



REMUNERATION REPORT

as at 31 December 2015

Disclosure under Section 16 of the InstitutsVergV in conjunction with Article 450 of Regulation (EU) no. 575/2013

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1 Preliminary remarks and principles for remuneration

Norddeutsche Landesbank Girozentrale (NORD/LB) is a major institution according to the Remuneration Regulation for Institutions (InstitutsVergV) because its total assets in the last three financial years have exceeded € 15 billion. NORD/LB's remuneration system is therefore subject to the specific requirements of the InstitutsVergV.

This remuneration report relates to the remuneration of employees of NORD/LB Anstalt öffentlichen Rechts (AöR) in Germany and abroad for the financial year of 2015. The disclosures relating to Landesförderinstitut Mecklenburg-Vorpommern and Investitionsbank Sachsen-Anhalt are added for information purposes only. The Group companies Bremer Landesbank Kreditanstalt Oldenburg Girozentrale, Deutsche Hypothekbank Actien-Gesellschaft and Norddeutsche Landesbank Luxembourg S.A. Covered Bond Bank meet their disclosure requirements independently in accordance with the respective regulations.

The remuneration strategy of NORD/LB is designed to meet the regulatory requirements and to achieve sustainability, so as to promote the responsible and risk-conscious behaviour of employees. Remuneration decisions are made as a valuable investment in employee potential, also with regard to the strategic alignment of the bank. NORD/LB uses an attractive and competitive remuneration system to attract and retain its employees. In this case the bank considers it important for fixed and variable remuneration to be in an appropriate proportion to one another and that the variable remuneration in particular rewards good performance.

By means of interbank and market comparisons and balanced between the various business segments of the bank both in Germany and the locations abroad.

In so doing, NORD/LB shows that it is committed to a responsible and sustainable remuneration policy.

The total remuneration is made up of fixed and variable components:

// The fixed and variable components are in appropriate proportion to one another and no incentives are provided for taking disproportionately high risks.

// The ratio of variable to fixed remuneration was set at a maximum of 100% in Germany and abroad for the 2015 accounting period.

// Payments from third parties which the employees or the management receive in respect of their professional activities are reviewed on an annual basis to assess the appropriateness of remuneration and whether fixed and variable costs are in appropriate proportion to one another.

// NORD/LB's remuneration system does not run counter to the monitoring function of the control units. In particular there is no risk of a conflict of interests.

// The fixed remuneration fundamentally represents the main part of total remuneration and is designed so that employees are not reliant on the variable remuneration to cover reasonable living costs.

// Guaranteed variable remuneration (e.g. guaranteed annual bonuses) is not granted, apart from at the start of a contract of employment and at the most for one year.

// In the case of termination of employment, guaranteed severance payments are not and will not be agreed. Severance payments are only made on the basis of a collective agreement or a negotiated agreement when an employee leaves the bank.

2 Governance structure for remuneration

The Managing Board is responsible for ensuring that the structure of the remuneration system for the bank's employees is appropriate. It approves the remuneration system, including the internal remuneration principles, and the annual budget for individual salary increases. The Managing Board also specifies the scheduled annual budget for variable remuneration, which is linked to defined parameters. After the end of the accounting period, the Managing Board resolves on the actual amount and the business section related distribution of the volume of variable remuneration for its employees while at the same time taking account of risk criteria.

NORD/LB's remuneration system is based on the collective agreements for the private banking sector and public banks, works council agreements for bonuses and annual appraisals, and the internal policy relating to the principles for remuneration systems for pay-scale and contract employees. The Supervisory Board decides on remuneration for the members of the Managing Board. The remuneration is finalised in the respective contract of employment.

The remuneration officer and the task-related control units of the bank are involved in the new development and further development of remuneration systems. Compliance with the bank's remuneration system is set out in writing in the organisational guidelines and was monitored in the past financial year by the Personnel Department.

The remuneration officer monitors the appropriate structure of remuneration systems for employees, which is documented in an annual report on the appropriateness of the employee remuneration systems (remuneration control report). Monitoring was also carried out by the Supervisory Board Remuneration Control Committee. The Remuneration Control Committee met four times in the 2015 accounting period. The following topics were among those addressed as part of the function of the Committee:

// Structuring Managing Board remuneration

// Reviewing the ascertainment of the total amount of variable remuneration

// Assessing the effects of remuneration systems and make sure that the focus is on the sustained development of the institution (incentives in the remuneration system)

// Monitoring and assessing the appropriate structure of remuneration systems (remuneration control report)

// Acknowledging the remuneration report.

The Supervisory Board is responsible for the appropriate structuring of the Managing Board remuneration systems. The Remuneration Control Committee performs an important advisory function. It prepares the resolutions to be passed by the Supervisory Board. It also met four times to address the topics specified above in the 2015 accounting period.

The main features of the remuneration system for the respective employee groups are explained in the following. For this purpose NORD/LB distinguishes between the following employee groups:

// Pay-scale and contract employees,

// Risk takers (employees whose activities have a significant impact on the overall risk profile of the bank),

// Employees in the foreign branches including employees posted abroad and

// the members of the Managing Board.

3 Remuneration systems for pay-scale and contract employees

3.1 Fixed remuneration

The collective agreements for the private banking sector and public banks are applied for those employees of NORD/LB who are bound by collective agreement or with whom it has been agreed that these collective agreements apply (pay-scale employees). Pay-scale employees are grouped into tariff groups and remunerated with 13 monthly salaries per annum according to the activities they perform. Continued above-average commitment, combined with correspondingly above-average work results, may be rewarded with extra pay. This is granted by way of an upgrade in the work experience scale or extra non-pensionable euro pay over and above the pay scale.

NORD/LB's contract employees are remunerated above the pay scale. The amount paid above the pay scale was classified in function levels, each of them with an assigned salary range, in the 2015 accounting period. The monthly salary of contract employees is normally linked to the collectively agreed salary by a factor. Fixed salaries were also agreed on.

The current system of function levels will be replaced with a newly developed job evaluation system involving an external personnel consulting company in future. This comprises career levels and career ranges, each with attributed fixed salary ranges.

The fixed remuneration also comprises non-cash benefits for contract employees resulting from the provision of a company car for private and professional use and from payments from third parties received by employees in respect of their professional activity in the institution.

3.2 Variable remuneration

The bonus system is based on the works council agreements on bonuses and annual appraisals concluded in NORD/LB. The results of the annual

budget are transported in an orderly hierarchical process throughout NORD/LB via target agreements.

In addition to this, the Managing Board approved a bonus amount for the 2015 accounting period which is contingent on the target achievement level for selected key figures showing the earnings and risk situation and takes account of other risk criteria. In addition to the earnings situation, the bank's capacity to pay dividends, its supply of equity resources, its risk-bearing capacity and its liquidity situation were all taken into account. The Supervisory Board ascertained that the bonus amount paid out has no negative effect on the requirement of capital resources and liquidity or on the risk-bearing capacity.

The results of annual planning are systematically cascaded as part of the target agreement system. NORD/LB's remuneration system is therefore, as required by Section 4 of the InstitutsVergV, in line with NORD/LB's corporate strategy. It is ensured that the payment does not negatively affect the bank's adequate capital and liquidity resources (Section 7 of the InstitutsVergV).

Employees whose performance and target achievement level in the past accounting period is measured at least at performance level 3 ("Largely meets the requirements") can be paid variable remuneration according to the service agreement on bonuses applicable for the accounting period. In addition to staggered participation in the success of the bank (profit sharing) for certain employee groups which depends on the bonus amount and the respective remuneration classification, a performance bonus can be granted for outstanding performance and value contributions.

The level of individual performance bonuses is set by the respective manager, taking into account the budget for the division depending on individual performance.

The current service agreement will in future be replaced with the newly concluded service agreements on variable remuneration for pay

scale and non-pay scale employees. These agreements provide for the first-time stipulation of an alignment bonus for all the contractual employees in the 2016 accounting period.

Variable remuneration may not exceed fixed remuneration.

4 Remuneration system for risk takers

4.1 Identification of risk takers

In order to meet the specific requirements of the InstitutsVergV, in the 2015 accounting period, NORD/LB identified employees whose activities have a significant impact on the overall risk profile of the bank (hereafter referred to as “risk takers”). Risk takers were identified on the basis of the criteria specified in the RTS (Regulatory Technical Standards on criteria to identify categories of staff whose professional activities have a material impact on an institution’s risk profile under Article 94(2) of EBA Directive 2013/36/EU). The criteria were applied for all the employees in the bank and its foreign branches.

In a two-step procedure, all the employees for whom not less than one of the qualitative or quantitative criteria applies were identified as risk takers. In a second step, the option of providing proof to the contrary was applied for employees who were to be identified as risk takers solely due to the quantitative criterion laid down in Article 4 No. 1c (total remuneration is more than or equal to remuneration for a risk taker identified on the basis of selected criteria). This was carried out on the basis of a supplementary scoring model based on qualitative and quantitative criteria.

4.2 Calculating variable remuneration

In order to comply with regulatory requirements concerning the calculation and payment of variable remuneration for risk takers, NORD/LB uses a key figure system for calculating and paying bonuses for this group of employees.

It includes the specification of an orientation bonus, which is the bonus amount that can be paid out when a target has been fully achieved provided that the risks and earnings situation and the overall bank bonus amount allows for this. The works council agreement on bonuses specifies that the bonus ceiling is 12 gross monthly salaries.

The calculation of variable remuneration for risk takers at NORD/LB takes account of the overall

income of the institution, the contribution to income of their organisational unit and their personal contribution to income. A risk taker's personal contribution to income (weighting of 30%) is determined on the basis of the achievement of defined targets. The income of the NORD/LB institution (weighting of 40%) is calculated on the basis of the weighted profit contributions of the past three years and the cost-income ratio of the preceding accounting period. An assessment of the contribution to income of the organisational units (weighting of 30%) includes the profit contribution and/or achievement of the cost targets of the Direct Reporting units. Furthermore, a check carried out on the risk criteria determines whether the amount can be paid out in full, or whether it possibly needs to be reduced or completely cancelled.

4.3 Deferred payment of variable remuneration

At NORD/LB, variable remuneration is only paid in cash. Other instruments, such as shares, cannot be used due to the bank's legal form.

Variable remuneration is split into a cash share and a share in an amount of at least 40% which is paid over a period of three to five years.

Half of the cash share and the remuneration components to be paid in instalments are subject to a one-year withholding period and linked to the long-term performance of the bank. The long-term performance is measured using the net asset value based on the equity measured in accordance with the German Commercial Code. If the net asset value at the end of the respective withholding period is below a defined threshold, the amount to be paid is accordingly reduced on a straight-line basis.

Prior to specifying the respective amounts paid for the share to be paid over a period, a check on the risk criteria determines whether the amount intended for payment needs to be reduced or completely cancelled. Risk criteria for withheld

variable remuneration are NORD/LB's ability to pay a dividend, and its liquidity situation, capital adequacy and risk-bearing capacity. Potential negative contributions to income by the relevant division or the employee or a serious violation of official obligations are also included.

NORD/LB has applied the option presented in the InstitutsVergV interpretation aid to waive the deferred payment of variable remuneration for risk takers if the overall variable remuneration falls short of € 50,000.

5 Remuneration system for employees in the foreign branches

5.1 Fixed remuneration

The remuneration system in Germany for pay-scale employees and contract employees does not apply to the remuneration structures of the employees working in the foreign branches. The level of remuneration in the foreign locations is based on the salary structure of the respective branch and is set on the basis of benchmarks with local competitor banks. Fixed remuneration for those entitled to draw also comprises the amounts of car allowances granted.

5.2 Variable remuneration

The bonus amount to be paid to employees working abroad is decided by the Managing Board. The bonuses are distributed to the employees taking into account their individual performance appraisals, the achievement of targets by the division and the earnings position of the bank. The variable remuneration granted by NORD/LB is an additional, voluntary payment by the bank. Variable remuneration may not exceed fixed remuneration.

The variable remuneration of risk takers in the foreign branches is also spread in the same way as for the risk takers and is linked to the long-term performance of NORD/LB.

5.3 Remuneration for employees posted abroad

For employees posted to a branch abroad, the German contract of employment is generally suspended and a local contract of employment is concluded for the duration of the posting. The employees receive fixed and variable remuneration based on the local contract of employment. The particularities of a posting abroad are covered by an additional secondment package.

6 Remuneration system for members of the Managing Board

The remuneration of members of the Managing Board for the 2015 accounting period is made up of a fixed annual salary and variable remuneration. The variable remuneration is limited to ensure that it does not exceed the fixed remuneration.

An indicator-based calculation and payment system is applied for the variable remuneration for the Managing Board. The Supervisory Board stipulates targets for calculating variable remuneration on the basis of plans for the Group, and decides on the amount of variable remuneration based on the targets set and the results achieved. These reflect the sustained, overall business success of the bank and the Group, and the contribution to income of the relevant division and/or the personal contribution to income of the member of the Managing Board while taking account of risks assumed. The weighting of the targets among one another is also determined in the target set. The individual contribution to income/the contribution to income of the division of a member of the Managing Board (weighting of 20 %) is determined on the basis of the achievement of agreed targets. The success of the NORD/LB Group (weighting of 50 %) is ascertained on the basis of the weighted profit contributions of the past three years and the cost-income ratio and the RWA productivity of the Group according to IFRS for the preceding accounting period. The weighted annual income before taxes for the three preceding years is used to ascertain the income of the NORD/LB institution (weighting of 30 %).

Variable remuneration is only paid in cash. Other instruments, such as shares, cannot be used due to the bank's legal form.

A cash share accounts for 40 % of variable remuneration. The remaining 60 % of variable remuneration is spread over a withholding period of five years in accordance with Section 20 of the InstitutsVergV and paid out in instalments, taking account of risk criteria.

Prior to specifying the respective amounts paid for the share to be paid over a period, a check on the

risk criteria must determine whether the amount intended for payment needs to be reduced or completely cancelled. Risk criteria for withheld variable shares in remuneration are NORD/LB's ability to pay a dividend, and its liquidity situation, capital adequacy and risk-bearing capacity of NORD/LB or the NORD/LB Group. Potential negative contributions to income of the Managing Board also involve the divisions in his responsibility and negative income for the bank are also included.

Half of the cash share and the remuneration components to be paid in instalments are subject to a one-year withholding period and linked to the long-term performance of the bank.

The long-term performance is measured using the net asset value based on the equity measured in accordance with the German Commercial Code. If the net asset value at the end of the respective withholding period is below a defined threshold, the amount to be paid is accordingly reduced on a straight-line basis.

7 Fringe benefits

NORD/LB grants its employees and members of the Managing Board taken on by the bank by the end of 2013 a company pension by way of a direct commitment. As of 2014, NORD/LB will grant newly employed staff members a company pension by way of a defined contribution plan.

NORD/LB's pension commitments are all based on bank-wide, non-discretionary rules and do not provide any incentive to take disproportionately high risks.

From a certain function level NORD/LB provides the members of its Managing board and its contract employees with a company car for private and business use.

8 Disclosure of key
remuneration figures
in accordance with § 16 of the
InstitutsVergV

Quantitative data on remuneration in accordance with Section 16 of the InstitutsVergV in conjunction with Article 450 of the Regulation (EU) no. 575/2013 are shown below.

Summary quantitative data on remuneration by business segment (employees as at 31/12/2015)
In accordance with Article 450 of the Regulation (EU) no. 575/2013 para. 1g:

2015 accounting period	Managing Board	Investment banking	Retail banking	Corporate banking	Staff	Control functions	Other	LFI & IB	Total in €
Collective agreement employees	-	4,120,238	26,532,711	11,348,707	24,238,376	42,203,570	5,316,367	29,347,719	143,107,688
- of which fixed remuneration	-	3,756,895	25,399,815	10,589,265	23,127,337	40,189,935	5,095,922	27,487,816	135,646,985
- of which variable remuneration	-	363,343	1,132,896	759,442	1,111,039	2,013,635	220,445	1,859,903	7,460,703
Number of employees	-	67	602	213	467	848	266	570	3,033
Contract employees	4,330,609	18,499,970	12,619,929	26,626,728	28,536,956	43,670,670	4,131,413	5,693,936	144,110,210
- of which fixed remuneration	3,525,609	15,309,818	11,768,585	22,734,558	26,086,841	39,248,654	3,806,736	5,065,560	127,546,360
- of which variable remuneration	805,000	3,190,152	851,344	3,892,170	2,450,115	4,422,016	324,677	628,376	16,563,850
Number of employees	6	156	145	253	318	473	41	59	1,451
Employees abroad	-	4,615,855	-	16,215,719	-	3,884,388	8,945,899	-	33,661,861
- of which fixed remuneration	-	3,330,917	-	11,247,242	-	3,166,743	7,466,372	-	25,211,274
- of which variable remuneration	-	1,284,938	-	4,968,477	-	717,645	1,479,527	-	8,450,587
Number of employees	-	28	-	92	-	29	91	-	240
Total remuneration	4,330,609	27,236,062	39,152,640	54,191,153	52,775,332	89,758,628	18,393,679	35,041,655	320,879,759
- of which fixed remuneration	3,525,609	22,397,629	37,168,400	44,571,064	49,214,178	82,605,332	16,369,030	32,553,376	288,404,618
- of which variable remuneration	805,000	4,838,433	1,984,240	9,620,089	3,561,154	7,153,296	2,024,649	2,488,279	32,475,140
Number of employees	6	251	747	558	785	1,350	398	629	4,724

The table contains rounding differences. In order to comply with the principle of materiality, protection and confidentiality of Section 26 a of the German Banking Act, where necessary figures are reported in aggregated form.

Summary quantitative data on remuneration by managers and employees whose activities have a significant impact on the overall risk profile of the institution and which show the following:

in accordance with Article 450 of the Regulation (EU) no. 575/2013 para. 1h:

2015 accounting period	Managing Board	Investment banking	Retail banking	Corporate banking	Staff forces	Control functions	Other	LFI & IB	Total in €
i) Total remuneration	4,330,609	6,871,423	1,944,485	13,658,225	5,016,059	11,673,532	3,589,217	1,293,789	48,377,339
– of which fixed remuneration	3,525,609	4,900,872	1,674,453	10,265,572	4,043,709	9,033,765	2,737,688	1,071,559	37,253,227
– of which variable remuneration	805,000	1,970,551	270,032	3,392,653	972,350	2,639,767	851,529	222,230	11,124,112
Number of employees	6	35	14	70	29	71	16	8	249
ii) Variable remuneration	805,000	1,970,551	270,032	3,392,653	972,350	2,639,767	851,529	222,230	11,124,112
of which in cash	402,500	1,282,025	270,032	2,414,173	712,350	1,902,646	528,913	222,230	7,734,869
of which NWE share ¹	402,500	688,526	-	978,480	260,000	737,121	322,616	-	3,389,243
iii) Outstanding variable remuneration retained from previous years	1,783,797	733,416	19,197	741,179	20,326	865,562	456,117	-	4,619,594
– of which earned	31,752	38,475	-	38,568	-	45,686	19,206	-	173,687
– of which not earned	1,752,045	694,941	19,197	702,611	20,326	819,876	436,911	-	4,445,907
iv) Variable remuneration retained in accounting period	876,620	604,261	40,470	532,968	18,948	661,821	408,412	-	3,143,500
– granted	756,000	337,000	-	385,154	-	453,000	187,794	-	2,118,948
– paid out	120,620	267,261	40,470	147,814	18,948	208,821	220,618	-	1,024,552
– reduced (Mali)	-	-	-	-	-	-	-	-	-
Bonuses for new recruitments	-	-	-	-	-	-	-	-	-
– guarantee bonuses and settlements	-	-	-	30,000	-	18,900	-	-	48,900
Number of employees	-	-	-	1	-	1	-	-	2
v) Severance payments granted	-	-	-	-	-	-	-	-	-
– total	-	-	-	-	-	-	-	-	-
– of which maximum severance payment	-	-	-	-	-	-	-	-	-
Number of beneficiaries	-	-	-	-	-	-	-	-	-

The table contains rounding differences. In order to comply with the principle of materiality, protection and confidentiality of Section 26 a of the German Banking Act, where necessary figures are reported in aggregated form.

¹ NWE share: shares of variable remuneration linked to the long-term performance of an enterprise

Number of persons whose remuneration amounted to EUR 1 m. or more in the accounting period by remuneration levels

in accordance with Article 450 of the Regulation (EU) no. 575/2013 para. 1i:

2015 accounting period	Number of employees
Number of persons whose remuneration amounts to	
EUR 1m. – EUR 1.5 m.	1
EUR 1.5 m. – EUR 2 m.	0
EUR 2 m. and more	0

Managing Board of NORD/LB

Dr. Gunter Dunkel

Christoph Schulz

Dr. Hinrich Holm

Eckhard Forst

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