



Remuneration Report

in accordance with § 7 paragraph 2 and § 8 of the Remuneration Regulation for Institutions (Institutsvergütungsverordnung)

Information and report on the structure and appropriateness of NORD/LB's remuneration systems

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1 Preliminary remarks and principles for remuneration

The German Federal Ministry of Finance has, on the basis of § 25a paragraph 5 clauses 1 to 3 and 5 of the German Banking Act in consultation with the German Bundesbank and after consulting the lead bodies of institutions, issued the Remuneration Regulation for Institutions (InstitutsVergV), with which Norddeutsche Landesbank (hereafter NORD/LB or the bank) must comply. For this purpose the bank has conducted a risk analysis, which considers in accordance with §1 para. 2 of the InstitutsVergV the size of the bank, the remuneration structure and the nature, scope, complexity, risk content and internationality of the business activities undertaken. Based on this risk analysis, the Managing Board has classified NORD/LB as a major institution, so that the particular requirements for remuneration systems of institutions are to be applied.

This remuneration report relates to the remuneration of employees of NORD/LB Anstalt öffentlichen Rechts (AöR) both in Germany and the locations abroad for the financial year 2010. The Group companies Bremer Landesbank Kreditanstalt Oldenburg Girozentrale, Deutsche Hypothekenbank Actien-Gesellschaft and Norddeutsche Landesbank Luxembourg S.A. meet their disclosure requirements independently in accordance with the respective regulations in their annual reports or on their websites.

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 with regard to the strategic alignment of the bank. NORD/LB uses an attractive and competitive remuneration system to attract and retain its employees. Here the bank considers it important that the fixed and variable remuneration are in appropriate proportion to one another and that the variable remuneration in particular rewards good performance. The bank ensures that the structure and distribution of remuneration are appropriate and balanced between the various business units of the bank both in Germany and the locations abroad. By means of interbank and market

comparisons, the remuneration structure is reviewed and the appropriateness in terms of functionality and market competitiveness is ensured. This shows that NORD/LB is committed to a responsible and sustainable remuneration policy.

The total remuneration is made up of fixed and variable components which are in appropriate proportion to one another:

- The fixed remuneration represents the main part of the total compensation and is designed in ways that employees are not reliant on the variable remuneration to cover reasonable living costs.
- The level of variable remuneration of employees of the control units and of employees of the organisational units controlled by these are not determined by parallel remuneration parameters.
- Guaranteed variable remuneration (e.g. guaranteed annual bonuses) is not granted, with the exception of the start of an employment contract and at the longest for one year in accordance to the InstitutsVergV.
- In the case of termination of employment, guaranteed severance payments are not and will not be agreed on an individual contract basis. Severance payments are only based on a collective or individual agreement just in case an employee leaves the bank.

NORD/LB's remuneration system is designed appropriately as the fixed and variable components are in appropriate proportion to one another, no incentives are provided for taking disproportionately high risks and the remuneration systems do not run counter to the monitoring function of the control units.

2 Governance structure in the area of remuneration

The Managing Board is responsible for the appropriate design of the remuneration system for the bank's employees. It approves the remuneration system, the level of bonus volume for NORD/LB AöR, the distribution of these across the business units and the annual budget for individual salary increases to adjust the basic remuneration.

NORD/LB's remuneration system is based on the collective agreements for the private banking sector and public banks, works council agreements for performance bonuses and annual appraisals and the policy relating to the setting and changing of salaries. The conditions for the remuneration of employees are laid down in writing in collective agreements and contracts of employment. The key points of NORD/LB's remuneration system are routinely communicated to the responsible bodies in suitable form before they are implemented and distributed. The bank's remuneration system is monitored continuously by Human Resources Management and is set out in writing in the organisational guidelines. The Presiding Committee of the Supervisory Board is responsible for the remuneration of the Managing Board. It is finalised in the respective contract of employment.

The Managing Board set up a Remuneration Committee in 2010, which assists and advises it on the appropriate structure of the remuneration system. This Committee is made up of the heads of Human Resources, Controlling/Taxes, Corporate Sales, Corporate customers, Savings Bank Network, Central Risk Management and Corporate Service. The Compliance and Audit departments are involved within the scope of their responsibilities.

The main tasks of the Remuneration Committee are:

- It ensures the design of the incentive and remuneration systems in accordance with the goals laid down in the strategies.
- It monitors the compliance, design and development of the remuneration systems.
- It supports management in the task of complying with regulatory requirements within the NORD/LB Group.

The bank has therefore implemented a stable governance structure which ensures the structure, implementation and control of the remuneration system.

The details concerning the structure of the remuneration systems of the respective employee groups are explained below. 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 expatriates

and the Managing Board.

3 Remuneration system 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 with whom it has been agreed that these collective agreements apply (pay-scale employees). Basically pay-scale employees are grouped into tariff groups and rewarded according to the pay-scale based on the activities they perform. In addition to the twelve monthly tariff salaries, NORD/LB pays a so-called 13th month's salary. Continued above-average commitment, combined with correspondingly above-average results, may be rewarded with a fixed extra pay. This is granted by an upgrade of the work experience scale of the collective agreement or by extra pay which is not pensionable.

NORD/LB's contract employees are remunerated above the pay scale. The non-tariff area above the pay scale is arranged in function levels with assigned salary band of each. The monthly salary of contract employees is normally linked to the collectively-agreed salary by a factor. In addition to this, extra pay may also be granted. In some cases fixed salaries are contractually agreed based on the bands for the function levels. A function level is set on the basis of a function evaluation; the functions are valued on the basis of defined criteria and reviewed by a committee which compares functions through all company levels. This comparison ensures that the remuneration on particular of the control units is in appropriate proportion to the market divisions.

3.2 Variable remuneration

The bonus system is based on the works council agreement concluded in NORD/LB. The results of the annual budget are transported in an orderly process throughout NORD/LB via target agreements. In addition to this, the bonus volume approved by the Managing Board depends on the annual profit. NORD/LB's remuneration system is therefore, as required by § 3 para. 1 of the InstitutsVergV, in line with NORD/LB's corporate strategy.¹

The total bonus volume for NORD/LB was EUR 24 million for the financial year 2010. The payment of these does not impair the bank's capital adequacy (§ 4 of the InstitutsVergV).

The variable remuneration of the pay-scale employees was paid depending on individual performance. The contract employees based in Germany received a general payment based on individual performance and the function level and where applicable a special payment. In accordance to the works council agreement of the financial year 2010, the managing board was able to reward selected employees with the special payment.

In accordance with the InstitutsVergV, in the financial year 2010 no contracts of employment were concluded with a guaranteed variable remuneration. Contracts of employment² that had already been concluded were amended accordingly.

3.3 Commission

Pay-scale and contract employees may receive acquisition commission for selling the products of network partners. This commission is borne by the network partners and merely paid out by NORD/LB. The individual levels of commission depend on the product and are limited in value. In the financial year 2010 commission totalling EUR 954,000 was paid to 769 employees.

¹ There is a similar system in the foreign branches, so the statements made here also apply to the foreign branches.

² Including the employees in the foreign branches.

4 Remuneration system for risk takers

4.1 Identification of risk takers

In order to meet the specific requirements of the InstitutsVergV, NORD/LB identified in the financial year 2010 those employees whose activities have a significant impact on the overall risk profile of the bank (hereafter "risk takers"). The risk takers were identified in a multi-stage process on the basis of quantitative and qualitative criteria.

4.2 Deferred payment of variable remuneration

Special requirements apply to risk takers, such as the sustainable and long-term structure of part of the variable remuneration. The sustainability criteria for determining the variable salary components and for paying the withheld variable salary components (deferrals) are in accordance with the InstitutsVergV. Significant deviations from key performance indicators at institution level and serious breaches of duty by an employee result in the deduction of the deferrals.

The variable remuneration of risk takers is to be spread in accordance with the requirements of the InstitutsVergV over a period of at least three to five years. Deferrals are paid to risk takers for the past financial year in the December of the following year (payment year) and in the June of the following three calendar years up to the amount of 20 per cent per payment under certain conditions.

5 Remuneration system of employees in the foreign branches

5.1 Fixed remuneration

The remuneration system in Germany for pay-scale employees and contract employees paid above the pay scale 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 competitor banks.

5.2 Variable remuneration

The level of bonuses 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 not a fixed component of the annual salary, but an additional, voluntary payment by the bank that allows the employees to share in the success of the bank. The upper limit for the ratio of fixed to variable remuneration in terms of § 3 para. 5 of the InstitutsVergV is adjusted to take into account the market conditions of the foreign locations. The variable remuneration of risk takers in the foreign branches is also spread over a period of three to five years and is linked to the sustainable performance of the bank.

5.3 Remuneration of expatriates

For employees posted to a branch (expatriates) abroad from NORD/LB in Germany, the German contract of employment continues to apply. Therefore expatriates receive their fixed and variable remuneration on the basis of their earnings in Germany. The particularities of a secondment are covered by an additional package for expatriates.

6 Remuneration system for members of the Managing Board

The remuneration of members of the Managing Board is made up of a fixed annual salary and variable remuneration. The Supervisory Board sets the amount of the variable share based on the targets and the results achieved. This reflects the success of the bank, the success of the department and the individual success taking into account the risks taken. Part of the variable remuneration is spread in accordance with the InstitutsVergV over a period of three years.

7 Fringe benefits

NORD/LB grants its employees a company pension, for which the bank makes accruals. None of NORD/LB's employer-funded defined benefits provide an incentive to take disproportionately high risks, as the level of the individual pension is not dependent on the variable salary. Instead the aim of the bank's defined benefits is to motivate the employees and to work towards the long-term success of the bank.

Furthermore, from a certain function level NORD/LB provides its contract employees with a company car for private and business use. In addition to this, so-called frequent drivers can also receive a company car.

8 Disclosure of remuneration figures

The general disclosure requirements for institutions in accordance with § 7 of the InstitutsVergV and the particular disclosure requirements for major institutions in accordance with § 8 of the InstitutsVergV are shown below. The underlying data was collected on 31 December 2010 and is reported per annum. The NORD/LB employees who are entitled to a bonus were assessed.

8.1 Disclosure in accordance with § 7 of the InstitutsVergV

In the financial year 2010, 4,134 employees including the Managing Board were entitled to receive a bonus. The share of bonuses in total remuneration in NORD/LB AöR in the financial year 2010 totalled 9.5 per cent; the ratio of fixed to variable remuneration was therefore appropriate. With regard to the total remuneration of employees entitled to a bonus, the average bonus for the financial year 2010 for employees including the Managing Board was EUR 5,970. In addition to this, project bonuses totalling EUR 281,000 were paid to 51 employees.

Fixed and variable remuneration of employees entitled to a bonus by business segment					
Financial year 2010 in Euro	Market	Back Office	Corporate Center	Managing Board	NORD/LB
Total remuneration	116.387.539 Euro	58.013.142 Euro	81.253.630 Euro	3.355.718 Euro	259.010.028 Euro
of which fixed remuneration	103.304.850 Euro	54.057.262 Euro	74.821.821 Euro	2.145.718 Euro	234.329.650 Euro
of which variable remuneration	13.082.689 Euro	3.955.880 Euro	6.431.810 Euro	1.210.000 Euro	24.680.379 Euro
Employees entitled to a bonus in Germany and abroad	1.797	1.064	1.267	6	4.134

The total remuneration is spread between fixed and variable remuneration of employees entitled to a bonus by employee group in the respective business segment.

Fixed and variable remuneration of employees entitled to a bonus by employee group in the respective business segment				
Financial year 2010 in Euro	Pay-scale employees	Contract employees	Employees abroad	Total
Market	46.576.232 Euro	54.556.333 Euro	15.254.973 Euro	116.387.539 Euro
of which fixed	44.721.743 Euro	47.800.888 Euro	10.782.218 Euro	103.304.850 Euro
of which variable	1.854.489 Euro	6.755.445 Euro	4.472.755 Euro	13.082.689 Euro
Back Office	35.386.402 Euro	20.223.490 Euro	2.403.250 Euro	58.013.142 Euro
of which fixed	34.018.721 Euro	18.154.236 Euro	1.884.305 Euro	54.057.262 Euro
of which variable	1.367.681 Euro	2.069.254 Euro	518.945 Euro	3.955.880 Euro
Corporate Center	33.111.111 Euro	40.363.610 Euro	7.778.909 Euro	81.253.630 Euro
of which fixed	31.748.078 Euro	36.564.592 Euro	6.509.150 Euro	74.821.821 Euro
of which variable	1.363.033 Euro	3.799.018 Euro	1.269.759 Euro	6.431.810 Euro
Managing Board*	–	–	–	3.355.718 Euro
of which fixed	–	–	–	2.145.718 Euro
of which variable	–	–	–	1.210.000 Euro

* including one general manager who is delegated to the Managing Board

Fixed and variable remuneration of employees entitled to a bonus by employee group in the institutes Investitionsbank Sachsen-Anhalt and Landesförderinstitut Mecklenburg-Vorpommern				
Financial year 2010 in Euro	Pay-scale employees	Contract employees	Employees abroad	Total
Investitionsbank Sachsen-Anhalt	14.414.038 Euro	3.637.296 Euro	–	18.051.334 Euro
of which fixed	13.648.986 Euro	3.203.568 Euro	–	16.852.554 Euro
of which variable	765.052 Euro	433.728 Euro	–	1.198.780 Euro
Landesförderinstitut Mecklenburg-Vorpommern	11.667.580 Euro	937.423 Euro	–	12.605.003 Euro
of which fixed	10.957.440 Euro	823.344 Euro	–	11.780.784 Euro
of which variable	710.140 Euro	114.079 Euro	–	824.219 Euro

8.2 Disclosure in accordance with § 8 of the InstitutsVergV

For the financial year 2010 variable remuneration was split for the first time into deferrals and cash. Variable

remuneration's share in total remuneration is 34 per cent and is therefore considered to be appropriate. Severance payments were not paid to risk takers for the financial year 2010 (§ 8 para. 3 no. 5 of the InstitutsVergV).

Fixed and variable remuneration of risk takers in accordance with § 8 para. 3 no. 1:				
Financial year 2010 in Euro	Market	Back Office & Corporate Center	Managing Board	NORD/LB Total
Total remuneration	4.203.840 Euro	1.216.204 Euro	3.355.718 Euro	8.775.762 Euro
of which fixed remuneration	2.568.395 Euro	786.204 Euro	2.145.718 Euro	5.500.317 Euro
of which variable remuneration	1.635.444 Euro	430.000 Euro	1.210.000 Euro	3.275.444 Euro
Number of employees	13	4	6	23

Payments to risk takers when starting a contract of employment in accordance with § 8 para. 3 no. 2:					
	Market	Back Office	Corporate Center	Managing Board	NORD/LB Total
Payments when starting a contract of employment	0 Euro	0 Euro	0 Euro	0 Euro	0 Euro
Number of beneficiaries	–	–	–	–	–

Variable remuneration withheld and paid out in cash in accordance with § 8 para. 3 nos. 3 and 4				
	Market	Back Office & Corporate Center	Managing Board	NORD/LB Total
Variable remuneration	1.635.444 Euro	430.000 Euro	1.210.000 Euro	3.275.444 Euro
of which deferrals	1.281.344 Euro	344.000 Euro	968.000 Euro	2.593.344 Euro
of which paid out in cash	354.100 Euro	86.000 Euro	242.000 Euro	682.100 Euro

* of which 1 risk taker in the Back Office and 3 in the Corporate Centers

The Managing Board



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