

REPORT ON EVENTS AFTER THE REPORTING PERIOD

Formal decision in the currently pending EU state aid proceedings

On 2 May 2016, the EU Commission issued a formal decision in the current EU state aid proceedings and thereby approved the replenishment of the second loss guarantee provided by the federal states from € 7.0 billion to € 10.0 billion. The formal decision confirms the informal agreement and defines it in principle in concrete terms. It is based on a catalogue of conditions and commitments provided by the Federal Republic of Germany to the EU Commission.

Under the formal decision HSH Nordbank AG is to be relieved of some of its troubled legacy portfolios. Accordingly, it is planned to transfer portfolios of an initial amount of € 5 billion to the federal states in the middle of 2016. The transfer will be made at market values determined by the EU Commission from a state aid point of view. Furthermore, it is planned on the basis of the formal decision of the EU Commission to sell portfolios of up to € 3.2 billion.

A further key point of the formal decision of the EU Commission is the future structure of the guarantee fees together with the establishment of a holding company and a subsidiary, which will comprise HSH Nordbank's operating business and is to be privatised. It is intended that significant relief from guarantee fees be provided to the subsidiary to be privatised. The operating company is to provide the holding company with liquidity of € 50 million to ensure its operations. Furthermore, the operating company must make a one-off payment of € 210 million.

Under the formal decision a deadline of 28 February 2018 is set for the sale of the operating company (i.e. up to the signing of the acquisition agreement). This divestiture period may be extended by up to six months with the approval of the EU Commission, where there are delays in the technical implementation of the model for reasons outside the control of the federal states. Following the successful completion of the sales process resulting in an offer that does not require state aid and an offer price that is positive (while retaining the guarantee) the intended acquisition will be subject to a viability assessment of the new corporate structure by the EU Commission prior to implementation and has to be approved by the EU Commission.

Moreover, the catalogue of conditions and commitments provides for further provisions regarding the business model and reduction in total assets.

More information on the EU proceedings can be found in the Business developments – Significant developments and events in the 2015 reporting year and in the Forecast, opportunities and risks report, particularly in the Formal decision in the EU state aid proceedings section.

Changes in the Management Board of HSH Nordbank AG

The Supervisory Board of HSH Nordbank AG appointed Torsten Temp as a member of the Management Board responsible for the Market division for another three years until 30 April 2019 in its meeting held on 23 March 2016.

In its meeting held on 9 May 2016, the Supervisory Board adopted other changes to the Management Board: Stefan Ermisch, formerly Chief Financial Officer and Deputy Chairman of the Bank, moves to the head of HSH Nordbank AG on 10 June 2016 and, as Chairman of the Bank, will manage the Bank in the crucial phase of the change in ownership. Constantin von Oesterreich will step down as Chairman following the annual results press conference on 9 June 2016, thereby initiating the change in leadership at the beginning of the privatisation process. Matthias Wittenburg, the Management Board member responsible for the Market divisions, will leave the Bank with effect from 10 June 2016 by mutual agreement. Torsten Temp will be the sole Management Board member for the Market divisions from this date. Oliver Gatzke, who was previously head of the Finance division, is to be appointed Chief Financial Officer from 1 July 2016.

HETA

Reference is made to the statements in the Challenging environment for banks section in the Economic report regarding events after the reporting date concerning Heta Asset Resolution AG (HETA).