



REMUNERATION REPORT

as at 31 December 2016

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 governing remuneration

Norddeutsche Landesbank Girozentrale (NORD/LB) is a major institution under the Remuneration Regulation for Institutions (InstitutsVergV) because its balance sheet total for the last three completed financial years 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 2016. The disclosures relating to the Promotion Institute of Mecklenburg-WestPomerania (Landesförderinstitut Mecklenburg-Vorpommern) and the Saxony-Anhalt development bank (Investitionsbank Sachsen-Anhalt) are added for information purposes only. The Group companies Bremer Landesbank Kreditanstalt Oldenburg Girozentrale, Deutsche Hypothekenbank 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 supports the aims laid down in the business and risk strategies of NORD/LB and the NORD/LB Group. 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 made as a valuable investment in employee potential, also with regard to the strategic alignment of the bank. NORD/LB uses an attractive, competitive remuneration system to attract and retain its employees. The bank considers it important for fixed and variable remuneration to be in an appropriate proportion to one another and for variable remuneration in particular to be a reward for good performance.

By means of interbank and market comparisons and a job evaluation procedure in line with the market, the bank ensures that its remuneration structure and the allocation of remuneration to

the various business segments of the bank in Germany and abroad are appropriate and internally balanced. In doing so, NORD/LB shows that it is committed to a responsible, sustainable remuneration policy.

Total remuneration is made up of fixed and variable components.

// The fixed and variable components are in appropriate proportion to one another and provide no incentives to take disproportionately high risks.

// The ratio between variable and fixed remuneration was set at a maximum of 100 per cent in Germany and abroad.

// Payments from third parties received by employees or the management in respect of their professional activities are reviewed on an annual basis to assess the appropriateness of remuneration and the appropriate proportionality of fixed and variable remuneration.

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

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

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

// No guaranteed entitlements to payments will be agreed for the event of the termination of employment. Severance payments are only made on the basis of a collective employment agreement or an agreement negotiated in connection with the employee leaving the bank.

2 Governance structure for remuneration

The Managing Board is responsible for ensuring that the structure of remuneration systems for the bank's employees is appropriate. It approves the remuneration systems, 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, for the financial year. After the end of the financial year, the Managing Board resolves on the actual amount of variable remuneration for its employees and the distribution of this amount to the business sections, while at the same time taking account of risk criteria.

NORD/LB's remuneration systems are based on collective agreements for the private banking sector and public banks and on works agreements on structuring basic remuneration for collective agreement employees or the fixed salary of contract employees, the works agreements on variable remuneration for collective agreement employees or for contract employees and for risk takers, and the annual appraisal works agreement. The Supervisory Board decides on remuneration for the members of the Managing Board, which is finalised in respective contracts of employment.

The remuneration officer and the control units of the bank relating to the activities 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 verified by the Group Organisation/Personnel Division in the past financial year.

The remuneration officer monitored the appropriate structure of remuneration systems for employees; this 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 2016 financial

year. 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 remunerations

// Assessing the effects of remuneration systems and ensuring 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 in this matter. It prepares the resolutions to be passed by the Supervisory Board. The Supervisory Board also met four times to address the topics specified above in the 2016 financial year.

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

// Collective agreement and contract employees in Germany

// Risk takers (employees whose activities have a significant impact on the overall risk profile of the bank) in Germany and abroad

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

// the members of the Managing Board.

3 Remuneration systems for collective agreement 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 shall apply (collective agreement employees).

Collective agreement employees are grouped into pay-scale group and remunerated with 13 monthly salaries per annum according to the activities they perform. The works agreements on structuring basic remuneration for collective agreement employees and apprentices are also applied. They mainly comprise details on the application of collective agreement rules. As an exception, a performance bonus can be granted over and above collectively agreed arrangements.

NORD/LB's contract employees are remunerated above the pay scale. Payments above the pay scale were newly structured in the 2016 financial year. On the involvement of an external human resources consulting firm, the systematic re-evaluation of jobs not covered by collective agreement has been in preparation and implementation since 2015. On the basis of this assessment, various career bands for different functional divisions, such as market and back office divisions or management functions, were introduced to take effect on 1 January 2016. These career bands have been allocated salary ranges in line with the market. The ranges of salaries are regularly reviewed.

Fixed remuneration also comprises non-cash benefits for contract employees resulting from the provision of a company car for private and professional use linked to the function level so far or from the newly granted car allowance and from payments from third parties received by employees in individual cases in respect of their professional activity in the institution.

3.2 Variable remuneration

At NORD/LB, bonus systems are based on works agreements on variable remuneration for collective agreement and for contract employees and risk takers and on the annual appraisal works agreement. The results of annual planning are transported in an orderly hierarchical process throughout NORD/LB by way of target agreements.

The Managing Board specifies a bonus amount for the respective financial year. This amount is contingent on the target achievement level for selected key figures for showing the earnings and risk situation and takes account of other risk criteria.

Collective agreement employees may receive a share in the profits, the amount of which is determined by the ratio between the budget to be paid out in variable remuneration and the planned bonus amount and the key performance indicator achieved. A share in the profits is only paid to employees who have achieved a key performance indicator of not lower than three ("largely meets the requirements"). The granting of the full amount of a share in the profits requires a key performance indicator of not lower than four ("fully meets requirements"). A performance bonus can be granted for outstanding performance and value contributions.

The alignment bonus system applies for contract employees. Ranges of variable remuneration in line with the market - the same as the specification of salary ranges for fixed salaries - were developed for this purpose and stored with different alignment bonus ranges. An individual performance bonus is specified after the financial year ends, on taking account of the success of the bank and its divisions and of individual success.

Individual success is calculated on the basis of the key performance indicator resulting from the performance and the target achievement level in the financial year ended; it has a significant influence on the amount of a personal performance bonus.

A performance bonus can only be paid to contract employees who have achieved a key performance indicator of not lower than three ("largely meets the requirements").

The Managing Board decided not to make provisions for any bonus amount for the financial year of 2016 due to the negative earnings situation. Only a small overall amount comprising variable one-off payments was granted to a small group of employees. These payments concern payments from the past of which written notification had been given in reward for the successful implementation of the outsourcing of functions. 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 as further risk criteria. The payment does not have a negative effect on the bank's capacity to permanently maintain or restore adequate equity and liquidity resources its risk-bearing capacity (Section 7 InstitutsVergV).

4 Remuneration system for Risk Takers

4.1 Identification of Risk Takers

In order to meet the specific requirements of the InstitutsVergV, in the 2016 financial year, 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 and promotional institutions.

In a two-step procedure, all the employees for whom not less than one of the qualitative or quantitative criteria applies were initially 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 alignment 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 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 performance contribution (weighting of 30 per cent) is determined on the basis of the achievement of defined targets. The income of the NORD/LB institution (weighting of 40 per cent) is calculated on the basis of the weighted profit contributions of the past three years and the cost-income ratio of the preceding financial year. An assessment of the contribution to income of the organisational units (weighting of 30 per cent) 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 granted in the form of cash payments. 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 per cent 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 spread 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 is taking up the option presented in the InstitutsVergV interpretation aid of forfeiture of the deferred payment of variable remuneration for risk takers if overall variable remuneration falls short of € 50,000.

No variable remuneration was granted for the 2016 financial year, so the regulations on deferred payment were not applied for this financial year.

The shares of variable remuneration retained from previous years were paid in the 2016 financial year since the requirements were fulfilled.

5 Remuneration system for employees in the foreign branches

5.1 Fixed remuneration

The remuneration system in Germany for collective agreement employees and contract employees does not apply for the remuneration structures of the employees working in the foreign branches. The amount 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. 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. Variable remuneration granted by NORD/LB is an additional, voluntary payment by the bank.

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

No variable remuneration was granted in the foreign branches in the 2016 financial year.

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 concluded for the duration of the posting.

These 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

Managing Board remuneration is always made of a fixed annual salary and variable 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 performance contribution of the relevant division and/or the personal performance contribution 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 performance contribution/performance contribution of the division of a member of the Managing Board (weighting of 20 per cent) is determined on the basis of the achievement of agreed targets. The success of the NORD/LB Group (weighting of 50 per cent) 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 financial year. 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 per cent).

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 per cent of variable remuneration. The remaining 60 per cent 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 spread 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 the liquidity situation, capital adequacy and risk-bearing capacity of NORD/LB or the NORD/LB Group. Potentially negative performance contributions of a Managing Board member, of the divisions in the member's responsibility and a negative overall performance by the bank are also included.

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

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.

No variable remuneration was granted in the 2016 financial year. The shares of variable remuneration retained from previous years were paid in the 2016 financial year since the requirements for payment were fulfilled.

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 business and private use. Since mid-2016, this arrangement has been replaced with the introduction of a car allowance for senior management members.

8 Disclosure of key remuneration figures under section 16 of the InstitutsVergV

Quantitative data on remuneration in accordance with Section 16 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 December 2016)

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

Summary quantitative data on remuneration by business segment (employees as at 31.12.2016)									
In accordance with Article 450 of the Regulation (EU) no. 575/2013 para. 1g:									
2016 financial year	Managing Board	Investment banking	Retail banking	Corporate Banking	Staff	Control functions	Other	LFI & IB	Total
Collective agreement employees	-	3,500,134	23,607,077	9,447,123	23,993,194	37,648,040	6,212,079	25,875,246	130,282,893
of which fixed remuneration	-	3,500,134	23,607,077	9,433,123	23,965,194	37,526,040	6,175,079	25,875,246	130,081,893
of which variable remuneration	-	-	-	14,000	28,000	122,000	37,000	-	201,000
Number of employees	-	63	551	195	474	799	272	531	2,885
Contract employees	3,310,233	15,681,040	11,980,804	25,069,583	28,564,934	40,651,851	3,562,748	5,333,803	134,154,996
of which fixed remuneration	3,310,233	15,656,040	11,980,804	25,069,583	28,554,934	40,596,051	3,562,748	5,333,804	134,064,196
of which variable remuneration	-	25,000	-	-	10,000	55,800	-	-	90,800
Number of employees	5	163	148	277	354	507	41	62	1,557
Employees abroad	-	2,214,131	-	13,236,061	-	2,705,964	7,523,032	-	25,679,188
of which fixed remuneration	-	2,214,131	-	13,236,061	-	2,705,964	7,523,032	-	25,679,188
of which variable remuneration	-	-	-	-	-	-	-	-	-
Number of employees	-	22	-	110	-	29	100	-	261
Total remuneration	3,310,233	21,395,305	35,587,881	47,752,768	52,558,128	81,005,856	17,297,860	31,209,049	290,117,078
of which fixed remuneration	3,310,233	21,370,305	35,587,881	47,738,768	52,520,128	80,828,055	17,260,860	31,209,049	289,825,277
of which variable remuneration	-	25,000	-	14,000	38,000	177,800	37,000	-	291,800
Number of employees	5	248	699	582	828	1,335	413	593	4,703

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

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:

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 (risk takers as at 31.12.2016): in accordance with Article 450 of the Regulation (EU) no. 575/2013 para. 1h:									
2016 financial year	Managing Board	Investment banking	Retail banking	Corporate Banking	Staff	Control functions	Other	LFI & IB	Total
i) Total remuneration	3,310,233	4,362,721	1,487,789	10,749,809	4,157,000	8,707,227	2,125,468	1,088,777	35,989,023
of which fixed remuneration	3,310,233	4,337,721	1,487,789	10,749,809	4,157,000	8,697,227	2,125,468	1,088,777	35,954,023
of which variable remuneration	-	25,000	-	-	-	10,000	-	-	35,000
Number of employees	5	33	12	70	30	70	14	8	242
ii) Variable remuneration	-	25,000	-	-	-	10,000	-	-	35,000
of which in cash	-	25,000	-	-	-	10,000	-	-	35,000
of which NWE share ¹	-	-	-	-	-	-	-	-	-
iii) Outstanding variable remuneration deferred from previous years	1,366,980	1,054,999	-	1,609,795	312,000	1,063,814	200,770	-	5,608,358
of which earned	113,220	79,251	-	113,833	-	97,688	-	-	403,992
of which not earned	1,253,760	975,749	-	1,495,962	312,000	966,125	200,770	-	5,204,366
iv) Variable remuneration deferred in the financial year	666,620	791,740	17,277	1,285,590	332,326	778,951	215,450	-	4,087,954
of which granted	414,000	557,000	-	983,686	312,000	554,273	200,770	-	3,021,729
of which paid out	252,620	234,740	17,277	301,904	20,326	224,678	14,680	-	1,066,225
amounts reduced (mali)	-	678	1,920	-	-	-	-	-	2,597
v) Bonuses for new recruitments / severance payments made	-	-	19,500	256,233	-	15,000	-	-	290,733
Bonuses for new recruitments	-	-	-	-	-	15,000	-	-	15,000
Severance payments made	-	-	19,500	256,233	-	-	-	-	275,733
Number of employees	-	-	1	1	-	1	-	-	3
vi) 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, aggregated figures are reported where necessary. 1 Share linked to sustained further development of the 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:

2016 accounting period	Number of employees
Number of persons whose remuneration amounts to	
€ 1 m. – € 1,5 m.	0
€ 1,5 m. – € 2 m.	0
€ 2 m. and more	0

Managing Board of NORD/LB

Thomas Bürkle

Christoph Schulz

Dr. Hinrich Holm

Günter Tallner

Ulrike Brouzi

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Die norddeutsche Art.

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