FINANCIAL INFORMATION

AS AT 31 MARCH 2015

HSH NORDBANK

KEY FIGURES

INCOME STATEMENT

(€ m)	**January – March 2015**	Following adjustment January – March 2014
Net income before restructuring	357	489
Net income before taxes	234	355
Group net result	206	215

BALANCE SHEET

(€ bn)	**31.03.2015**	31.12.2014
Equity	4.9	4.7
Total assets	112.8	110.1
Business volume	122.7	119.9

CAPITAL RATIOS[1]

(%)	**31.03.2015**	31.12.2014
CET1 ratio	10.0[2]	10.0[2]
Tier 1 capital ratio	13.7	14.4
Regulatory capital ratio	18.1	18.7

EMPLOYEES

(computed on a full-time equivalent basis)

	31.03.2015	31.12.2014
Total	2,509	2,579
Germany	2,361	2,422
Abroad	148	157

LONG-TERM RATINGS

	Unguaranteed liabilities	Guaranteed liabilities[3]	Public-sector Pfandbriefe	Mortgage Pfandbriefe	Ship Pfandbriefe
Moody's	Baa3	Aa1	Aa2	Aa3	Baa2
Fitch	BBB–	AAA	–	–	–

[1] According to the same period calculation under the Capital Requirements Regulation (CRR).
[2] Additionally, there is a buffer of 2.6 (31 December 2014) respectively 2.0 (31 March 2015) percentage points resulting from the effect of the second loss guarantee.
[3] Liabilities covered by the guarantor liability (Gewährträgerhaftung).

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

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Note:
This Financial Information of the HSH Nordbank Group as at 31 March 2015 is released voluntarily and does not comply with all the accounting requirements applicable to interim reporting for capital-market-oriented companies. Recognition and measurement rules were applied on the basis of the IFRS.

HSH NORDBANK AT A GLANCE
AS AT 31 MARCH 2015

INCOME STATEMENT

(€ m)	**January – March 2015**	Following adjustment[1] January – March 2014	Change in %
Interest income	1,239	1,312	– 6
Interest expense	– 944	– 1,123	– 16
Net income from hybrid financial instruments	– 28	– 134	79
Net interest income	**267**	**55**	**> 100**
Net commission income	38	34	12
Result from hedging	5	– 6	> 100
Net trading income	27	51	– 47
Net income from financial investments	5	99	– 95
Net income from financial investments accounted for under the equity method	–	2	– 100
Total income	**342**	**235**	**46**
Loan loss provisions	202	396	– 49
Administrative expenses	– 162	– 173	– 6
Other operating income	15	31	– 52
Expenses for European bank levy	– 40	–	> 100
Net income before restructuring	**357**	**489**	**– 27**
Result from restructuring	– 5	– 5	–
Expenses for government guarantees	– 118	– 129	– 9
Net income before taxes	**234**	**355**	**– 34**
Income tax expenses (–)/income (+)	– 28	– 140	– 80
Group net result	**206**	**215**	**– 4**
Group net result attributable to non-controlling interests	–	–	–
Group net result attributable to HSH Nordbank shareholders	206	215	– 4

[1] Adjusted in accordance with IAS 8.14 et seq.

BALANCE SHEET

ASSETS

(€ m)	**31.03.2015**	31.12.2014	Change in %
Cash reserve	2,764	5,967	– 54
Loans and advances to banks	9,686	6,915	40
Loans and advances to customers	69,690	67,336	3
Loan loss provisions	– 1,482	– 2,061	– 28
Positive fair value of hedging derivatives	312	1,405	– 78
Positive adjustment item from portfolio fair value hedges	553	510	8
Trading assets	11,450	9,163	25
Financial investments	17,798	18,688	– 5
Financial investments accounted for under the equity method	–	1	– 100
Intangible assets	24	27	– 11
Property, plant and equipment	421	399	6
Investment property	118	185	– 36
Non-current assets held for sale and disposal groups	22	34	– 35
Current tax assets	78	85	– 8
Deferred tax assets	1,162	1,190	– 2
Other assets	228	238	– 4
Total assets	**112,824**	**110,082**	**2**

LIABILITIES

(€ m)	**31.03.2015**	31.12.2014	Change in %
Liabilities to banks	16,042	14,547	10
Liabilities to customers	44,261	43,165	3
Securitised liabilities	26,270	27,634	– 5
Negative fair values of hedging derivatives	967	1,156	– 16
Negative adjustment item from portfolio fair value hedge	1,152	1,202	– 4
Trading liabilities	10,506	9,246	14
Provisions	1,830	1,699	8
Current tax liabilities	125	129	– 3
Deferred tax liabilities	61	81	– 25
Other liabilities	1,081	1,044	4
Subordinated capital	5,617	5,507	2
Equity	4,912	4,672	5
Share capital	3,018	3,018	–
Capital reserve	487	487	–
Retained earnings	1,025	929	10
Revaluation reserve	151	108	40
Currency conversion reserve	39	– 16	>100
Group net result	206	159	30
Total before non-controlling interests	4,926	4,685	5
Non-controlling interests	– 14	– 13	– 8
Total equity and liabilities	**112,824**	**110,082**	**2**

BUSINESS DEVELOPMENTS
AS AT 31 MARCH 2015

OVERVIEW OF BUSINESS PERFORMANCE

Successful start to the year

In the first quarter 2015 HSH Nordbank made progress in implementing the customer-based business strategy in line with the plan. The Bank was able to perform well in a challenging competitive environment and continue the positive trend in new business as planned. Income of the Core Bank was able to profit appreciably from this development. High-risk legacy assets held in the Restructuring Unit were further reduced at the same time, thereby underpinning HSH Nordbank's focus on the future core business. The Bank continued to press ahead at the beginning of 2015 with the implementation of the cost reduction programme initiated at the 2014 year end.

Net income before and after taxes significantly positive

Net income before taxes amounted to € 234 million as at 31 March 2015 (same period of the previous year: € 355 million) and includes the full new European bank levy for the year 2015 in the amount of € –40 million. After deduction of the tax expense a Group net income of € 206 million remained (same period of the previous year: € 215 million).

Operating successes achieved in customer business are reflected in HSH Nordbank's positive results. These contributed in particular to the increase in net interest income to € 267 million (same period of the previous year: € 55 million). The elimination of the adverse impact of special effects recognised in the first quarter of the previous year as well as a one-off effect in the first quarter of this year are also reflected in the higher net interest income. Overall, the negative income impact resulting from the ongoing reduction of the Restructuring Unit's portfolio and loan principal repayments was more than offset. Net trading income also benefited in the first quarter of 2015 from operative customer transactions. On the other hand, IFRS measurement effects had an overall negative impact on net trading income due to volatile developments in the financial and currency markets. At the same time net income from financial investments was significantly below that of the same period in the previous year, which was characterised by higher gains on disposal and reversals of impairment losses. Overall, total income of the Group improved significantly to € 342 million (same period of the previous year: € 235 million).

Savings achieved in operating and personnel expenses also contributed to the positive results for the first quarter. Administrative expenses decreased to € –162 million compared to € –173 million in the first quarter of the previous year.

Furthermore, the positive compensation effects of the second loss guarantee were again reflected in the results of the first quarter. On the one hand, loan loss provisions recognised on legacy positions in the shipping loan portfolio were compensated. On the other, guarantee premiums recognised as expense in previous quarters were again reversed due to the temporary debt waiver by the guarantors to ensure an appropriate capital ratio (capital protection clause). In total, this resulted in the disclosure of loan loss provision income of € 202 million (same period of the previous year: € 396 million).

The relief provided by the guarantee continued to be offset by high premium expense for the guarantee. Earnings were depressed by the base premium of € –118 million payable in the first quarter for the guarantee facility provided and the additional premium (to be recognised in loan loss provisions as expense) of € –212 million – in total an increase to € –330 million (same period of the previous year: € –169 million).

Additional expense resulted from the recognition of provisions totalling € –40 million for the European bank levy payable for the first time in 2015 and for the contribution, also payable for the first time, to the deposit guarantee scheme of the German Savings Banks Finance Group against the backdrop of the new requirements for European deposit guarantee schemes.

Positive Core Bank result benefits from successful customer business – measurement effects have an adverse impact

The Core Bank, in which the strategic divisions of HSH Nordbank are combined, generated net income before taxes of € 109 million for the first quarter (same period of the previous year: € 109 million). The successful expansion of new business in the core business areas had a positive impact. In particular the good performance in the Real Estate Clients and Energy & Infrastructure divisions, as well as selectively concluded new shipping commitments, had a noticeable impact in this regard. New corporate lending remained subdued and was characterised by intense competition and restrained loan demand. Increased volatility in the financial and currency markets, which created a higher customer demand for the hedging of their transactions, had a positive impact on the sale of capital markets products in all core areas.

Loan loss provisions in the Core Bank were focused almost solely on legacy portfolios in the shipping loan recovery unit, whilst the risk trend in the other core business areas was largely unremarkable.

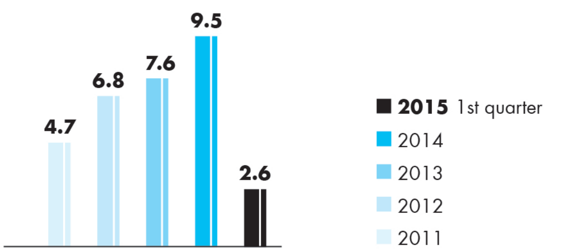
The positive income effect of new business continued to be partly offset by scheduled and early loan principal repayments made by customers as well as the ongoing recovery activities in the ship financing division. In addition, the Core Bank was adversely impacted by various measurement effects, including the currency translation of certain assets denominated in foreign currency due to the movement in the US dollar, and provisions for the European bank levy and annual contribution to the deposit guarantee scheme, both of which are mainly recognised in the Core Bank.

Earnings power and portfolio quality of the Core Bank improved by increase in new business

New business in the Core Bank increased further at the beginning of 2015 in line with the business and risk strategy. The volume of new business transacted increased by about a quarter to € 2.6 billion in the first quarter compared to the same period of the previous year (€ 2.1 billion) and thereby achieved the overall pro rata target level for 2015. It was also possible to noticeably increase the proportion of new loans disbursed compared to the previous year. The trend of the interest margins achieved was encouragingly stable despite the challenging competitive environment. It was also possible to markedly improve cross-selling income thanks to services that extended beyond loan financing. This reflects a greater use of products by customers (including risk hedging products, transaction banking) and a strengthening of customer relationships.

NEW BUSINESS OF THE CORE BANK

(€ bn)



The individual customer departments contributed to the performance in varying degrees. As in 2014, the Real Estate Clients division as a financing partner of choice throughout Germany recorded the sharpest increase in new business in the first quarter. The Energy & Infrastructure and Shipping divisions have significantly increased their new business with their clients compared to the previous year. New business transacted in the Corporates Clients division remained below the level of the same period of the previous year and target level given the deliberate focus on an appropriate risk/return profile in a difficult competitive environment, whereas its contribution to cross-selling income of the Bank was significantly increased.

The regional spread of the new business is balanced and contributes to the further diversification of the loan portfolio. About 39% of the new business transacted in the period under review is attributable to the core region of Northern Germany. The Bank was able to achieve the remaining portion with clients located in other regions of Germany (43%) and abroad (18%).

The increase in new business with solid margins had a positive impact on the Core Bank's earnings base. At the same time the portfolio quality in the Core Bank was further improved by focusing on new commitments with a lower risk and reducing existing loans with comparatively less favourable risk parameters.

Overall, the positive new business performance is underpinning the advanced implementation of the Core Bank's client-based business model and the solid position of the customer divisions in their target markets.

Total assets of the Core Bank increased against the backdrop of the new business expansion and appreciation in the US dollar exchange rate (portfolio effect: € +1.7 billion) to € 79 billion as at 31 March 2015 (31 December 2014: € 76 billion). The increase in total assets was offset by scheduled and unscheduled principal repayments.

Net income of the Restructuring Unit decreases as a result of the lower debt waiver

The Restructuring Unit, which is responsible for winding down the legacy portfolios, generated net income before taxes of € 125 million compared to € 246 million in the same period of the previous year. This significant reduction is the result of the lower relief provided by the debt waiver issued by the guarantors compared to the first quarter of the previous year and the ongoing winding down of the portfolio, which led to a further decrease in the interest-bearing loan volume. The restructuring successes achieved in respect of international real estate and corporate loans together with positive measurement effects on, for example, EUR/USD basis swaps and increases in the value of debt instruments as a result of the narrowing of risk discounts (spreads) contributed to net income.

Winding down of legacy portfolios driven forward

The winding down of non-strategic, high-risk legacy portfolios was continued in the Restructuring Unit. Following the significant decrease by € 6 billion to € 31 billion in 2014 segment assets of the Restructuring Unit were further reduced to € 30 billion in the first three months of 2015 despite the offsetting effect of the appreciation of the US dollar.

In order to further reduce risk positions in the Ship loan portfolio ships are transferred from insolvent companies to new structures with new equity and debt capital within the framework of structural solutions (Nautilus structure), under which the existing loan financing is partially replaced with the effect that HSH Nordbank no longer has a commitment for the full amount of the original loan volume. The Bank thereby reduces its risk and retains the option of receiving back a substantial portion of the debt capital provided for the ship financing at a later date depending on general market developments. An initial transaction of this kind had already been concluded by HSH Nordbank by the end of 2013.

Like this, it was possible to restructure shipping loans totalling € 0.8 billion with investors in the first quarter of 2015. It is expected that further transactions currently being implemented will be concluded over the coming months.

In the Restructuring Unit's real estate loan portfolio the favourable market climate in the US real estate sectors was exploited to make further sales of € 0.5 billion in the first quarter of 2015. This followed the portfolio reduction already achieved there by the end of 2014 , in part through the sale of a residential real estate loan portfolio.

The favourable capital markets environment in the first quarter was also exploited to further reduce capital markets portfolios by € 0.9 billion. The credit investment portfolio was further reduced to € 3.5 billion by active measures and continued repayments (31 December 2014: € 4.6 billion).

Cost reduction programme driven forward

The cost reduction programme initiated at the end of 2014 and to be implemented by 2017 was driven forward by HSH Nordbank in the first quarter in line with the plan. The focus in recent months was primarily on the further refinement of the defined measures and drawing up concrete implementation plans. Clear milestones were defined for the measures and their achievement is continually reviewed as part of a comprehensive implementation control process in order to ensure that targets are met. At the same time the headcount reduction associated with the organisational changes was also initiated. About one-third of the planned reduction has already been agreed in the first three months of 2015. In mid-May 2015 the Management Board and the Works Council agreed a framework social plan and a reconciliation of interests. These govern the details of the restructuring measures to be implemented and on how to implement the headcount reduction.

The key objective of the cost reduction programme is to achieve a sustainable, competitive cost-income ratio (CIR). The Bank is striving to reduce administrative expenses to a maximum of € 500 million in 2018. The Bank has defined a set of measures for this purpose, including a further reduction in headcount, which will be gradually implemented by the end of 2017.

Further details on the causes underlying the business performance are discussed below in the "Net earnings", "Net assets and financial position" and "Segment results" sections.

NET EARNINGS

Total income increased

Total income clearly increased in the first quarter of 2015 to € 342 million compared to € 235 million in the same period of the previous year. The following developments were relevant in the individual income items for this result.

Total income was driven by net interest income, which reached € 267 million in the first quarter, compared to € 55 million in the same period of the previous year. The growth in new business in the Core Bank together with the stable margin trend had a noticeably positive impact. The welcome effects from the customer business were again partially offset by the substantial portfolio reduction in the Restructuring Unit and loan principal repayments in the Core Bank.

The nevertheless significant increase in net interest income is also attributable to special effect that had to be recognised in the previous year (including the effect of the adjustment of the effective interest rate applied to hybrid financial instruments) and had a marked adverse impact on the results for the first quarter of the previous year. A one-off hedge accounting effect relating to interest rate movements over recent months was also recognised in the first quarter of the current year. This had a positive impact of € +48 million on net interest income. On the other hand a charge of € –26 million had to be recognised in net trading income.

It was possible to increase net commission income to € 38 million compared to € 34 million in the same period of the previous year. The positive trend was mainly reflected in higher loan fees that could be collected due to the expansion of new business as well as the restructuring of legacy commitments.

Net trading income decreased to € 27 million in the first quarter of 2015 (previous year: € 51 million). The trend is characterised by various measurement effects caused by volatility in the financial and currency markets. For example, foreign exchange rate effects (especially arising from the currency translation of the hedging of equity holdings denominated in foreign currency) of € –81 million, own liabilities measured at fair value (€ –15 million) and the above-mentioned one-off hedge accounting effect (€ –26 million) had a negative impact. Measurement effects recognised on customer derivatives against the backdrop of a negative interest environment also resulted in a charge of € –32 million, whereas increases in value in the credit investment portfolio and of other debt instruments (€ 62 million), the measurement result for EUR/USD basis swaps (€ 75 million) and operating successes in the customer business had a positive impact.

Net income from financial investments of € 5 million remained significantly below that of the same quarter of the previous year (€ 99 million), which had benefited substantially from reversals of impairment losses and gains on disposal realised as part of liquidity management. The measurement and disposal of debt instruments (including the credit investment portfolio) also had an overall positive impact in the first quarter of 2015, albeit to a lesser extent than in the same period of the previous year.

HSH Nordbank had already written down receivables from Heta Asset Resolution (HETA) to the current market value in the 2014 annual financial statements, which was required due to the resolution plan announced by the Austrian Financial Market Authority (FMA) and Austrian government at the beginning of March 2015 and the resultant debt moratorium.

Loan loss provisions and foreign exchange result compensated for by the guarantee

In the first quarter of 2015 loan loss provisions focused primarily on restructuring measures carried out in and planned for the Restructuring Unit's shipping portfolio and the shipping financing recovery unit in the Core Bank, which were taken to further reduce the high-risk legacy loans. These charges were offset by a noticeable level of net releases for real estate and corporate loans in the Restructuring Unit based on improved risk assessments and loan principal repayments. The current unremarkable risk trend in the other core business segments was also encouraging.

Overall, this produced net loan loss provision expense of € –113 million before taking into account the compensation effect of the guarantee (same period of the previous year: € –52 million).

Against the backdrop of the appreciation of the US dollar the foreign exchange result to be recognised in loan loss provisions increased to € –462 million (previous year: € –5 million). As far as the currency translation relates to guaranteed portfolios, it is fully compensated for by the guarantee. Foreign exchange positions held in portfolios not covered by the guarantee are managed using hedging instruments.

The loan loss provisions especially recognised for legacy portfolios continued to be largely compensated by the guarantee during the first quarter. The individual components of the guarantee compensation effect of € 777 million comprise gross compensation of € 700 million for the guaranteed portfolio that includes compensation for currency translation effects, income of € 289 million from the reversal of additional premiums due to the debt waiver issued by the guarantors, offset by expenses for additional premiums of € –212 million for the reporting period.

After taking into account the compensating effects under the guarantee, the total amount disclosed for loan loss provisions was income of € 202 million (same period of the previous year: € 396 million).

LOAN LOSS PROVISIONS BEFORE AND AFTER EFFECT OF THE GUARANTEE

(€ m)	January – March 2015	January – March 2014
Loan loss provisions before currency translation and compensation (net), of which:	**– 113**	**– 52**
Core Bank	**– 79**	**– 29**
Shipping (incl. recovery unit)	– 80	– 36
Real Estate Clients	– 4	2
Energy & Infrastructure	–	2
Corporate Clients	3	1
Other	2	2
Restructuring Unit	**– 34**	**– 23**
Shipping loans	– 130	– 18
Real estate loans	67	– 16
Corporate loans	29	4
Other	–	7
Loan loss provisions after currency translation and compensation (net), of which:	**202**	**396**
Core Bank	112	96
Restructuring Unit	90	300

The hedging effect of the guarantee has still not given rise to a cash drawdown. The first loss piece of the Bank (€ 3.2 billion) was utilised by actual payment defaults in the amount of € 1.3 billion as at the end of the quarter (losses submitted for invoicing). As at the reporting date HSH Nordbank is still assuming in its long-term loan loss provision planning that payment defaults will exceed the first loss piece from 2019 and the expected drawdown of the guarantee will add up to a total of € 2.1 billion by 2025.

These expected actual payments under the guarantee are offset by significant fees already paid for the guarantee, through which HSH Nordbank is already making a substantial contribution to compensating the federal states of Hamburg and Schleswig-Holstein for the state aid granted.

Since 2009 HSH Nordbank has recognised a total premium expense of € 3.2 billion in the income statement up to 31 March 2015, which includes base and additional premiums in loan loss provisions disclosed in the compensation line item and the debt waiver (excluding € 0.5 billion relating to a one-off payment required by the EU Commission in 2011, which was then subsequently returned to the Bank as part of a capital increase).

Premiums paid by HSH Nordbank to the guarantors (excluding the one-off payment of € 0.5 billion) increased to € 2.4 billion, of which € 2.1 billion relates to the current base premium and € 0.3 billion to the subsequent base premium payment for the replenishment of the guarantee facility in the middle of 2013.

Administrative expenses reduced as scheduled

The targeted reduction of administrative expenses was continued at the beginning of the year 2015 in line with the plan. These decreased in total in the first quarter of 2015 to € –162 million compared to € –173 million in the same quarter of the previous year.

Personnel expenses, which decreased from € –75 million to € –71 million, were mainly affected by the number of employees that was reduced even further. Compared to the end of 2014, the number of employees within the Group declined by 70 to 2,509 (computed on a full-time equivalent (FTE) basis).

Operating expenses (excluding depreciation/amortisation) decreased slightly to € –80 million compared to € –81 million in the same period of the previous year. Tangible savings resulted from lower building costs and the reduction in the equity holdings portfolio. These were offset in particular by higher costs incurred for restructuring commitments.

Depreciation of property, plant and equipment and amortisation of intangible assets decreased to € –11 million compared to € –17 million in the same period of the previous year. The elimination of special depreciation allowances had a positive impact in this regard.

Other operating income amounted to € 15 million (same period of the previous year: € 31 million). This includes additions to provisions for the contribution to the deposit guarantee scheme of the Savings Banks Finance Group. On the other hand, other operating income benefited again from operating income of companies included in the consolidated financial statements (offsetting expenses in administrative expenses) and income from the deconsolidation of a subsidiary. Income from the reimbursement of costs previously incurred (for example, for legal opinions regarding restructuring commitments) was also reflected in other operating income.

Provisions for the European bank levy payable for the first time in 2015 also had a negative impact. Provisions of € –40 million were recognised for the full amount of the 2015 bank levy in the first quarter.

The result from restructuring of € –5 million (same period of the previous year: € –5 million) includes expenses incurred as part of the cost reduction programme initiated in the fourth quarter 2014.

Slight reduction in guarantee expense

In addition to the guarantee premium expense of € –212 million recorded in loan loss provisions an expense of € –118 million (same period of the previous year: € –129 million) was incurred for the base premium for the past quarter, which is disclosed under the expenses for government guarantees line item. An amount of € –77 million of the base premium is allocated to the Restructuring Unit and € –41 million of the base premium to the Core Bank. The reduction in the base premium expense compared to the same period of the previous year is attributable to a lower proportion for the subsequent payment of the base premium made in connection with the replenishment of the guarantee facility in the middle of 2013.

Positive Group net income

Overall, HSH Nordbank generated above plan net income before taxes of € 234 million despite the charges recognised for the bank levy, the negative interest rate environment and additional provisional measures (same period of the previous year: € 355 million). After deducting tax effects there remains a Group net income of € 206 million (same period of the previous year: € 215 million).

The return on equity for the Group calculated on the basis of the net income before taxes is 20% (previous year: 30%). The cost income ratio improved to 45% due to the increase in total income (previous year: 65%).

The item income taxes amounted to € –28 million in the first quarter and comprises current tax expense of € –3 million and deferred tax expense of € –25 million.

Tax risks are a component of legal risks and mainly result from the fact that the binding interpretation of rules that can be interpreted in specific cases may only be known after several years due to the long period between tax audits. Currently, the tax audits have not yet been finalised for the years starting from 2003 among other things. HSH Nordbank recognised provisions (including interest) totalling € 158 million for tax risks as at the reporting date. For more details please refer to the risk report in the 2014 Group management report.

NET ASSETS AND FINANCIAL POSITION

Slight increase in total assets

Total assets increased slightly in the first quarter of 2015 to € 112,824 million (31 December 2014: € 110,082 million). The strong new business performance and the offsetting effect of the ongoing portfolio reduction in the Restructuring Unit were the main influencing factors in this regard. The appreciation in the US dollar exchange rate over the first three months of the current year also had the effect of increasing the balance sheet.

On the asset side, loans and advances to customers increased to € 69,690 million (31 December 2014: € 67,336 million) during the first three months, which is mainly attributable to the movement in the US dollar exchange rate and new business. Loans and advances to banks increased significantly in this period to € 9,686 million (31 December 2014: € 6,915 million). This is mainly due to an increase in securities repurchase agreements entered into for liquidity management purposes.

Total loan loss provisions (after compensation effects) decreased to € –1,482 million (31 December 2014: € –2,061 million). Excluding the guarantee effect total loan loss provisions would have increased slightly from € –6,135 million to € –6,327 million. Financial investments decreased slightly to € 17,798 million (31 December 2014: € 18,688 million) as a result of the reduction in both the securities and equity holdings portfolios. The cash reserve decreased by almost half compared to the previous year end due to the shifting of credit balances held at central banks into securities repurchase agreements (loans and advances to banks).

Liabilities to banks clearly increased to € 16,042 million (31 December 2014: € 14,547 million). This increase was caused by higher overnight deposits placed by other banks and securities repurchase agreements. Liabilities to customers also increased to € 44,261 million due to higher demand and fixed-term deposits from customers (31 December 2014: € 43,165 million).

Securitised liabilities decreased to € 26,270 million (31 December 2014: € 27,634 million), as the volume of new issues was lower than that of maturities. Reported equity remained nearly stable at € 4,912 million (31 December 2014: € 4,672 million).

Business volume increased after the first three months in particular due to the increased total assets to € 122,665 million (31 December 2014: € 119,879 million). The off-balance-sheet business also increased slightly.

Solid capital ratios as at 31 March 2015

REGULATORY CAPITAL RATIOS

taking the quarterly results into account

(%)	**31.03.2015**	31.12.2014
Total ratio/regulatory capital ratio	18.1	18.7
Tier 1 capital ratio	13.7	14.4
CET1 ratio plus buffer from additional premium	10.0 (+2.0 pp)	10.0 (+2.6 pp)
CET1 ratio plus buffer from additional premium (full implementation of Basel III)	10.0 (+1.0 pp)	10.0 (+1.3 pp)
Leverage ratio	5.0	4.8

(€ bn)	**31.03.2015**	31.12.2014
Regulatory capital	7.6	7.4
of which Tier 1 capital (core capital)	5.7	5.7
of which CET1 capital	4.2	4.0
of which additional Tier 1 capital	1.5	1.7
of which supplementary capital (Tier 2 capital)	1.9	1.7
Risk assets (RWA)	41.8	39.5
of which risk assets counterparty default risk	32.2	30.8

The capital ratios disclosed as at the end of the first quarter of 2015 remained at a solid level.

The CET1 ratio (under the Basel III transitional arrangements) was 10.0% plus a buffer of 2.0 percentage points, which is based on a potential waiver of additional premiums by the guarantor, under which an appropriate CET1 ratio is to be ensured (capital protection clause). Even based on the assumption of full implementation of the Basel III rules (fully loaded) HSH Nordbank's CET1 ratio of 10.0% (plus a buffer of 1.0 percentage points from the potential waiver of additional premiums by the guarantor) is at a solid level. The Tier 1 capital ratio reached a value of 13.7%, the regulatory capital ratio amounted to 18.1%. These figures take the interim financial statements for the first quarter of 2015 into account (same period calculation).

As part of the supervisory process in the Banking Union HSH Nordbank was assigned an individual minimum capital ratio by the ECB that is based on the assumption of full Basel III implementation. This ratio will be exceeded as at 31 March 2015.

The lower CET1 ratio under Basel III compared to 31 December 2014 is mainly attributable to the increase in RWA to € 41.8 billion (31 December 2014: € 39.5 billion). The reasons for this are the appreciation in the US dollar (EUR/USD 1.08 as at 31 March 2015 versus EUR/USD 1.21 as at 31 December 2014), increase in new business, which, as planned, had a greater impact on the RWA despite the better risk parameters than the further winding down of the legacy portfolios covered by the guarantee. The guarantee coverage reduced the RWA in the legacy portfolios. Furthermore, the gradual elimination of the Basel III transitional arrangements from year to year as well as the effect of the quarterly results are reflected in the CET1 capital ratio (phase-in).

The leverage ratio of HSH Nordbank was a solid 5.0 % as at the end of the first quarter of 2015 (31 December 2014: 4.8 %). These figures take the interim financial statements for the first quarter of 2015 into account (same-period calculation).

Funding activities in the first three months

HSH Nordbank has successfully driven forward the implementation of its funding strategy in the first quarter of 2015 and exceeded the pro rata funding plan as at 31 March 2015.

In February HSH Nordbank issued a benchmark ship mortgage bond (ship Pfandbrief) of € 500 million for the first time since 2008. This transaction of the Bank ties up to the issue of ship Pfandbriefe of just under € 400 million that were successfully placed with institutional investors in the past year. Further placements of benchmark Pfandbriefe on the capital markets are planned if market conditions are favourable.

In the first quarter of 2015 the Bank successfully concluded its third large US dollar refinancing with ”Castellum ABF” via the ABF platform established in 2013 as part of its asset-based funding. This refinancing with a volume of USD 360 million has a term of 3.25 years and is secured by commercial real estate loans. ABF transactions based on different asset classes will also be the focal point of HSH Nordbank's funding during the rest of the year. Furthermore, secured funding was increased via entering into longer-term repo transactions totalling USD 240 million in order to further develop original USD funding.

By means of the ABF issues implemented the Bank expands the refinancing of US dollar transactions and reduces the use of EUR/USD basis swaps for derivative foreign currency financing accordingly. An appreciation of the US dollar requires higher collateral be provided in the form of liquidity in the case of US dollar derivative funding. Accordingly, the appreciation of the US dollar against the euro over the past months assessed in isolation resulted in the liquidity position being adversely impacted.

Another focus was the sales and distribution of bond products for the client business of the savings banks as well as for clients of other associations and financial institutions. The increased placement of bonds with institutional investors is resulting in the further diversification of the investor base. Total volume of uncovered bonds (senior unsecured) issued during the first quarter amounted to around € 1.2 billion.

The funding measures carried out in the past months also serve to prepare for the expiry of the guarantor liability (*Gewährträgerhaftung*) at the end of 2015, which is linked to maturities of about € 18 billion in the current year. It is necessary that the planned funding measures continue to be implemented and that the balance sheet can be further reduced as planned in order to offset the issues covered under the guarantor liability that are falling due until 2015.

Should access to refinancing sources such as the German Savings Bank Association and other financial networks contrary to current expectations become more difficult, this would severely limit the funding options.

HSH Nordbank reported a solid liquidity position as at 31 March 2015, which was also reflected in the key liquidity ratios. The liquidity ratio as defined in the German Liquidity Regulation (LiqV) was 1.73 as at the end of the first quarter and was therefore significantly above the regulatory minimum value.

Against the backdrop of the adoption of the Bank Recovery and Resolution Directive (BRRD) and the Single Resolution Mechanism (SRM) the rating agencies Fitch (March 2014) and Moody's (May 2014) downgraded the long-term rating of numerous banks in Europe – irrespective of their financial strength – to a negative outlook as part of a Europe-wide action. The outlook for the HSH Nordbank's rating was changed to Baa3 negative (Moody's) and A– negative (Fitch).

In the middle of March 2015 Moody's announced a global review of bank ratings. As result of this, the status of the long-term rating of HSH Nordbank at Moody's changed as expected to Baa3, rating watch negative. At the same time the rating agency assumes in its announcement that, in view of an expected positive outcome of the EU proceedings currently still pending and increasing restructuring successes, HSH Nordbank's current long-term rating will be confirmed as investment grade by an improvement in the financial strength rating.

As expected, Fitch completed its review of bank ratings in the second quarter of 2015 (middle of May). The European-wide rating action resulted in rating downgrades for the German Landesbanken, amongst others, due to adjusted support assumptions. HSH Nordbank's long-term rating was changed as a result of this action to investment grade rating BBB– with stable outlook.

Detailed information on HSH Nordbank's liquidity and funding is set out in the 2014 Group management report.

SEGMENT RESULTS

SEGMENT OVERVIEW JANUARY TO MARCH 2015[1]

(€ m)

		Shipping, Project & Real Estate Financing	Corporates & Markets	Corporate Center	Consolidation Core Bank	**Total Core Bank**	Restructuring Unit	Consolidation Restructuring Unit	**Total Restructuring Unit**
Total income	**2015**	**150**	**102**	**2**	**– 66**	**188**	**99**	**55**	**154**
	2014	120	107	– 86	11	152	111	– 28	83
Loan loss provisions before currency translation	2015	– 84	3	–	2	– 79	– 34	–	– 34
and compensation	2014	– 34	2	–	3	– 29	– 23	–	– 23
Administrative expenses	2015	– 40	– 84	5	13	– 106	– 56	–	– 56
	2014	– 40	– 77	11	– 10	– 116	– 57	–	– 57
Net income	**2015**	**28**	**24**	**32**	**25**	**109**	**34**	**91**	**125**
before taxes	2014	47	36	– 69	95	109	40	206	246
Segment assets (€ bn)	31.03. 2015	27	31	18	3	79	30	4	34
	31.12. 2014	25	31	18	2	76	31	3	34

Since the 2014 year end the net income from foreign currency of the loan loss provisions is no longer allocated to the segments but disclosed in the consolidation of the Core Bank and the Restructuring Unit. The previous year figures have been adjusted for purposes of comparability.

Core Bank strengthened by successful customer business

The Core Bank, in which the strategic divisions as well as the ship loans recovery unit assigned to the Core Bank, are combined, generated net income before taxes of € 109 million for the first quarter (same period of the previous year: € 109 million). The successful expansion of new business had a tangible positive impact. The sale of capital markets products benefited from increased volatility in the financial and currency markets, which created a higher customer demand for the hedging of their transactions.

The increase in new business with solid margins had a positive impact on the Core Bank's earnings base. Cross-selling income including the provision of services apart from loan financing improved noticeably due to the greater use of products by customers (including risk hedging products, transaction banking). At the same time the portfolio quality in the Core Bank was further improved by focusing on new commitments with a lower risk and reducing existing loans with comparatively less favourable risk parameters.

The positive income effect of new business continued to be partly offset by scheduled and early loan principal repayments made by customers as well as the ongoing restructuring activities in the field of ship loans. Individual measurement effects and provisions for the European bank levy and contribution to the deposit guarantee scheme, both of which were mainly recognised in the Core Bank, also had a negative impact.

Loan loss provisions in the Core Bank were focused almost solely on legacy portfolios in the shipping loan recovery unit, whilst the risk trend in the other core business areas was largely unremarkable.

Total assets of the Core Bank increased against the backdrop of the increase in new business and appreciation of the USD exchange rate (portfolio effect: € +1.7 billion) to € 79 billion as at 31 March 2015 (31 December 2014: € 76 billion). The increase in total assets was partly offset by scheduled and unscheduled principal repayments.

At the beginning of 2015 the Core Bank segments were reorganised as a result of changes in Management Board responsibilities. The Energy & Infrastructure division was assigned to the Corporates & Markets segment (previously part of the Shipping, Project & Real Estate Financing segment), while at the same time the Corporate Finance division, previously part of the Corporates & Markets segment, was assigned to the Shipping, Project & Real Estate Financing segment. The previous year figures of the segments have been adjusted accordingly.

Segment results of the Core Bank

On the one hand, the positive new business trend, which contributed to a noticeable increase in segment income, was reflected in the results of the Shipping, Project and Real Estate Financing segment. On the other hand, restructuring measures in the ship loan (legacy portfolio) recovery unit assigned to the Core Bank together with measurement effects relating to customer derivatives due to negative interest rate developments had an adverse impact. Net income for the segment amounted in total to € 28 million before the relief provided under the guarantee (previous year: € 47 million).

The Shipping division discloses a slight net loss of € –4 million (same period of the previous year: € 7 million). The decrease of the result is mainly attributable to restructuring measures taken regarding legacy assets held in the ship loan recovery unit, which resulted in higher loan loss provision expense in the first quarter of 2015. In addition, the above-mentioned measurement of derivatives resulted in a decrease in total income. In contrast, selective new business concluded by the division had a positive effect. The volume of new commitments in the past quarter increased slightly to € 0.5 billion compared to € 0.4 billion in the same quarter of the previous year. The focus was on both domestic and international commitments to established counterparties, which contributed to a diversified portfolio.

The Real Estate Clients division made the largest earnings contribution in this segment with € 30 million compared to € 40 million in the same quarter of the previous year. This is primarily attributable to the significant increase in new business. In the first quarter of 2015 total new business volume of € 1.5 billion (same period of the previous year: € 1.2 billion) was generated in the core region and throughout Germany – especially in metropolitan areas. The division benefited from its very good market position as well as ongoing favourable market conditions.

Transactions concluded with new clients as well as with international, institutional investors made a substantial contribution to the growth in this division. The reduction in earnings compared to the same quarter of the previous year results in particular from low additions to loan loss provisions after unscheduled reversals had to be recognised in the same quarter of the previous year and from the above-mentioned measurement effects recognised on customer derivatives due to negative interest rate developments.

The Corporate Finance division, which was formed in 2014 from the merger of the former Products division with the subsidiary, HSH Corporate Finance GmbH, and assigned to the Shipping, Project and Real Estate Financing segment in the first quarter 2015, was able to expand its syndication activities in particular as well as M&A business further in recent months. The result of the Corporate Finance division was mainly disclosed in the customer departments within the framework of the management of the business of the Bank.

Significant market trends were still reflected in the performance of the Corporates & Markets segment. Effects of restrained investment activity as well as solid financial resources of many companies continued to be evident in the lending business. The development of project financing business with customers in the Energy & Infrastructure division was encouraging. There was also a positive operating trend in the capital markets business. Against this backdrop the segment generated net income of € 24 million in the first quarter of 2015 compared to € 36 million in the same period of the previous year.

The Corporate Clients division together with the Wealth Management and Energy & Infrastructure divisions made a contribution of € 46 million to earnings which was slightly lower than in the same period of the previous year (€ 48 million). The Corporate Clients division was affected by the generally ongoing restrained corporate demand for financing. Against this backdrop and the targeted focus on an appropriate risk/return profile in a difficult competitive environment new business of € 0.3 billion remained somewhat below the level of the same quarter of the previous quarter (€ 0.4 billion). In addition, more loans were repaid early due to the healthy financial situation of many companies. Only a low level of additions to loan loss provisions had to be recognised in view of the solid business situation of many corporate clients.

The Corporates Clients division will fine-tune its strategy to take full ad-vantage of the business potential. The focus will be on a structural improvement of the business portfolio and successful positioning on a sustained basis.

Key elements will be stabilising the high market penetration in the core region as well as inter-regional concentration on the growth sectors – logistics and infrastructure, energy, healthcare, wholesale and foreign trade as well as the food industry. This takes into account the future integration of the Energy & Infrastructure division into the Corporate Clients division, which has already been assigned to the Corporates & Markets segment since the first quarter of 2015.

Energy & Infrastructure benefited from the conclusion of structured project financing arrangements in Germany and abroad with a volume of € 0.3 billion compared to € 0.1 billion in the previous year. Energy mainly focused on wind and solar projects in the core markets of Germany and France in this context. In addition, it was possible to generate new business in Finland in the wind energy sector for the first time. The opening up of new markets will be driven forward against the backdrop of changed subsidy mechanisms. The Infrastructure business field was able to further expand and diversify its portfolio through projects among others in industry sectors of rail vehicles and pipelines in Germany and the rest of Europe. There were no significant additions to loan loss provisions in the Energy & Infrastructure division at the beginning of 2015.

The Capital Markets as well as Savings Banks & Institutional Clients divisions together generated net income of € –22 million (same period of the previous year: € –12 million). The decrease is partially attributable to the above-mentioned measurement effects recognised on derivatives due to negative interest rate developments. Business activities with savings banks and institutional clients were again focused on the successful range of customised solutions offered for their own and customer business. Capital markets business benefited from, amongst other things, a higher customer demand for currency derivatives against the back-drop of high volatility in the currency markets. There was also a positive trend in trading transactions executed on behalf of customers against the backdrop of declining interest rates and stable risk assessments (spreads).

The result of the Corporate Center segment, which includes the Overall Bank positions as well as the administration and service divisions, improved to € 32 million compared to € –69 million in the same period of the previous year. Compensation assigned to the Corporate Center for the currency translation result arising on loan loss provisions using hedge instruments in currency positions, which are not covered by the guarantee, had a positive impact. The first quarter of the previous year was adversely impacted above all by a special effect arising on the calculation of net income from hybrid financial instruments.

Net income from transaction banking (services related to payment transactions and foreign trade financing) reflected in the result of the Corporate Center segment recorded a moderate increase.

Net income for the Core Bank takes consolidation effects into account

The compensation effect under the second loss guarantee including the effect of the capital protection clause had a positive impact on the consolidation items of the Core Bank. The currency translation loss on loan loss provisions assigned to the consolidation item is compensated under the guarantee, if the currency positions relate to portfolios covered by the guarantee. The special effect from hedge accounting also made an overall positive impact. Various measurement effects in net trading income had a negative impact, if these were not allocated to business segments – for instance, the currency translation result arising on certain assets denominated in foreign currency and own liabilities measured at fair value. The recognition of provisions for the European bank levy also had an adverse impact in the first quarter of 2015.

Furthermore, the positions Result from restructuring and Expenses for government guarantees not allocated to the operating business had an impact on the consolidation column. In total, net income of the consolidation position amounted to € 25 million (previous year: € 95 million).

The Core Bank generated net income before taxes of € 109 million (previous year: € 109 million). This gives a return on equity of the Core Bank of 21% (previous year: 23%). The cost-income ratio of the Core Bank was 60% (previous year: 67%).

Net income of the Restructuring Unit

The Restructuring Unit, which is responsible for winding down the legacy portfolios, generated net income before taxes of € 34 million at segment level compared to € 40 million in the same period of the previous year. The restructuring successes achieved in respect of international real estate and corporate loans together with mainly positive measurement effects on, for example, EUR/USD basis swaps and increases in the value of high-risk debt instruments contributed to net income, whereas the continued winding down of the portfolio, which resulted in a further reduction in the interest-bearing loan volume, had a negative effect.

Including consolidation effects, particularly the positive impact of the capital protection clause, and after taking restructuring and guarantee expenses into account the Restructuring Unit generated net income before taxes of € 125 million (same period of the previous year: € 246 million). This significant decrease is attributable to the lower relief provided by the temporary debt waiver issued by the guarantors for the additional premium compared to the first quarter of the previous year.

OUTLOOK

The following section should be read in conjunction with the other chapters in this financial information and the 2014 Group Management Report of HSH Nordbank. The forward-looking statements contained in this financial information are based on assumptions and conclusions based on information available to HSH Nordbank at the time of preparation of the report. The statements are based on a series of assumptions that relate to future events and are incorporated in the corporate plan. The occurrence of future events is subject to uncertainty, risks and other factors, many of which are beyond HSH Nordbank's control. Therefore actual events may differ considerably from the following forward-looking statements below.

2015 characterised by further structural changes – profit for the year still expected

The strong business performance and positive results generated in the first quarter show that HSH Nordbank has successfully driven forward the implementation of its strategy. HSH Nordbank is continually strengthening the basis for its future development through the ongoing expansion of customer business, consistent reduction of high-risk legacy assets and the restructuring measures initiated.

In view of the good start in 2015 and above plan quarterly results HSH Nordbank continues to believe that positive net income before taxes will be generated for the year as a whole. Higher income from customer business, lower administrative expenses and relief provided by the guarantee, including income from the debt waiver issued by the guarantors for the additional premium, will have a positive impact.

We will seek in the coming months to reach a fundamental agreement regarding the ongoing EU state aid proceedings. Discussions between the Bank's Management Board, Supervisory Board and the federal state majority owners on the one hand and with the EU Commission and Supervisory Authorities on the other will be intensively pursued for this purpose.

The objective is to ensure HSH Nordbank's long-term viability and to obtain final approval from the EU Commission for the replenishment of the guarantee. Structural measures regarding the restructuring of the second loss guarantee to structurally improve HSH Nordbank's profitability and ability to accumulate capital in a continuing challenging banking environment will be discussed in this regard.

Furthermore, the winding down or restructuring of legacy assets is to be facilitated in the future, thereby enabling the Bank to reduce risk even more sharply. HSH Nordbank is confident that these intended changes will be taken into account in the EU proceedings and make a material contribution to the Bank's long-term future viability.

A successful conclusion of the EU state aid proceedings would on the one hand end a period of uncertainty regarding the outcome of the proceedings for HSH Nordbank employees and clients and for capital markets participants. On the other hand, this would rid the Bank of a substantial amount of troubled assets and enable it to continue to successfully implement its business model and improve its market position. In the event that – contrary to current expectations - the outcome of the EU proceedings should not be positive for HSH Nordbank, this would significantly jeopardise the further implementation of the business model and thereby the Bank's future prospects.

The going concern assumption of the Bank for accounting and measurement purposes is based in particular on the presumed approval by the EU commission, under consideration of further structural measures to be implemented, of the replenishment of the capital relief guarantee and the final clearance to the amendment of the guarantee agreement following the preliminary approval given in June 2013. Furthermore, it is based on the assumption that approval will only be connected to requirements that can be implemented within the framework of a viable business plan. It is further required that the acceptance necessary for the successful implementation of HSH Nordbank`s business model by market participants and other relevant stakeholders be maintained.

There are still major challenges and uncertainties regarding the forecasts that result from the sustained difficult developments in the shipping industry including the estimate of the long-term loan loss provision trend (also in the event of a possible sharper reduction in risk), volatility in the financial and currency markets (particularly the US dollar), the pending final approval of the replenishment of the guarantee in the EU proceedings, changing assessments of the rating agencies with regard to the structural challenges in the capital and refinancing areas (including the expiry of the guarantor liability) and continuously evolving requirements of the European banking regulator.

Further details on expectations for the current year as well as significant opportunities and risks are set out in the 2014 Group management report of HSH Nordbank.

CONTACT/IMPRINT

CONTACT

HSH Nordbank AG
Gerhart-Hauptmann-Platz 50
20095 Hamburg, Germany
Phone +49 40 3333 - 0
Fax +49 40 3333 - 34001

Martensdamm 6
24103 Kiel, Germany
Phone +49 431 900 - 01
Fax +49 431 900 - 34002

info@hsh-nordbank.com
www.hsh-nordbank.com

INVESTOR RELATIONS

Phone +49 40 3333 - 14601
Fax +49 40 3333 - 614601
investor-relations@hsh-nordbank.com

PRESS RELATIONS

Phone +49 40 3333 - 12973
Fax +49 40 3333 - 34224
presse@hsh-nordbank.com

IMPRINT

PRODUCTION

Produced inhouse with FIRE.sys

PRINTED BY

HSH Facility Management GmbH, Hamburg, Germany

NOTE

If at times only the masculine form is used for certain terms relating to groups of people, this is not meant in a gender-specific manner, but occurs exclusively for the sake of better readability.

This financial information was published on 3 June 2015 and is available for download at www.hsh-nordbank.com.

This is an English translation of the original German version of the financial information.

FORWARD-LOOKING STATEMENTS

This financial information includes certain forward-looking statements. These statements are based on our beliefs and assumptions as well as on conclusions drawn from information currently available to us from sources which we consider to be reliable. A forward-looking statement involves information that does not simply reflect historical facts, including information relating to possible or anticipated future growth and future economic development.

Such forward-looking statements are based on a number of assumptions concerning future events and are subject to uncertainties, risks, and other factors, many of which are beyond our control. Therefore actual events may differ considerably from those forecast in the forward-looking statements. In view of this, you are advised never to rely to an inappropriate degree on forward-looking statements. We cannot accept any liability for the accuracy or completeness of these statements or for the actual realisation of forecasts made in this financial information. Furthermore, we are not obliged to update the forward-looking statements following publication of this information. In addition, information contained in this financial information does not represent any kind of offer for the acquisition or sale of any type of securities of HSH Nordbank AG.

HSH NORDBANK AG
HAMBURG: Gerhart-Hauptmann-Platz 50, 20095 Hamburg, Germany
Phone +49 40 3333-0, Fax +49 40 3333-34001
KIEL: Martensdamm 6, 24103 Kiel, Germany
Phone +49 431 900-01, Fax +49 431 900-34002
HSH-NORDBANK.COM