



Remuneration Report NORD/LB Group as at 31st December 2018

Disclosure under Section 16 of the InstitutsVergV in conjunction with Article 450 of Regulation (EU) No. 575/2013 in conjunction with Section 27 para. 1 of the InstitutsVergV

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Introduction to the Remuneration Report of NORD/LB Group

Norddeutsche Landesbank Girozentrale (NORD/LB) qualifies as a significant institution under the Remuneration Regulation for Institutions (InstitutsVergV), since its balance sheet total for the last three financial years exceeded €15 billion. NORD/LB's remuneration system is therefore subject to the specific requirements of the InstitutsVergV. The amended InstitutsVergV, which came into effect on 4th August 2017, implemented the European Bank Authority's 'guidelines on sound remuneration policies' into German law. An interpretation aid supporting the InstitutsVergV was published on 15th February 2018 and provides further, specific guidance.

The financial year 2018 is the first one for which NORD/LB has prepared a remuneration report on a consolidated basis in accordance with Section 27 para. 1 of the Remuneration Regulation for Institutions (InstitutsVergV). In principle, all institutions in the regulatory consolidation group are subject to this requirement. However, disclosure requirements only apply to significant institutions and to those institutions whose average balance sheet total at each relevant reporting date for the past three completed financial years had reached or exceeded three billion Euro. Thus, only NORD/LB Anstalt des öffentlichen Rechts (NORD/LB AöR) as a higher-level group company and Deutsche Hypothekbank (Actien-Gesellschaft) as well as NORD/LB Luxembourg S.A. Covered Bond Bank as group companies are subject to this requirement.

Additionally, in accordance with Section 27 para. 1 of the InstitutsVergV, NORD/LB as group parent company has established a mandatory remuneration strategy for the entire group. The objective of this remuneration strategy is to ensure that remuneration systems within NORD/LB Group are aligned and internally consistent. The group-wide remuneration strategy additionally supports compliance with regulatory requirements. Compliance with the requirements imposed by the group-wide remuneration strategy is reviewed under a group-wide audit process.

The following report offers an overview over the basic structure of the group's remuneration system. Data published in accordance with the disclosure requirements is presented at a consolidated level. The main structuring features have been implemented for all group companies. Detailed descriptions of the systems respectively the remuneration data for each individual institution are available in the remuneration reports published for NORD/LB AöR, Deutsche Hypothekbank (Actien-Gesellschaft) as well as NORD/LB Luxembourg S.A. Covered Bond Bank.

Basic characteristics of remuneration at the NORD/LB Group

The remuneration system supports NORD/LB Group's corporate culture by translating the corporate values performance, responsibility, trust and sustainability, as defined in the mission statement, into the remuneration strategy and instruments.

The remuneration strategy supports the group-wide objectives derived from the business and risk strategies. It is designed to meet regulatory requirements and to achieve sustainability, so as to promote the responsible and risk-conscious behaviour of employees. Remuneration decisions are treated as a valuable investment in employee potential, also with regard to the bank's strategic alignment. An attractive, competitive remuneration system ensures that employees are recruited and retained. The remuneration system of each individual company is based on an appropriate proportion of fixed to variable remuneration. Its overall structure ensures that no incentives are offered for entering disproportionately high risks. This demonstrates NORD/LB's commitment to a responsible, sustainable remuneration policy for the entire group.

Remuneration systems of the individual institutions, and as such for the entire group, have been structured in order to ensure compliance with the regulatory requirements imposed by the InstitutsVergV for significant institutions.

The key features of the remuneration system are:

// Total remuneration is made up of fixed and variable components in addition to non-cash benefits and fringe benefits. Regular market comparisons are carried out to ensure that remuneration remains appropriate and in line with external conditions.

// The ratio of variable to fixed remuneration was set at a maximum of 100 per cent for employees both in Germany and abroad as well as for members of the Managing Board. Variable remuneration for employees in the control units is limited to 50% of fixed remuneration.

// Bonus systems are based on a system of key performance indicators to calculate bonus amounts and determine payment structures. The key performance indicators reflect the sustained overall business success of the group and the individual institutions, the performance of the relevant department as well as the individual performance contribution. When paying variable remuneration to the so-called risk takers, NORD/LB applies the exemption limit in accordance with Section 18 para. 1 of the InstitutsVergV within the group. This provides that only variable remuneration exceeding € 50,000 is subject to the requirements of Sections 20 and 22 of the InstitutsVergV. The share of variable remuneration to be deferred is 60 percent for members of the Managing Board respectively direct reports. This share is spread out over 5 years. Generally, the deferred share for other risk takers is 40%, which is paid subject to a deferral of 3 years.

// Payments from third parties received by employees or members of the Managing Board in respect of their professional activities are also reviewed on an annual basis when assessing the appropriateness of remuneration and the appropriate proportionality of fixed and variable remuneration.

// The remuneration system does not conflict with the monitoring function of the control units. In particular, there is no risk of a conflict of interest. The system also ensures that the remuneration policy takes account of customer and consumer interests.

Disclosure of key remuneration figures for the NORD/LB Group

Quantitative data on remuneration in accordance with Section 16 of the InstitutsVergV in conjunction with Article 450 of the Regulation (EU) No. 575/2013 is set out below.

Summary quantitative data on remuneration by business segment (employees as at 31 December 2018)									
Information on remuneration pursuant to Section 16 para. 1 No. 3 InstitutsVergV:									
Financial year 2018 in EUR million (unless specified differently)	Supervisory Board	Managing Board	Investment banking ¹⁾	Retail banking	Corporates	Corporate functions	Independent control functions	Other business segments	Total
Number of members	27	9	-	-	-	-	-	-	-
Total number of employees	-	-	324	981	920	2,880	306	982	6,393
Total number of employees measured in FTE	-	9	315	864	874	2,650	291	944	5,947
Total remuneration	0.5	5.3	35.0	59.8	87.3	220.3	26.7	50.2	485.1
<i>of which total fixed remuneration</i>	0.5	5.3	34.7	59.6	87.1	217.9	26.5	50.0	481.4
<i>of which total variable remuneration</i>	-	-	0.3	0.2	0.2	2.5	0.3	0.2	3.7
<i>of which bonus</i>	-	-	0.1	0.1	0.2	0.1	0.0	-	0.4
<i>of which severance payments</i>	-	-	0.3	0.2	0.1	2.4	0.2	0.2	3.3

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

1) Business units: Markets, Treasury

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

Summary quantitative data on remuneration by business segment (employees as at 31 December 2018)									
Informationen on risk taker remuneration pursuant to Article 450 para. 1 lit. h CRR:									
Financial year 2018 in EUR million (unless specified differently)	Supervisory Board	Managing Board	Investment banking ¹⁾	Retail banking	Corporates	Corporate functions	Independent control functions	Other business segments	Total
Number of risk takers (headcount)	27	9	51	22	116	144	17	13	399
Number of risk takers (FTE)	27	9	50	22	115	144	17	13	397
of which: Number of risk takers belonging to the next management level (FTE)	-	-	6	4	13	24	9	5	61
Total fixed remuneration for the year 2018	0.5	5.3	8.7	3.3	14.9	19.1	2.8	2.1	56.7
of which: fixed in cash/ payments in kind/ payments to pension schemes/ non-cash benefits	0.5	5.3	8.7	3.3	14.9	19.1	2.8	2.1	56.7
of which: fixed in Common Equity Tier 1 (CET1) instruments/ supplementary capital (Tier 2 capital) instruments/ other instruments	-	-	-	-	-	-	-	-	-
Total variable remuneration for the year 2018	-	-	-	-	-	-	-	-	-
of which: variable in cash/ payments in kind/ payments to pension schemes/ non-cash benefits	-	-	-	-	-	-	-	-	-
of which: variable in shares/ equivalent interests/ share-based or equivalent instruments that sustainably reflect the company value pursuant to Section 20 para. 5 clause 1 No. 1 InstitutsVergV	-	-	-	-	-	-	-	-	-
of which: variable in instruments pursuant to Section 20 para. 5 clause 1 No. 2 InstitutsVergV	-	-	-	-	-	-	-	-	-
Total amount of deferred remuneration for the year 2018	-	-	-	-	-	-	-	-	-
of which: deferred variable remuneration for the year in cash/ payments in kind/ payments to pension schemes/ non-cash benefits	-	-	-	-	-	-	-	-	-
of which: deferred variable remuneration for the year 2018 in shares/ equivalent interests/ share-based or equivalent instruments that sustainably reflect the company value pursuant to Section 20 para. 5 clause 1 No. 1 InstitutsVergV	-	-	-	-	-	-	-	-	-
of which: deferred variable remuneration for the year 2018 in instruments pursuant to Section 20 para. 5 clause 1 No. 2 InstitutsVergV	-	-	-	-	-	-	-	-	-
Additional information on variable remuneration	-	-	-	-	-	-	-	-	-
Article 450 para. 1 lit. h subpara. (iii) CRR in conjunction with Article 450 para. 1 lit. h subpara. (iv) CRR on variable remuneration deferred from previous years and explicit risk adjustment									
Total amount of variable remuneration deferred from previous years and still outstanding at the start of the year 2018	-	1.0	0.7	-	0.9	0.5	0.0	-	3.2
of which vested in the year 2018	-	0.2	0.3	-	0.4	0.3	0.0	-	1.1
of which vested in the year 2018 and already paid	-	0.1	0.2	-	0.2	0.1	0.0	-	0.6
of which not yet vested in the year 2018 and therefore still deferred at the end of the year 2018	-	0.7	0.4	-	0.5	0.3	-	-	1.9
Total amount of explicit risk adjustment (malus pursuant to Section 20 para. 4 No. 3 InstitutsVergV and reclaims/clawbacks pursuant to Section 20 para. 6 InstitutsVergV) applied in the year 2018 to previously granted remuneration	-	0.1	-	-	0.1	-	-	-	0.2
Article 450 para. 1 lit. h subpara. (v) CRR on payments for new sign-ons pursuant to Section 5 para. 5 InstitutsVergV									
Number of beneficiaries (new hires) of a guaranteed variable remuneration (sign-ons) pursuant to Section 5 para. 5 InstitutsVergV (by headcount/FTE)	-	-	-	1	1	-	-	-	2
Total amount of guaranteed variable remuneration (sign-ons for new hires) pursuant to Section 5 para. 5 InstitutsVergV	-	-	-	0.0	0.1	-	-	-	0.2
Article 450 para. 1 lit. h Subpara. (v) and (vi) CRR on severance payments pursuant to Section 2 para. 5 in conjunction with Section 5 para. 6 InstitutsVergV									
Total amount of severance payments granted in the year 2018	-	-	0.6	-	0.6	0.1	-	-	1.3
Number of beneficiaries of severance payments granted in the year 2018 (by headcount/FTE)	-	-	2	-	2	1	-	-	5
Highest severance payment granted to a single individual in the year 2018	-	-	0.3	-	0.4	0.1	-	-	-

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

1) Business units: Markets, Treasury

Number of individuals whose remuneration amounted to € 1 million or more during the financial year, structured by remuneration levels in accordance with Article 450 of Regulation (EU) No. 575/2013 para. 1i:

Number of individuals whose remuneration amounted to EUR 1 million or more during the financial year, structured by remuneration levels	
in accordance with Article 450 of Regulation (EU) No. 575/2013 para. 1i:	
Financial year 2018	Number of employees
Number of individuals whose remuneration amounts to	
EUR 1 million – EUR 1.5 million	0
EUR 1,5 million – EUR 2 million	0
EUR 2 million and more	0

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

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