

Re: Uncleared Initial Margin Requirements – Documentation requirements

Dear Sir or Madam,

You have entered into one or more ISDA Master Agreements or German Master Agreements with Norddeutsche Landesbank- Girozentrale - (LEI: DSNHHQ2B9X5N6OUJ1236) - or another entity in the NORD/LB Group Other entities incl. NORD/LB Luxembourg S.A. Covered Bond Bank (LEI: CAF7KSNT1NOCTA93RI98) and Deutsche Hypothekenbank (Actien-Gesellschaft) (LEI: 802UEDW6ZEY0W4YCVU89).

NORD/LB is required to collect initial margin from you and to post initial margin to you due to regulatory requirements when the exposure between us under those agreements exceeds a threshold amount. NORD/LB is a phase V entity and therefore agreements between NORD/LB and entities of phases I to V are subject to these requirements on and after 01.09.2020.

On 5 March 2019, the Basel Committee on Banking Supervision (BCBS) and the International Organization of Securities Commissions (IOSCO) released a statement on the final implementation phases of the Initial Margin requirements for non-centrally cleared derivatives in which the BCBS and IOSCO noted that the initial margin framework does not specify documentation, custodial or operational requirements, if the bilateral initial margin amount does not exceed the framework's initial margin threshold of 50 Mio. EUR.

Based on our analysis of the nature of the current and in first instance anticipated trading activities between you and NORD/LB, we do not anticipate that, in the near term, we will be required to collect or to post initial margin under those requirements. As a result, we do not initially intend to enter into documentation to supplement our ISDA Master Agreement(s) or German Master Agreement(s) until we become required to collect and post initial margin. To ensure compliance with the threshold value, we will set up an internal monitoring system and if a significant proportion of the threshold value is exceeded, we will start the necessary contract negotiations with you.

We plan to divide the threshold value of EUR 50 million between the parts of the NORD/LB Group. We will contact you in the second quarter of 2020 to discuss the distribution of the threshold amount.

Kind regards

NORD/LB