HSH NORDBANK GROUP AT A GLANCE

INCOME STATEMENT
in (€ m)

	2015	2014
Net income before restructuring	954	883
Net income before taxes	450	278
Group net result	98	160

BALANCE SHEET
in (€ bn)

	31.12.2015	31.12.2014
Equity	4.9	4.7
Total assets	97.0	110.1
Business volume	106.2	119.9

CAPITAL RATIOS[1]
in (%)

	31.12.2015	31.12.2014
CET1 ratio	12.3	10.0[2]
Tier 1 capital ratio	16.4	14.4
Regulatory capital ratio	20.6	18.7

EMPLOYEES
(computed on full-time equivalent basis)

	31.12.2015	31.12.2014
Total	2,384	2,579
Germany	2,264	2,422
Abroad	120	157

LONG-TERM RATINGS

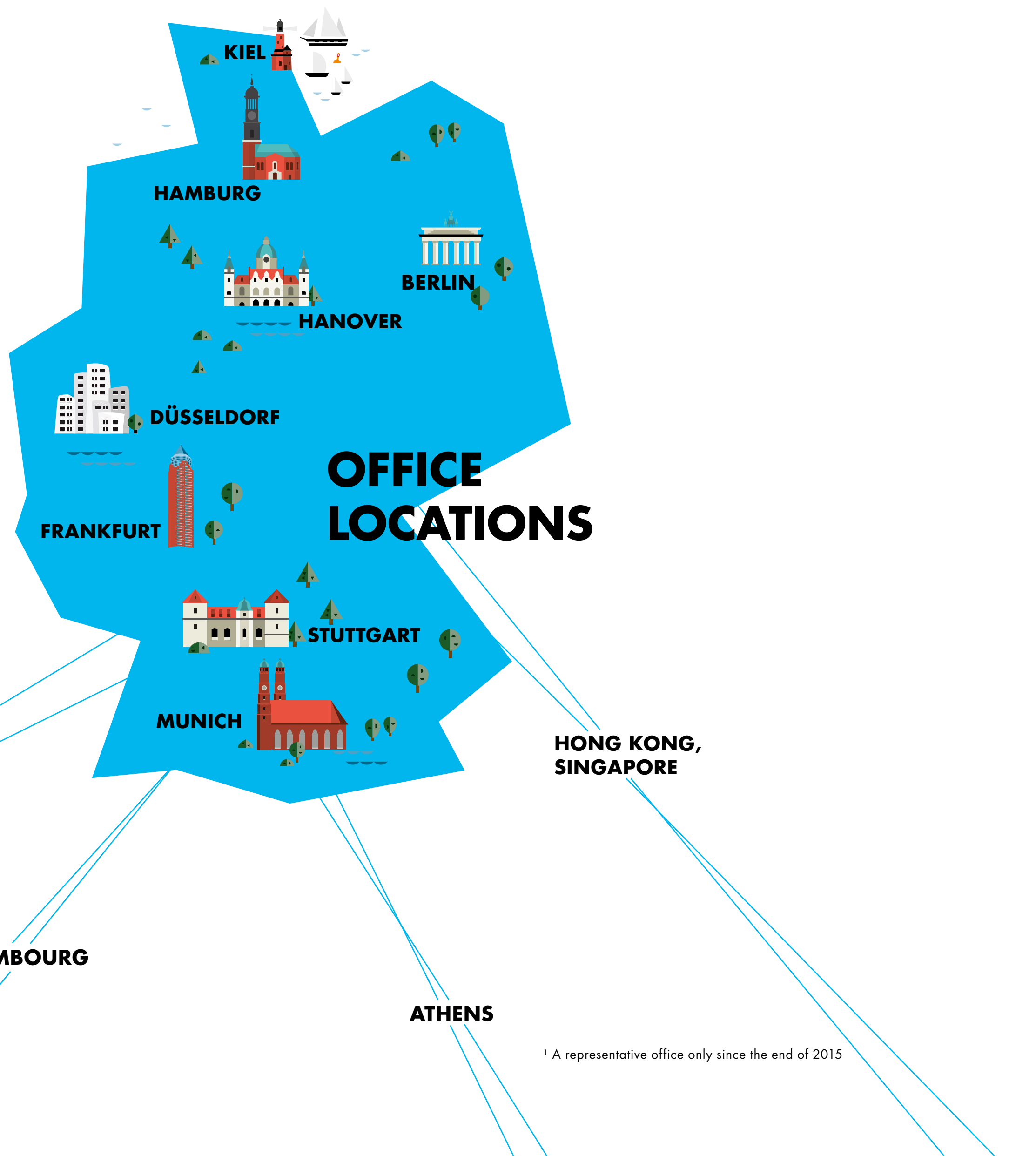
	Unguaranteed liabilities	Guaranteed liabilities[3]	Public-sector Pfandbriefe	Mortgage Pfandbriefe	Ship Pfandbriefe
Moody's	Baa 3	Aa 1	Aa 2	Aa 3	Baa 1
Fitch	BBB–	AAA	–	–	–

[1] According to the same period calculation under the CRR rules.
[2] Plus a buffer of 2.6 percentage points, which arose effective 31 December 2014 from the way in which the second-loss guarantee works.
[3] Liabilities covered by guarantor's liability (Gewährträgerhaftung).

Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

WE ARE …

… the 'bank for entrepreneurs' – the Bank for people with foresight, passion and initiative. We are where our clients are: in our home region of North Germany, in the metropolitan regions of Germany and in selected foreign locations. Here we offer companies tailor-made finance solutions and assist them with our broad-based sector expertise. **HSH NORDBANK** is one of the leaders in Germany for real estate financing. We are among the top players in Europe when it comes to realising renewable energy projects while we have a long tradition of expertise in the maritime industry. The Corporate Client business is an important pillar of our Bank, which we aim to strengthen further: through commitment, single-minded determination and reliability. We seek to convince through performance because we are **STRONG FOR ENTREPRENEURS.**

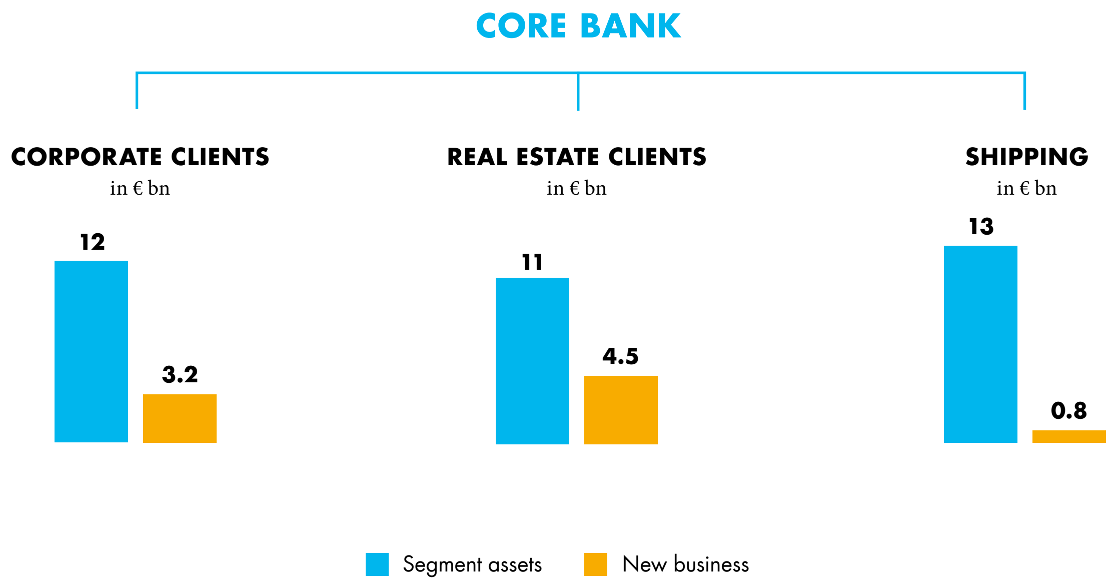


[1] A representative office only since the end of 2015

MILESTONES 2015

- **POSITIVE PERFORMANCE CONTINUED:** Following the turnaround in the previous year, in 2015 too we made a profit in a demanding market.
- **A PLAN DRAWN UP FOR THE FUTURE:** In the EU state aid proceedings there is a solution; our Bank has been set on course for privatisation.
- **A MAJOR STEP FORWARD:** In 2016, we shall transfer the main portfolios with non-performing loans to our owners, taking us a big step forward in reducing risks.
- **FOCUS SHARPENED:** We have realigned our business with corporate clients, thereby moving even closer to the market.

A BALANCED PROFILE – THE BANK'S THREE PILLARS



FOREWORD BY THE MANAGEMENT BOARD

Ladies and gentlemen,

The EU Commission's favourable decision in the state-aid proceedings characterised the year 2015 to a major extent for HSH Nordbank. Two years of negotiations were followed in October 2015 by the green light from Brussels. We therefore now have planning certainty and a clear outlook on the future. The agreement reached with the EU gives HSH Nordbank the opportunity to sell legacy assets of up to EUR 6.2 billion to an institution under public law that the states of Hamburg and Schleswig-Holstein established in December 2015. The plan is to make a transfer of initially EUR 5 billion in the summer of 2016. HSH Nordbank will thereafter be able to dispose of further critical assets worth up to EUR 3.2 billion on the market. The losses on these disposals will be charged to the existing guarantee. The Bank will thus be liberated from at least some of the massive legacy assets that stem from the time prior to 2009. It should not go unmentioned, however, that we would have wished for more substantial relief. The non-performing loans stemming from the past continue to weigh on HSH Nordbank to a major extent and conceal its actual ability to perform as they tie capital and are – to put it briefly – negatively reflected on the balance sheet. Ultimately, they will diminish the potential price to purchase HSH Nordbank. Everyone involved must be aware of that.

The change of ownership planned for 2018 will present HSH Nordbank with tremendous challenges – but it simultaneously means a great opportunity. These are the poles between which the Bank will be moving in the next two years. We must now establish the conditions for the change of ownership in order to make it a success. Potential investors will be interested in HSH Nordbank only if they are convinced by its structure, ability to perform as well as its long-term potential. Alongside a solid client base that has grown over time and a good market position, this also includes efficient processes in sales and back-office operations accompanied by a cost-income ratio that is appropriate overall.

A glance at our results of the past year underscores HSH Nordbank's operating strength and shows its potential to generate steady income over the medium and long term. In 2015, HSH Nordbank generated a positive result with pre-tax income of EUR 450 million. However, this profit was heavily affected by technical factors that are directly connected with the complex guarantee structure. The Bank performed well in operating terms and increased its total income by nearly 70 per cent to EUR 995 million. That is particularly notable given a difficult market setting and the protracted uncertainty until the informal agreement was reached with EU Commission in October 2015. The amount of new business was, in accordance with projections issued during the year, down slightly on good margins and high disbursement ratios. However, following a very strong 2014, the figure of EUR 8.8 billion was well above the 2013 level. The crucial factor is that we are getting better and better at balancing our loan portfolio between the Shipping, Corporate Clients and Real Estate Clients divisions, with each accounting for about one third of the volume. Whereas we are intentionally reducing the portfolio in the Shipping division, which continues to be marked by the persistently weak shipping markets, our Real Estate Clients and Corporate Clients divisions are gaining in significance. In 2015, we were particularly successful in, amongst other areas, financing renewable energies – a future sector where we are amongst the market leaders in both Germany and Europe.

At the same time, we resolutely and extensively equipped ourselves to confront the risks in the portfolio: given the still deteriorating shipping markets and the effects already taken into account of the impending transfer of non-performing loans to the federal states' domain, the Bank has made very large risk provision of some EUR 3 billion before guarantee effects. By far the largest proportion of this concerns the legacy shipping portfolio. After guarantee effects, including the considerable reversal of premiums previously allocated, there was a positive balance for risk provisioning of EUR 304 million. We will continue to keep a very close eye on the remaining risks, which still stem from the legacy shipping portfolio. As was already the case in the preceding years, HSH Nordbank also showed a very solid, 12.3 per cent common equity ratio with its 2015 financial statements. That is testament to the Bank's stability. Total assets dipped – due above all to the planned wind-down in the Restructuring Unit – from EUR 110 to 97 billion.

All told, HSH Nordbank looks back on 2015 as a year that was as challenging as it was successful. The conclusion of the EU state-aid proceedings is a key milestone – and simultaneously the starting point for a new era. We are convinced that HSH Nordbank will be a bank of interest to investors. It has a strong market position, already well-functioning processes on which we continue to work, as well as skilled, motivated employees. Its position in the northern German market is excellent, but it is also present in the rest of Germany. The preconditions for a new owner are consequently favourable, especially given that such a new owner will, in the future, be able to fully develop the Bank's potential, i.e. without the EU Commission-stipulated restrictions that currently constrain our business opportunities.

HSH Nordbank is facing two crucial years that will be characterised by major effort and possibly unpopular decisions. We will do everything we can for a successful change of ownership and are convinced that this will be a step towards a thriving future.

Yours sincerely,

Constantin von Oesterreich
Chairman of the Management Board

Stefan Ermisch
Deputy Chairman of the Management Board

Torsten Temp
Member of the Management Board, Shipping Project & Real Estate Finance

Ulrik Lackschewitz
Chief Risk Officer

Matthias Wittenburg
Member of the Management Board, Corporates & Markets

CONSTANTIN VON OESTERREICH AND STEFAN ERMISCH IN CONVERSATION

START OF A NEW ERA

After more than two years of scrutiny under the state-aid proceedings against HSH Nordbank, the EU Commission gave the green light in October 2015. What does this decision mean for the Bank?
Constantin von Oesterreich: It established clarity and planning certainty, and it sets out unambiguous prospects with the change of ownership targeted for 2018. Everyone – our clients, investors and rating agencies, but also our colleagues – now knows where they stand.

Stefan Ermisch: I regard this change of ownership as a great opportunity. We can now dispose of at least some of our legacy assets and offset this against the existing guarantee. At the same time, the guarantee premiums in the operating part of the Bank will drop from 4 to 2.2 per cent of the unutilised portion of the guarantee. That provides palpable relief for the future.

Are you also satisfied with the details of the EU decision?
Stefan Ermisch: The decision is a political compromise. Although the Bank will be relieved of some of the legacy assets from the years prior to 2009, it will still retain a considerable proportion of such legacy and unhealthy business. That doesn't make it any easier – I'm quite realistic about that, especially so given that the final decision of May 2016 deviates in some parts from the outcome indicated in October 2015 – and rather more so to our detriment.

Waiting for the EU decision entailed uncertainty. What impact did that have on business in 2015?
Constantin von Oesterreich: Clients and investors don't like a lack of clarity. We know that, and felt it. The months preceding the EU decision cost us business. There was a significant increase in the deals closed once we had the green light from Brussels. The fourth quarter was by far the strongest last year. Our Bank must now continue to prevail in the marketplace, and we are well on our way to doing just that. Our 2015 total income exceeded the budget target and we have a good grip on our costs.

Despite these difficult underlying conditions, HSH Nordbank reported a respectable profit for 2015 with pre-tax income amounting to EUR 450 million. How did that come about?
Stefan Ermisch: We see major benefits from the EU decision on our 2015 balance sheet. We previously made substantial provision for future premium payments. Much of that no longer applies, which on balance equated to non-recurring relief of more than EUR 650 million for 2015. Secondly, we generated a solid amount of new business in the Core Bank, with decent margins and better cross-selling. That would not have been possible without the big effort we put in together, and for which I would like to express my sincere thanks to all staff members. The solid capital ratios shown on our balance sheet also reflect how stable our Bank is meanwhile. That's good news. But we must not forget: the result was a positive one thanks only to exceptional factors.

What conclusions do you draw from that?
Stefan Ermisch: We must not rest on our laurels. Standing still would mean the end. It must be our objective to hand over an outstanding base, i.e. a high-performing organisation, to any new owner.

What is especially important about that?
Stefan Ermisch: We have to keep our focus on our capital base and continue to improve our efficiency. Given that competition is fierce right now, we must continue to reduce costs even if that entails cuts. That's painful, but unavoidable. Our Bank furthermore needs – like every other one, too – efficient and resilient processes in both sales and back office operations as well as fast execution. That, in turn, assumes clear, straightforward decision-making channels. We are working on becoming even stronger in operational terms. That is tremendously important because we are now establishing the basis for a new owner to fully release the Bank's potential under what will then be liberated conditions. We are working on the Bank's future success.

The agreement with the EU Commission provides that HSH Nordbank may initially transfer assets worth EUR 5 billion to the states of Hamburg and Schleswig Holstein. How far has this progressed?
Stefan Ermisch: The federal states have established the "hsh portfoliomanagement AöR" company in Kiel to which the assets can be transferred and have met all the other conditions for these transactions. The plan is to transfer the assets in the summer of 2016. This involves NPL portfolios from the Shipping division, which will be transferred at "market value" and charged to the guarantee. Given that there is no liquid market for these severely marred assets, the EU Commission has commissioned an appraiser to establish transfer prices that are neutral with respect to state aid legislation and described these as market prices.

HSH Nordbank may sell further assets worth EUR 3.2 billion at market prices. How far has the planning progressed?
Constantin von Oesterreich: The respective assets have been identified. They stem not only from the Shipping division, but also from others. We have more time to sell those. Our prime objective is to achieve adequate prices. There are investors who are prepared to take a certain amount of risk if they see opportunity for a good return.

How do you rate the prospects for HSH Nordbank's planned privatisation?
Constantin von Oesterreich: I was always convinced that HSH Nordbank is viable for privatisation. Even though the EU decision did not turn out to be an ideal one for us – our Bank now has an opportunity that it will take.

What about the Shipping division, which has suffered so badly in recent time from ship overcapacity?
Stefan Ermisch: The Shipping division will be liberated from numerous legacy assets by 2018, although they will continue to weigh on the Bank's result. We estimate an annual loss of about EUR 200 million, which is the price for the comparatively minor relief. This will make the change of ownership more difficult – or it will squeeze the price.

How do you rate the potential of the Bank's healthy part?
Stefan Ermisch: The healthy part of the Core Bank should have potential for earning about EUR 300 million before taxes. In the long term, the Bank's new owners will be able to expand the Bank's strengths further, also because they – unlike HSH right now – will not be subject to any business restrictions. All told, HSH Nordbank is set up in a smart and balanced way. It has a strong market position, well-functioning processes and employees who are as skilled as they are motivated. This is a promising combination for investors. The Bank commands a very good position in northern Germany and is also represented in the rest of the country. Particularly the metropolitan region around Hamburg is very strong economically. The Bank has an excellent market position in its Real Estate Clients, Energy & Utilities as well as Corporate Clients divisions. With our Capital Markets, Wealth Management and Transaction Banking divisions, we support our client-related activity in a prudent manner.

Who would be a potential buyer for HSH Nordbank?
Stefan Ermisch: First, the important thing is that creative solutions are called for and that's why I think much is conceivable: starting with the involvement of a strategic investor, then the possibility of an IPO and through to another Landesbank, which wants to extend or round off its business, buying a stake. Besides, it should be remembered that the states of Hamburg and Schleswig-Holstein might, even after 2018, continue to hold stakes of up to 25 per cent in the Bank for another four years.

REPORT OF THE SUPERVISORY BOARD FOR THE 2015 FINANCIAL YEAR

HSH Nordbank looks back on an eventful 2015 financial year. The positive agreement in principle with the EU Commission meant not only that the replenishment of the second-loss guarantee by the federal states from € 7 to 10 billion was approved, but also a decision was taken on the future of the Bank. This event was significant given the backdrop of a continuing difficult market setting, in particular the still difficult situation in the shipping sector and volatile US dollar exchange rates. Speculation about the wind-down of HSH Nordbank ahead of the EU decision also did not fail to impact on the Bank's business situation. This agreement in principle in October 2015 is all the more significant as it gives the owners, staff and clients a foundation for making dependable plans and strengthens the basis for the future of the Bank. At the same time it confirms the efforts made in recent weeks and months to resolutely build up the client business and reduce legacy assets in a risk-conscious manner and to rapidly implement the restructuring measures initiated. Amid this setting characterised by uncertainty the Supervisory Board advised the Management Board in the management of the company and monitored its management activities. Apart from questions relating to the Bank's strategic alignment, which were discussed jointly with the Management Board in the course of a separate workshop, the Supervisory Board always kept itself informed on the economic and financial performance overall and of individual business segments. Deviations from planning in the course of business were explained to the Supervisory Board.

The Management Board informed the Supervisory Board regularly, punctually and comprehensively about business policy and other fundamental questions of corporate governance and planning, the financial performance, the income situation as well as the Bank's risk, liquidity and capital management, about major legal disputes and transactions and events of considerable significance to the Bank. The Supervisory Board was involved in decisions of material importance for the Bank. The Chairman of the Supervisory Board and the Chairs of the Risk Committee and Audit Committee were moreover kept informed by the Management Board of important topics and of upcoming decisions, including between scheduled meeting dates. Where resolutions were required between meetings, these were passed by the Supervisory Board in writing.

MEETINGS OF THE SUPERVISORY BOARD

Eight meetings of the Supervisory Board were held during the 2015 financial year, three of which were convened for extraordinary reasons. One resolution was passed in writing.

The Management Board kept the Supervisory Board informed of the Bank's current economic situation, the business performance as a whole and in the individual business areas and in relation to the current business plan, the risk position, the trend of capital and the liquidity and funding situation during all ordinary meetings. The Supervisory Board subjected the reports to critical scrutiny and requested additional information and documents in some cases. The subject of regular reports also included status reports on the EU state aid proceedings, on the Bank's transformation programme and on tax risks from ongoing company audits. The Supervisory Board also discussed various Management Board matters. The auditors regularly took part in the Supervisory Board meetings and were available to the Supervisory Board for additional information. The quarterly results were discussed with the Management Board in the presence of the auditor of the financial statements.

During a joint strategy discussion the Supervisory Board held in-depth talks with the Management Board on the Bank's alignment in terms of business strategy and the upcoming challenges.

Furthermore, the Supervisory Board participated in two advanced training sessions in the 2015 financial year, in which – apart from questions relating to current trends in regulatory law – issues specific to the Bank were explained and discussed.

The meeting on 24 February 2015 focused on an in-depth discussion of the financial, capex and personnel plan from 2015 – 2017 presented by the Management Board. In addition, the targets for the Management Board were fixed for 2015. Furthermore, the Supervisory Board discussed the Report on Corporate Governance, the Declaration of Conformity and the report of the Supervisory Board for the 2014 financial year. The ongoing challenges for corporate client business were discussed in depth on the basis of a presentation on the Corporate Clients and Wealth Management business areas. Another topic was a report on the Energy & Infrastructure business area, in which among other things the target portfolio consisting of solar and wind energy as well as transport infrastructure projects was discussed.

The meeting on the annual financial statements took place on 31 March 2015. The meeting was convened primarily in order to endorse the 2014 annual financial statements and consolidated financial statements following the Supervisory Board's own examination and previous discussion with the auditor at the recommendation of the Audit Committee. Furthermore, the other resolutions usually to be adopted in this connection on the recommendations to shareholders at their Annual General Meeting were discussed. In addition, the Supervisory Board recommended the shareholders at the AGM to approve an amendment of the Articles of Association, which had become necessary primarily due to legal/regulatory innovations. At this meeting the Supervisory Board also discussed the attainment of targets by the Management Board for the 2014 financial year. The Supervisory Board also dealt with the strategy for the Shipping business area for 2015 – 2017 against the backdrop of the still difficult situation in international shipping. The Supervisory Board furthermore discussed with the Management Board the annual report on equity holdings.

At its meeting on 29 May 2015 the Supervisory Board dealt with an amendment to the Rules of Procedure for the Management Board. In addition, Messrs. Ermisch and Wittenburg were appointed for a further period of office as members of the Management Board. Mr. Ermisch was also appointed Deputy Chairman of the Management Board. At its extraordinary meeting on 25 June 2015 the Supervisory Board discussed the succession of the Chief Risk Officer, who departed at the end of May 2015. Ulrik Lackschewitz was appointed a member of the Management Board of HSH Nordbank AG effective 1 October 2015.

At the meeting on 27 August 2015 the Supervisory Board focussed on the financial report for the first six months, which was discussed with the Management Board in the presence of the auditor. Furthermore, the Supervisory Board approved a target figure of 20%, if possible to be met by 30 June 2017, as required by the 'Law on the equal participation of women and men in executive positions in the private and public sector' ("Quota Act") for the gender quota on the Management Board.

The extraordinary meeting of the Supervisory Board held on 18 September 2015 was dominated by the ongoing EU state-aid proceedings. The Management Board discussed the current status and the next steps in this process with the Supervisory Board.

The announcement of the agreement in principle between the EU Commission and the federal states of Hamburg and Schleswig-Holstein on 19 October 2015 prompted an extraordinary meeting of the Supervisory Board on 20 October 2015, at which the result was discussed and evaluated.

Implementation of the EU decision was discussed further at the meeting of the Supervisory Board on 3 December 2015. In addition, the Supervisory Board discussed the results of its efficiency audit pursuant to Section 25d of the German Banking Act. Furthermore, the update of the Declaration of Conformity on the German Corporate Governance Code and the Management Board report on the structure of the compensation systems based on the German Ordinance on the Compensation of Financial Institutions (IVV) were also on the agenda. Finally, the necessary adjustment of the Lending Guideline to match the terms and definitions in the Capital Requirements Regulation (CRR) was approved.

Where individual members of the Supervisory Board were affected by decisions made by the Supervisory Board or in its committees, either in person or on account of their position, or where other potential conflicts of interest occurred, they did not participate in the deliberations and decisions in the corporate body concerned. The number of further material mandates of the Supervisory Board members can be found in the Corporate Governance report in this Annual Report.

All members of the Supervisory Board attended at least half of the meetings of the Supervisory Board and its committees to which they belong. The attendance rate for all members for all meetings of the corporate bodies was 96% in 2015.

COMMITTEES OF THE SUPERVISORY BOARD

The Supervisory Board formed five committees from among its members for support in its work.

The **GENERAL/NOMINATING COMMITTEE** met seven times last year, of which twice for extraordinary meetings. The General/Nominating Committee prepared the resolutions of the Supervisory Board in accordance with the Rules of Procedure of the Supervisory Board and in this connection dealt above all with Management Board matters, especially with proceedings against former Management Board members and the re-appointment of Messrs. Ermisch and Wittenburg and the appointment of Mr. Lackschewitz. As far as necessary resolutions were adopted or recommendations made to the Supervisory Board for resolutions to be adopted.

The **RISK COMMITTEE** met five times in the past financial year. At its meetings, which were regularly also attended by representatives of the auditors, it discussed in depth the Bank's risk situation and risk management, particularly the risk strategy and credit, liquidity, country, market and operational risks together with tax and reputation risks. Individual exposures of importance to the Bank were discussed, as were the regularly presented risk reports on the individual asset classes. The Risk Committee sought information on all exposures subject to mandatory reporting and granted its approval on business transactions requiring approval by law. In addition, the committee received at all meetings a report on recent events and trends and their impact on the risk situation. The same applies to enquiries or audits under bank regulatory law with regard to the minimum requirements for risk management, on which the Management Board provided regular information. Furthermore, the Risk Committee dealt with the required adjustments to the internal guidelines for the lending business. The extent to which the incentives set by the Bank's compensation systems take adequate account of the risk, capital and liquidity structure was also the subject of a Risk Committee meeting.

The **AUDIT COMMITTEE** met four times in 2015. Representatives of the auditor took part in all meetings. During its first meeting on 30 March 2015, the members of the Audit Committee discussed with the auditor the Bank's annual financial statements and Group financial statements and the correspondent audit reports. In this context the Audit Committee also discussed the relations with associated companies (dependence report). The committee checked the independence of the auditor pursuant to the requirements of the German Corporate Governance Code on the basis of the auditing company's declaration of independence and prepared the appointment of KPMG AG Wirtschaftsprüfungsgesellschaft as the auditor for 2015. In addition to this, the committee obtained information on the status of current issues relating to the bank regulator. At the meeting of the Audit Committee on 26 August 2015 the auditors presented their findings of the review of the half-year report and discussed them with the committee prior to its publication. Moreover, at this meeting the initial results from the audit of the annual financial statements were discussed with the committee. The committee received regular reports on the commissioning of the auditors with non-audit services, on the work of Internal Auditing and on compliance issues. The committee confirmed the effectiveness of the risk management system – especially Internal Auditing the Internal Control System. Furthermore, the committee discussed the results of the securities account audit and the audit of securities service business pursuant to the Securities Trading Act (WpHG). It deliberated continuously on how to deal with audit findings from previous audits and of findings from non-event-driven audits by the bank regulator. Finally, the issues dealt with by the committee were rounded off by status reports on the IT changeover and a review of IT strategy.

The **COMPENSATION MONITORING COMMITTEE** met three times in the year under report. At these it held in-depth discussions of the Bank's compensation systems and regularly received reports on the status of implementing the stipulations in the Ordinance on the Remuneration of Financial Institutions. Moreover, the Compensation Officer reported to the Compensation Monitoring Committee on the results of his monitoring and presented his annual Compensation Monitoring Report to the committee. The Chairman of the Compensation Monitoring Committee also held regular exchanges with the Compensation Officer on relevant issues outside the meetings.

No meetings of the **MEDIATION COMMITTEE** that is to be formed pursuant to the provisions of the Co-Determination Act were required in 2015.

The chairpersons of the committees regularly reported to the Supervisory Board during the subsequent plenary sessions about the work and results of the committees' deliberations.

AUDIT AND ADOPTION OF THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS FOR 2015

The accounts, annual financial statements including the status report and the consolidated financial statements including the Group status report for the year 2015 were audited by KPMG AG Wirtschaftsprüfungsgesellschaft. KPMG was elected as auditors and Group auditors by the general shareholders' meeting on 19 May 2015. All audits resulted in an unqualified auditor's certificate with an explanatory note saying that, without limiting this assessment, the going concern assumption for accounting and valuation is based, in particular, on

(i) full and on-time conclusion of the agreements required for implementation of the EU Commission's formal decision in the EU state aid proceedings on replenishment of the second-loss guarantee as well as HSH Nordbank AG and its shareholders implementing the formal decision fully and on time

(ii) a sale of the operational HSH Nordbank AG having taken place by 28 February 2018 by way of an open, discrimination-free, competitive and transparent process at a favourable selling price free of state aid and the EU having approved the new corporate structure following a viability review. Should the selling process not, by the disposal deadline, lead to favourable bids free of state aid or the Commission conclude the viability review with the finding that integrating the operating company in the new corporate structure would not result in a business model that is viable in the long term, the operating company would discontinue its new business and manage its assets within the scope of what is legally permissible with the objective of an orderly wind-down. In the event of material, unexpected outflows of funds (e.g. in the scenario described above), measures to bolster liquidity would have to be applied.

Furthermore, it is necessary that the acceptance of market participants and other relevant stakeholders required for the successful implementation of HSH Nordbank's business model and the stipulations arising from the EU Commission's formal decision is maintained or gained and that the expected recoveries in the shipping markets occur.

The documentation relating to the financial statements and the audit reports together with all attachments were sent out to the members of the Supervisory Board. The auditor initially reported on the implementation and material results of his audit at the meeting of the Audit Committee on 7 June 2016. On this basis and on the basis of its own audit the Audit Committee discussed the results in detail with the auditor. At the Supervisory Board meeting on 8 June 2016 the Chairman of the Audit Committee reported to the Supervisory Board on the result of the deliberations on the Audit Committee. The auditors took part in the meeting of the Supervisory Board and reported on the material results of their audit. On the recommendation of the Audit Committee, the Supervisory Board finally agreed with the findings of the audits following its own examination of the reports of the auditors and in-depth discussion and established that following the final result of its own inspections there were no objections to be raised. The Supervisory Board adopted the 2015 annual financial statements drawn up by the Management Board and approved the 2015 consolidated financial statements. Furthermore, it adopted the report of the Supervisory Board for the 2015 financial year.

Furthermore, the Management Board has presented its own report on relations with associated companies (dependence report) in fiscal year 2015 to the Supervisory Board and the statutory auditor on time. The statutory auditor has reviewed the dependence report and issued the following unqualified auditor's certificate:

"After due examination and assessment we confirm that

1. the factual statements of the report are correct, and
2. the Company's services with respect to the transactions listed in the report were not disproportionately high."

The Audit Committee and the Supervisory Board have reviewed the Management Board's dependence report and the statutory auditor's audit report and have held discussions with the Management Board and the statutory auditor in the context of the annual financial statements. The Supervisory Board agreed with the results of the statutory auditor's report because in its assessment no objections could be raised to the Management Board's statement on the dependence report.

CHANGES IN PERSONNEL

Apart from the appointment of Mr. Jörg Wohlers and Mr. Klaus-Dieter Schwettscher as new members of the Supervisory Board effective the beginning of the year under report, there was one more change in personnel on the Supervisory Board in the course of the year. Mr. Torsten Heick left the Supervisory Board effective 1 July 2015. Mr. Peter Axmann was judicially appointed his successor effective 14 July 2015. In 2016 Ms. Auerbach left the Supervisory Board effective 31 March 2016. Ms. Cornelia Hintz was judicially appointed her successor effective 18 May 2016. The Supervisory Board would like to thank Ms. Auerbach and Mr. Heick for their many years of committed service to the Bank.

There was also one change in the composition of the Management Board during the 2015 reporting year. Mr. Edwin Wartenweiler left the Bank's Management Board effective 1 June 2015. Mr. Ulrik Lackschewitz started work as the new Chief Risk Officer and new Management Board member on 1 October 2015.

The Supervisory Board thanked the Management Board and all employees for their great personal commitment and their work under the difficult conditions experienced by the Bank.

Hamburg/Kiel, 8 June 2016

The Supervisory Board

Dr Thomas Mirow
Chairman of the Supervisory Board of HSH Nordbank AG