



REMUNERATION REPORT

as at 31 December 2014

Disclosure in accordance with § 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.

The remuneration report relates to the remuneration of employees of NORD/LB Anstalt öffentlichen Rechts (AöR) in Germany and abroad for the financial year of 2014. 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. (now conducting its business activities as 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 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 a function evaluation, the bank ensures that the structure and distribution of remuneration are appropriate and balanced between the various business segments of the bank both in Germany and the locations abroad. In doing so, 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 for the financial year 2013 both in Germany and abroad at a maximum of 100%.

// Payments from third parties which the employees or the Managing Board 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. In the cases mentioned last, payment is taken into account over time.

2 Governance structure in the area of 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 remuneration of the Managing Board 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 Human Resources 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 Remuneration Control Committee set up in the past accounting period as a committee of selected representatives from the Supervisory Board. The Remuneration Control Committee met four times in the 2014 accounting period. The following topics were among those addressed as part of the function of the Committee.

// The structuring and restructuring of Managing Board remuneration,

// Review the ascertainment of the total amount of variable remuneration,

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

// Monitor and assess the appropriate structure of remuneration systems (remuneration control report),

// Acknowledge the remuneration report.

The Supervisory Board is responsible for the appropriate structuring of the Managing Board remuneration systems. The Remuneration Control Committee performed an important advisory function. It prepares the resolutions to be passed by the Supervisory Board. The Supervisory Board also met four times in the 2014 accounting period, also addressing the topics specified above.

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 with whom it has been agreed that these collective agreements apply (pay-scale employees). Pay-scale employees are grouped into tariff groups and rewarded 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 an upgrade in the work experience scale of the collective agreement or extra non-pensionable euro pay over and above the pay scale.

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 bands for 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 (i.e. not linked to the collectively agreed salaries) are contractually agreed based on the ranges for the function levels. The basis for specifying a function level is a function evaluation used to value functions on the basis of defined criteria.

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 for 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 2014 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 of the bank.

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 § 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 (§ 7 of the InstitutsVergV).

Variable remuneration can be paid to employees whose performance and target achievement level in the past accounting period year is measured at least at performance level 3 ("Largely meets the requirements"). 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 the respective performance bonuses is set by the respective manager, taking into account the budget for the division depending on individual performance.

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 2014 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 temporary arrangement provided for in the InstitutsVergV using a scoring model based on qualitative and quantitative criteria. The scoring model was applied for all the employees in the bank and its foreign branches. Employees were identified as risk takers as soon as their scoring reached a defined threshold.

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 introduced a key figure system for calculating and paying bonuses for this group of employees. The system was developed with the help of an external human resources consulting firm.

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 for 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.

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.

Half of the remuneration components to be paid in instalments and half of the cash components of variable remuneration are in turn 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.

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 not a fixed component of the annual salary; it 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 the bank.

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 2014 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.

The Supervisory Board adopted a new calculation and payment system for the variable remuneration paid to the members of the Managing Board in the 2014 accounting period. 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. 50 % of the variable remuneration is

linked to the long-term performance of the bank and involves a one-year withholding period.

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.

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. Instead the aim of the bank's pension scheme commitments is to motivate employees and work towards the long-term success of the bank.

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 December 2014)

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

2014 accounting period	Managing Board	Investment banking	Retail banking	Corporate banking	Staff forces	Control functions	Other	Total in €
Pay-scale employees	-	3,914,005	28,574,284	10,428,691	22,683,504	44,844,747	5,804,905	116,250,136
- of which fixed remuneration	-	3,631,020	27,357,860	9,819,035	21,633,846	42,764,523	5,556,833	110,763,117
- of which variable remuneration	-	282,985	1,216,424	609,656	1,049,658	2,080,224	248,072	5,487,019
Number of employees	-	70	664	204	443	929	258	2,568
Contract employees	-	20,695,232	13,298,662	25,092,341	30,042,577	43,469,867	4,086,774	136,685,453
- of which fixed remuneration	-	17,450,078	12,468,234	21,697,646	27,492,629	38,881,806	3,755,613	121,746,006
- of which variable remuneration	-	3,245,154	830,428	3,394,695	2,549,948	4,588,061	331,161	14,939,447
Number of employees	-	181	157	245	340	475	45	1,443
Employees abroad	-	4,571,035	-	13,288,232	-	3,218,019	9,501,897	30,579,183
- of which fixed remuneration	-	3,395,843	-	9,336,220	-	2,567,773	8,307,780	23,607,616
- of which variable remuneration	-	1,175,192	-	3,952,012	-	650,246	1,194,117	6,971,568
Number of employees	-	31	-	89	-	25	89	234
Total remuneration	5,323,930	29,180,271	41,872,946	48,809,264	52,726,081	91,532,633	19,393,576	288,838,701
- of which fixed remuneration	3,933,930	24,476,940	39,826,094	40,852,901	49,126,475	84,214,102	17,620,226	260,050,668
- of which variable remuneration	1,390,000	4,703,331	2,046,852	7,956,363	3,599,606	7,318,531	1,773,350	28,788,033
Number of employees	6	282	821	538	783	1,429	392	4,251

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.

The total remuneration of Investitionsbank Sachsen-Anhalt and Landesförderinstitut Mecklenburg-Vorpommern is reported below for information purposes: No risk takers were identified in Investitionsbank Sachsen-Anhalt or in Landesförderinstitut Mecklenburg-Vorpommern in the 2014 accounting period.

Summary quantitative data on remuneration by business segment - Investitionsbank Sachsen-Anhalt and Landesförderinstitut Mecklenburg-Vorpommern – (employees as at 31 December 2014)

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

2014 accounting period	Investitionsbank Sachsen-Anhalt	Landesförderinstitut Mecklenburg-Vorpommern	Total in €
Pay-scale employees	15,473,569	12,316,950	27,790,518
– of which fixed remuneration	14,548,991	11,517,859	26,066,849
– of which variable remuneration	924,578	799,091	1,723,669
Number of employees	319	249	568
Contract employees	4,491,123	997,840	5,488,963
– of which fixed remuneration	3,980,690	902,803	4,883,493
– of which variable remuneration	510,433	95,037	605,470
Number of employees	48	11	59
Total remuneration	19,964,692	13,314,789	33,279,481
– of which fixed remuneration	18,529,681	12,420,661	30,950,342
– of which variable remuneration	1,435,011	894,128	2,329,139
Number of employees	367	260	627

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. 1h¹:

2014 accounting period	Managing Board	Investment banking	Retail banking	Corporate banking	Staff forces	Control functions	Other	Total in €
i) Total remuneration	5,323,930	2,523,644	547,294	3,381,483	656,221	2,799,195	298,792	15,530,559
– of which fixed remuneration	3,933,930	1,608,644	498,042	2,203,522	607,221	1,754,295	249,592	10,855,247
– of which variable remuneration	1,390,000	915,000	49,252	1,177,960	49,000	1,044,900	49,200	4,675,312
Number of employees	6	10	2	11	2	8	1	40
iii) Outstanding variable remuneration retained	1,296,840	851,499	19,197	820,219	20,326	964,238	14,680	3,986,999
– of which earned	39,000	47,813	-	41,595	-	52,886	-	181,293
– of which not earned	1,257,840	803,686	19,197	778,624	20,326	911,353	14,680	3,805,706
iv) Variable remuneration retained in accounting period								
– granted	891,840	373,200	-	318,531	-	441,100	-	2,024,671
– paid out	209,000	335,233	37,314	434,706	122,332	263,487	40,887	1,442,958
– reduced (Mali)	-	-	-	2,531	-	-	-	2,531
Bonuses for new recruitments								
– guarantee bonuses and settlements	-	-	80,000	-	-	-	-	80,000
Number of employees	-	-	1	-	-	-	-	1
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, where necessary figures are reported in aggregated form.

¹ No information on ii), since variable remuneration is granted only in cash

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:

2014 accounting period	Number of employees
Number of persons whose remuneration amounts to	
EUR 1 m. – 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

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