commitments the Supervisory Board shall stipulate the target level for benefits and take the extrapolated annual and long-term expenditure for the company into account.

For members of the HSH Nordbank Management Board a contribution plan applies that is not aimed at a specific level of benefits.

Section 4.2.4 stipulates that the total compensation of each one of the members of the Management Board is to be disclosed by name, divided into fixed and variable compensation components.

This does not involve a recommendation of the GCGC, but is rather a mandatory requirement for market-listed companies, because the German Commercial Code (HGB) stipulates disclosure for market-listed companies. However, as a non-listed company, HSH Nordbank is in principle not subject to this obligation. Furthermore, the parameters for compensating members of the Management Board in accordance with the EU Commission's stipulations – set upper limit for the basic salary, no variable compensation – are already sufficiently common knowledge.

Section 4.2.5 requires certain presentation of the compensation and fringe benefits concerning each member of the Management Board on the basis of details determined by reference tables.

As HSH Nordbank does not disclose any individual Management Board compensation, these details are not disclosed either (c.f. also Section 4.2.4).

Under Paragraph 2 of Section 5.4.1, the Supervisory Board is required to specify concrete objectives regarding its composition, including a regular limit of the length of membership for the Supervisory Board. *The Supervisory Board has decided to refrain from defining a regular limit of the length of membership for the Supervisory Board as an optimum length of membership is difficult to determine and it is important given the Bank's current situation for expertise to be retained within the Supervisory Board.*

Section 5.4.6 (3) provides that the compensation paid to members of the Supervisory Board be reported separately for each individual and broken down by component in either the Notes or the Management Report.

The compensation paid to the Supervisory Board has not been disclosed on an individualised basis at HSH Nordbank up to now. HSH Nordbank is going to disclose the compensation paid to the Supervisory Board on an individualised basis with publishing its annual report for fiscal 2015.

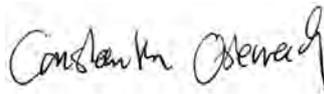
According to Section 7.1.2 Sentence 4, the consolidated financial statements are to be published within 90 days of the end of the fiscal year and the interim reports within 45 days of the end of the period to which they refer.

HSH Nordbank did not make its consolidated financial statements for fiscal 2014 and the interim reports for 2015 publicly available within the prescribed period. The Bank will neither publish its 2015 consolidated financial statements nor probably the 2016 interim reports within the recommended periods. The Bank is working on being able to adhere to the stipulated periods in future.

HSH Nordbank conformed to the Code's suggestions so far as they make sense for a non-listed public limited company.

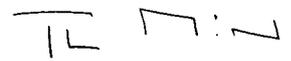
Hamburg/Kiel, 9 May 2016

On behalf of the
Management Board:



Constantin von Oesterreich

On behalf of the
Supervisory Board:



Dr. Thomas Mirow

SUPERVISORY BOARD

Composition

HSH Nordbank's Supervisory Board consists of 16 members, of whom – in accordance with the provisions of the German Co-Determination Act – half are shareholder representatives and half are employee representatives. The capital side of the Supervisory Board comprises mainly experts from the business community who are independent of both the shareholders and the Bank. Four members of the Supervisory Board previously held executive positions at German and non-German financial institutions. One member also sits on the management board of a credit insurance company. The members of the Supervisory Board furthermore include one independent auditor, the managing director of an international private equity company and the managing director of an equity holding company.

Section 5.4.1 of the GCGC stipulates that the Supervisory Board is to state specific objectives regarding its composition which, while considering the specifics of the enterprise, take into account its international activities, potential conflicts of interest, the number of independent Supervisory Board members, an age limit to be specified for the members of the Supervisory Board as well as diversity. The latter objective particularly calls for an appropriate degree of representation by women.

The objectives of the Supervisory Board, adopted in 2011, are as follows:

1. HSH Nordbank will seek to have at least one non-German member on its Supervisory Board in the future as well.
2. When nominating new members to the Supervisory Board, HSH Nordbank will seek to avoid potential conflicts of interest, while also taking the Rules of Procedure for the Supervisory Board into due consideration, in future as well.
3. HSH Nordbank will seek to adhere to the age limit of 68 years as of the date of appointment stipulated in the Rules of Procedure for the Supervisory Board in future as well.
4. HSH Nordbank will seek to maintain the proportion of representation by women at the current level of 20% at least in future as well. The Supervisory Board considers a target quota of 30% to be an appropriate percentage of women for the time being.
5. The Supervisory Board aims to ensure that at least half of its members on the shareholder side will be independent, as is the case at present (objective supplemented in 2012).

When nominating new members, care is taken to avoid potential conflicts of interest in order to ensure the independence of members. The age limit of 68 years at the time of the appointment was not exceeded in any of the appointments. The Nominating Committee will also consider the objective of appropriate gender diversity in its proposals to the Supervisory Board for new members of the Supervisory Board to be elected during the annual general meeting. As a co-determined company, HSH Nordbank is also subject to the law on the equal participation of women and men in executive positions in the private and public sectors ("quota law"). The Supervisory Board therefore once again reaffirmed its existing target for the proportion of women on the Supervisory Board. With a 37.5% proportion of women, the Supervisory Board has already attained the objective that it set itself. The proportion of women on the shareholder side is 25% and on the employee side it is 50%.

Following the Supervisory Board's annual efficiency audit, the Board considered the expertise, abilities and experience existing on it and updated the expertise profile, which was first compiled in 2014. The expertise profile gives the Supervisory Board an overview of the skills represented on the Board. The Board will in the future consequently be able, when making required Management Board appointments and searching for suitable candidates, to directly formulate corresponding objects to replace or complement skills.

Procedure

The Supervisory Board appoints, oversees and advises the Management Board and is involved in fundamental decisions made by the Bank. The Management Board informs the Supervisory Board regularly and in good time of the proposed business policy and other fundamental matters during the meetings and also verbally, particularly in conversations between the chairperson of the Management Board and the chairperson of the Supervisory Board.

Section 25d (11) page 2, no. 3 of the German Banking Act stipulates that the Supervisory Board must, on a regular basis and at least once a year, assess the structure, size, composition and performance of the executive and of the Supervisory Board. The Supervisory Board has, as in the preceding years, for this purpose scrutinised various aspects of its work on the basis of questionnaires as well as an evaluation by the Management Board. The efficiency audit conducted in the autumn of 2015 found that the Supervisory Board is, generally speaking, satisfied with the efficiency of its activities. To further improve its efficiency, the Supervisory Board adopted some measures and identified advanced training topics on the basis of the replies to the questionnaires that will be followed up regularly.

Two advanced training events took place in the past year to ensure that the Supervisory Board's members always have up-to-date specialist and professional knowledge. The topics for these events stemmed largely from the 2014 efficiency audit, during which the

Supervisory Board members suggested material to be covered by advanced training sessions. During these events involving both internal and external instructors, the members of the Supervisory Board gained further knowledge particularly concerning regulatory updates, but also on Bank-specific matters.

Other mandates

The Supervisory Board must devote ample time to this task to be able to appropriately perform its work. This presupposes that the individual members of the Supervisory Board perform other tasks apart from their Supervisory Board work to a limited extent only. The members of HSH Nordbank's Supervisory Board perform the following further supervisory board mandates in other companies:

SB member	No. of other mandates (as of 31.12.2015)
Dr Thomas Mirow	2
Peter Axmann	2
Silke Grimm	1
Stefan Jütte	1
Dr Rainer Klemmt-Nissen	4
Dr David Morgan	3
Dr Philipp Nimmermann	4
Elke Weber-Braun	1

Detailed information on the work of the Supervisory Board in 2015 is contained in the Supervisory Board Report.

Compensation

The compensation for the Supervisory Board members will be disclosed on an individualised basis in the Notes within the Annual Financial Statement.

MANAGEMENT BOARD

Composition

The Management Board of HSH Nordbank is composed of five members whose duties are divided by CEO, CFO, CRO, Corporates & Markets as well as Shipping, Project and Real Estate Finance. When selecting new Management Board members, the Supervisory Board is bound by the pertinent legal requirements. Here, too, diversity plays an important role. In accordance with the quota law, the Supervisory Board adopted a target of having a 20% proportion of women on the Management Board of HSH Nordbank, which is, if possible, to be achieved by 30 June 2017. The German Corporate Governance Code also requires an adequate proportion of women, while the Banking Act stipulates that the balance and diversity of the knowledge, abilities and experience of all Management Board members be taken into consideration. The Rules of Procedure for the Supervisory Board likewise contain requirements

that the Supervisory Board and the General / Nominating Committee must take into consideration when assessing applicants for appointment to a position on the Management Board. In each individual case – as in the previous year specifically when making a new appointment to the position of CRO – of a Management Board position to be filled, the Supervisory Board therefore selects Management Board members on consideration of the requirements of the respective position as well as the expertise already available on the Management Board on the basis of an individual job profile.

Procedure

The Management Board is responsible for managing the Bank and works with HSH Nordbank's other corporate bodies and with the employees' representatives on a basis of mutual trust in the Bank's best interests. It defines the Bank's business strategy in consultation with the Supervisory Board. The chairperson of the Management Board represents the Management Board as a collegial body, presides over its meetings and coordinates its work. The Management Board mainly met once a week during the period under review. The members of the Management Board are jointly responsible for managing the Bank's business. Their duties and responsibilities are laid down in the Rules of Procedure for the Management Board, as supplemented by the Schedule of Responsibility.

Other mandates

The members of the Management Board do not perform any management or supervisory functions in other companies.

Compensation

Information on the system for compensating the members of the Bank's Management Board is provided in the Management Report as well as in the Notes.

SHAREHOLDERS, ANNUAL GENERAL MEETING

HSH Nordbank's shareholders exercise their rights at the annual general meeting. The annual general meeting is convened by the Management Board once a year, stating the agenda and including the requisite reports and documents.

There were no other general meetings in 2015 apart from the annual general meeting in May.

The agenda for the annual general meeting also included – alongside the legally required agenda items of an annual general meeting – an amendment to the Articles of Association made necessary primarily by new legislation/regulatory requirements.