

Corporate Governance

The concept of corporate governance describes the principles of responsible leadership and management of a company. HSH Nordbank is emphatically committed to these principles in the interests of sustained economic operation. For many years they have been an essential part of the Bank's philosophy.

A tradition of transparency.

In February 2002 the Government Commission on Corporate Governance published the German Corporate Governance Code, containing the most important guidelines for the management and supervision of German listed companies. Conceived as a supplement to existing company law, the Corporate Governance Code lays down standards for good, responsible corporate management. Its principal goal is to enhance the attractiveness of Germany as a business location for national and international investors.

Corporate management directed toward sustained and responsible growth of enterprise value is a central concern of HSH Nordbank. For this reason the Bank expressly subscribes to the goals of the German Corporate Governance Code. Our two predecessor banking houses, Hamburgische Landesbank and Landesbank Schleswig-Holstein, followed these same management principles, even though they did not possess a corporate governance code of their own.

As an internationally operating organization, HSH Nordbank views it as a priority that the corporate governance system to which it has voluntarily committed itself should be understood and appreciated by shareholders, customers, employees and the general public alike – both nationally and internationally. In order to reinforce long-term confidence, the Bank committed itself to its own Corporate Governance Code

at the time of its foundation. This Code is a constituent element of the procedural rules for the Board of Managing Directors and Supervisory Board. It is written into the bylaws of the Bank and published in its Internet pages (www.hsh-nordbank.com/InvestorRelations).

Voluntary commitment – going further.

HSH Nordbank's Corporate Governance Code reflects the core legal framework regulating the management and supervision of stock corporations, as well as nationally and internationally accepted standards of good, responsible corporate management to which the Supervisory Board and Board of Managing Directors of HSH Nordbank subscribe. Both text and content of the Bank's own Code correspond closely to the German Corporate Governance Code published by the Government Commission.

The German Corporate Governance Code has two parts: the first part depicts the law as applicable to company management; the second part consists of suggestions and recommendations, which are generally expressed in the words "should" or "ought". This latter part contains procedural recommendations for the management and supervision of German companies listed on the stock exchange. These recommendations – and all the more so the suggestions – are not regarded by the German Code as mandatory, but as allowing deviation from the suggested norms.

The HSH Nordbank Code exceeds the terms of the German Corporate Governance Code as it ignores the distinction between legal prescription and recommendation or suggestion. HSH Nordbank views the non-mandatory elements of the German Code as equally binding on it as a company. Both the Board of Managing Directors and the Supervisory Board of HSH Nordbank see the consistency of their own Code as underlining the unique value of the Bank's corporate management principles. Moreover, it encourages a higher level of identification between the addressees of the Code and its content. As its prescriptions are not formulated as options, one does not even think of acting otherwise.

Key aspects of the Bank's Corporate Governance Code.

To facilitate comparison with the German Code, and to enhance transparency, the detailed structure of the German Code was taken over. In compiling the Bank's own Code, each regulation of the German Code was scrutinized for its specific relevance to the Bank. The main points of divergence from the German Corporate Governance Code are summarized at the end of the HSH Nordbank Code.

The principal rules of the HSH Nordbank Code govern the following areas:

- shareholder rights;
- annual shareholders' meeting;
- cooperation between the Board of Managing Directors and the Supervisory Board;
- rights and duties of the Board of Managing Directors, with specific reference to tasks and competencies, structure and remuneration, conflicts of interest;
- rights and duties of the Supervisory Board with specific reference to tasks and competencies, tasks and competencies of the Chairperson of the Supervisory Board, formation of committees, structure and remuneration, conflicts of interest, efficiency checks;
- transparency;
- preparation and publication of financial statements and audit of annual accounts.

Compliance with the stipulations of HSH Nordbank's Corporate Governance Code is continuously monitored. The Bank has complied in full with the prescriptions of its Code since the date of its foundation, and continues to do so. At its meeting on March 29, 2004 the Supervisory Board determined that, in the period under review, it had fulfilled the tasks incumbent on it

by law, statutes and Corporate Governance Code. The Supervisory Board determined further that it had been informed by the Board of Managing Directors in a regular, comprehensive and timely manner about the Bank's business development, fundamental questions of corporate planning, the risk situation and important individual occurrences. The Supervisory Board and its committees were informed of all issues requiring their decision or knowledge. The Supervisory Board was therefore able to

Hamburg/Kiel, May 2004



Heide Simonis
Chairwoman of the Supervisory Board
HSH Nordbank

confirm its activities as efficient in accordance with article 5.6 of the Bank's Corporate Governance Code.

HSH Nordbank AG understands corporate governance as an ongoing process involving every member of the organization. The Bank's own Corporate Governance Code can be adapted at any time in response to new circumstances, especially if there should be developments in company law or changes in the German Code.

Hamburg/Kiel, May 2004



Alexander Stuhlmann
Chairman of the Board
of Managing Directors
HSH Nordbank