

Remuneration report for 2012

DekaBank Group

Publication in accordance with the German supervisory regulations governing remuneration for banks (InstitutsVergV)

Remuneration report for financial year 2012

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1. Introduction

The present remuneration report for 2012 of DekaBank Deutsche Girozentrale and its subsidiaries with employees has been prepared in accordance with Section 7 Sub-section 1 of the German supervisory regulations governing remuneration for banks (InstitutsVergV) and fulfils the national and European disclosure requirements for the DekaBank Group.

The companies recorded in the remuneration report (hereinafter comprehensively referred to as the **“DekaBank Group”**) include:

- DekaBank Deutsche Girozentrale (hereinafter referred to as **“DekaBank”**)
- Deka Investment GmbH
- Deka Immobilien Investment GmbH
- WestInvest Gesellschaft für Investmentfonds mbH
- Deka Immobilien GmbH
- ETFlab Investment GmbH
- DKC Deka Kommunal Consult GmbH
- Gesellschaft für Mittelstandskreditfonds der Sparkassenfinanzgruppe mbH
- DekaBank Deutsche Girozentrale Luxembourg S.A.
- Deka(Swiss) Privatbank AG
- Deka International S.A. (Luxembourg)
- Roturo S.A. (Luxembourg)
- Deka Real Estate Lending k.k. (Tokyo)

Since the DekaBank Group already successfully implemented the supervisory regulations on remuneration systems in 2010 and 2011, no comprehensive changes were required in 2012. The remuneration models were continuously reviewed as part of the existing compensation governance processes and developed further where necessary.

2. Remuneration philosophy and principles

The DekaBank Group’s remuneration philosophy is geared to supporting the Group’s strategic corporate goals while offering incentives for employees to adopt a responsible and risk-aware approach in business¹. At the same time, it is designed to promote an increase in value for our shareholders. This creates a profit-driven corporate culture that rewards the individual performance and strengths of employees with attractive remuneration. It is aimed at motivating employees to fully exploit their individual potential. In this manner, the interests of executives and employees are reconciled with those of shareholders while ensuring that regulatory requirements are fulfilled.

Key factors of the DekaBank Group’s remuneration philosophy include the sustainability and risk-orientation of remuneration systems. These aspects have become increasingly important in recent years, partly because of developments in the regulatory environment.

¹ In the following, words in the masculine include words in the feminine; the masculine form has solely been used to make the document easier to read.

The following basic principles have been derived from this remuneration philosophy to structure the DekaBank Group's remuneration systems. The remuneration systems generally:

- take into account the DekaBank Group's profitability as well as risk and capital costs,
- secure the sustained future performance and earnings power of the DekaBank Group,
- promote long-term thinking and a responsible approach by employees,
- offer employees an attractive and competitive incentive system,
- ensure remuneration that is in line with profits and performance while offering an appropriate ratio of fixed to variable remuneration elements,
- prevent incentives for employees to take on excessive risk positions,
- support the future recruitment and long-term loyalty of highly qualified and talented employees,
- provide the basis for appropriate differentiation across divisions and responsibilities with regard to the amount of remuneration,
- avoid unnecessary complexity and are designed to be transparent and intelligible, and
- are aligned with the DekaBank Group's strategy.

3. Compensation governance

As Group-wide remuneration committee in the DekaBank Group, the Management Committee for Remuneration (MCV) is responsible for ensuring that regulatory requirements are met in accordance with Sections 6 and 9 of the German supervisory regulations governing remuneration for banks (InstitutsVergV) and for any other tasks assigned to it.

The MCV's tasks within the DekaBank Group include:

- Monitoring that the remuneration systems are appropriate,
- Checking compliance with regulatory requirements and the remuneration principles,
- Advising executive bodies on structuring and further developing the remuneration systems as well as the introduction, amendments to and removal of remuneration-related tools,
- Advising the Board of Management of DekaBank and the executive bodies of subsidiaries in Germany and abroad on all remuneration-related questions,
- Reporting at least once a year on the appropriateness and structure of the remuneration systems as well as ad hoc reporting on specific matters (proportionality report),
- Preparing the remuneration report for the DekaBank Group and submitting it to the competent bodies

During the reporting period, the MCV comprised the following members:

- Chair: Head of Human Resources
- Representatives from the monitoring units: Head of Group Risk, Head of Credit Risk Office
- Representatives from business origination units: COO Markets & Treasury (or for the interim: Head of Markets),
- COO Asset Management Capital Markets
- Representatives from other divisions (in an advisory role): Head of Legal Affairs, Head of Group Audit, Head of Compliance and Head of Finance.

The MCV has proved its worth as the central element in the DekaBank Group's compensation governance since 2010. It will continue to play an important role in the future with regard to ensuring remuneration-related compliance and in structuring and further developing the remuneration systems of the DekaBank Group.

4. Structure of remuneration systems

4.1. General remuneration structure in the DekaBank Group

The remuneration structure generally applies throughout the DekaBank Group, unless otherwise specified below.

Remuneration comprises all financial consideration employees receive in respect of their job in the DekaBank Group. In principle, employees' remuneration encompasses fixed salary components and variable remuneration. In addition, employees receive monetary and non-monetary fringe benefits.

- The **fixed salary** comprises the employee's monthly basic salary including bonuses. The monthly salary of employees under collective pay agreements is based on the tariff categories in accordance with the valid collective pay agreement for the private banking industry and public sector banks. The monthly salary of non pay scale employees is agreed individually.
- **Variable remuneration** includes all non-fixed remuneration components, the granting of which and relevant amount are at the DekaBank Group's discretion or which depend on agreed conditions arising. Variable remuneration may be the annual bonus relating to a specific financial year, for example, and other special payments (e.g. project-related bonuses). As part of the performance-related bonus system, a "guideline bonus" is agreed with employees as variable target amount for the relevant financial year. This forms an important basis for establishing the annual bonus.
- **Fringe benefits** comprise all other benefits, e.g. subsistence/canteen allowance, capital-building payments and the company pension plan. In addition, employees whose salaries are governed by the collective pay agreement receive the benefits under the collective pay agreement. Furthermore, company cars are made available to employees in certain roles in accordance with the applicable guidelines.

By specifying guideline amounts for target total remuneration (fixed salary components plus guideline bonus), the DekaBank Group ensures that employees do not rely on variable remuneration to a significant extent and that appropriate upper limits are complied with in terms of the ratio of fixed to variable remuneration in accordance with Section 3 Sub-section 5 of the InstitutsVergV. The applicable guideline values vary depending on the amount of remuneration and are regularly reviewed with regard to whether they are in line with market practice and appropriate.

Moreover, a uniform maximum upper limit applies to variable remuneration for all employees throughout the Group.

When structuring the remuneration systems, a distinction is made between the following groups of employees in view of separate legal provisions and remuneration policy based aims and targets:

- Board of Management²
- Risk-relevant employees
- Other employees (non risk-relevant employees).

The specific features of the remuneration systems for risk-relevant employees and the Board of Management are described in detail in the following.

² The General Committee of the Administrative Board approves the remuneration for members of the Board of Management and reviews it regularly. It specifies the remuneration system and variable remuneration for the Board of Management.

4.2. Remuneration system for risk-relevant employees

In accordance with Section 5 Sub-section 1 of the InstitutsVergV, particular requirements apply in terms of the remuneration structure for employees whose roles have a significant impact on the overall risk profile of the DekaBank Group (“**risk-relevant employees**”).

4.2.1. Identifying employees whose roles are risk-relevant

The DekaBank Group conducts an annual risk analysis at the end of every year including all non pay scale employees in accordance with Section 5 Sub-section 1 of the InstitutsVergV to identify those employees who will be risk-relevant in the subsequent year. The procedure is annually reviewed by the MCV and approved by the management if adjustments are made.

For financial year 2012, risk-relevant employees were identified on the basis of a three-step process as part of which quantitative key indicators were included alongside qualitative risk analysis, taking into account relevant criteria. In this process, particular consideration was given to the extent to which each employee is in a position to create risk positions for the Group based on his concrete role and decision-making powers. The results of the analysis were checked at qualitative level, using a score card procedure (qualitative validation).

The suitability of the process for determining risk-relevant employees was reviewed during the reporting period, and the process was further developed. The Group Risk corporate centre is now more closely integrated into this process in operating terms. The expanded procedure was used in the fourth quarter of 2012 to identify risk-relevant employees for financial year 2013.

On the basis of the method described above, a total of 51 risk-relevant employees were identified in the DekaBank Group for financial year 2012 (excluding the Board of Management).

4.2.2. Deferred payment models

The variable remuneration of risk-relevant employees is generally performance-related, i.e. the amount is determined on the basis of the individual contribution of the employee to the Bank’s success and the profit contributions of the business division and the DekaBank Group.

For risk-relevant employees of DekaBank who report direct to the Board of Management (M1 management level), it is mandatory to defer a share of at least 60 % of variable remuneration for a minimum period of three years. For risk-relevant employees below M1 management level, the deferred share amounts to at least 40 % of variable remuneration.

The deferred share of the remuneration is risk-based during the deferral period, i.e. in the event of negative performance of the employee, division or the DekaBank Group as a whole, it may be reduced or it may not be paid at all (malus clause). The deferred share is vested pro rata temporis. Vested tranches are no longer subject to the malus clause.

In addition, a share of at least 50 % of both the deferred and non-deferred variable remuneration is granted in the form of instruments (performance units, PU), which depend on the sustained performance of the DekaBank Group.

The cash portion of the deferred remuneration (cash deferral) is paid when vested. The share of deferred remuneration granted in the form of performance units (long-term PU) is subject to a further blocking period of one year after it is vested.

The portion of non-deferred remuneration which is granted in the form of performance units (short-term PU) is also subject to a blocking period of one year. The share of non-deferred remuneration (20 % for risk-relevant employees at M1 management level and 30 % for risk-relevant employees below this management level) is paid in cash on the due date.

Risk-relevant employees whose variable remuneration for financial year 2012 amounts to less than €75,000 receive their variable remuneration in full, paid in the form of a cash bonus.

Variable remuneration is divided depending on the employee category as follows:

	Cash bonus	Short-term PU	Cash deferral	Long-term PU
Risk-relevant employees at M1 management level (basic amount ≥ €75,000)	20 %	20 %	30 %	30 %
Risk-relevant employees (basic amount ≥ €75,000)	30 %	30 %	20 %	20 %
Non risk-relevant non pay scale employees	100 %	./.	./.	./.
Pay scale employees	100 %	./.	./.	./.

Unlike the model for DekaBank, the variable remuneration of risk-relevant employees in capital investment companies and unregulated subsidiaries is not granted in the form of performance units. Instead, the entire share of variable remuneration of 40 % (deferral bonus) is deferred for a minimum period of three years. During this period, it is subject to the malus clause. At the end of each year of the deferral period, one third of the deferral bonus is vested and paid out on the relevant payment date. For employees of these companies, the following payment structure applies in respect of variable remuneration:

	Cash bonus	Deferral bonus
Risk-relevant employees (basic amount ≥ €75,000)	60 %	40 %
Non risk-relevant non pay scale employees	100 %	./.
Pay scale employees	100 %	./.

Where non risk-relevant non pay scale employees and pay scale employees receive performance-related variable remuneration in accordance with the regulations applicable to them, the full amount is paid in cash when due and is not deferred.

4.3. Remuneration system for the Board of Management

The remuneration system for members of the Board of Management of DekaBank corresponds to the remuneration principles of DekaBank, taking into account the particular features relating to risk-relevant employees as per the InstitutsVergV. The concrete details of the remuneration system for the Board of Management were specified by the General Committee of DekaBank's Administrative Board in accordance with the regulatory requirements.

4.4. Remuneration systems in international subsidiaries

4.4.1. Luxembourg

The remuneration system for employees of subsidiaries in Luxembourg corresponds to the Group-wide remuneration system. It is in line with the provisions of circulars 10/496 dated 22 December 2010 and 11/505 dated 11 March 2011 and 10/437 from the Commission de Surveillance du Secteur Financier (CSSF) dated 1 February 2010.

As risk-relevant employees have been identified in the Luxembourg subsidiaries for financial year 2012, the models of deferred payment for risk-relevant employees described in section 4.2.2. above apply.

4.4.2. Switzerland

The remuneration system of Deka(Swiss) is based on the Group-wide remuneration system and additionally takes into account possible special features of the local market. In structuring the applicable remuneration systems, circular 2010/1 from the Swiss Financial Market Supervisory Authority, FINMA, dated 21 October 2009, was voluntarily taken into account.

Since the managing directors of Deka(Swiss) were not classified as risk-relevant employees in financial year 2012, the model of deferred remuneration does not need to be applied.

4.4.3. Other countries

The regulatory provisions of the relevant country on structuring remuneration systems are generally taken into account. In branches, representative offices and regional offices of DekaBank, the German regulatory requirements are additionally implemented on the basis of the Group-wide remuneration system. At Deka Real Estate Lending k.k. (Tokyo), the Group-wide remuneration system generally applies and market practice in Japan is also taken into account.

5. Disclosure in accordance with Sections 7 and 8 of the German supervisory regulations governing remuneration for banks (InstitutsVergV)

5.1. Disclosure in accordance with Section 7 of the InstitutsVergV

The total remuneration for financial year 2012 shown below for employees and officers³ of the DekaBank Group includes the fixed salaries for 2012 as at 31 December 2012⁴ as well as the total of variable remuneration for financial year 2012 (including retained amounts).

Composition of remuneration for 2012 (all employees/Board of Management members receiving variable remuneration):

In €	Corporate centres	Savings bank sales	AM Property	AM Capital Markets	Corporates & Markets	Board of Management	Total
Total remuneration	124,832,030	27,934,180	45,460,140	94,512,141	37,164,259	5,449,936	335,352,686
of which fixed salary	107,865,495	22,873,920	35,817,174	75,297,327	24,336,706	2,787,072	268,977,694
of which variable remuneration	16,966,535	5,060,260	9,642,966	19,214,813	12,827,554	2,662,864	66,374,992
No. of employees with variable remuneration	1,507	339	489	1,149	259	5	3,748

Differences may occur due to rounding.

³ Information relating to managing directors of subsidiaries is not shown separately but on an aggregated basis for each business division.

⁴ For technical reasons relating to evaluation, changes occurring during a period of less than one year are included for the year on the basis of extrapolation of the fixed salary.

5.2. Disclosure in accordance with Section 8 of the InstitutsVergV

The overview below indicates the total remuneration for risk-relevant employees and of the DekaBank Group's Board of Management for financial year 2012. The total remuneration shown includes the fixed salary components as at 31 December 2012 as well as the probable total variable remuneration for financial year 2012 (100 % including all retained amounts). For data protection reasons, the information about Corporate Centres and Savings Bank Sales as well as the Asset Management Property and Asset Management Capital Markets business divisions is shown as a single combined amount in accordance with Section 7 Sub-section 1 Clause 1 of the InstitutsVergV.

Composition of the remuneration for 2012 (risk-relevant employees receiving variable remuneration):

In €	CC/ Savings Bank Sales	AM Capital Markets / AM Property	Corporates & Markets	Board of Management	Total
Total remuneration	2,499,346	6,652,990	10,066,964	5,449,936	24,669,236
of which fixed salary	1,647,346	3,343,990	4,945,380	2,787,072	12,723,788
of which variable remuneration	852,000	3,309,000	5,121,584	2,662,864	11,945,448
No. of risk-relevant employees with variable remuneration	7	16	26	5	54
Bonus of 2012⁵	852,000	3,309,000	5,071,584	2,662,864	11,895,448
of which amounts not retained	414,798	1,826,187	2,862,903	1,065,146	6,169,034
of which based on the Group's performance	162,399	216,999	1,321,717	532,573	2,233,688
of which amounts retained	437,202	1,482,813	2,208,681	1,597,719	5,726,415
of which based on the Group's performance	218,601	293,001	1,031,183	798,858	2,341,643
of which subject to the malus clause	437,202	1,482,813	2,208,681	1,597,719	5,726,415

Differences may occur due to rounding.

5 Discrepancy between the bonus for 2012 and variable remuneration in C&M is due to individual contracts.

Statement of the (i) guaranteed bonuses agreed individually in financial year 2012 as part of the start of employment in accordance with Section 8 Sub-section 3 No. 2 of the InstitutsVergV (**guaranteed bonuses**) and (ii) severance payments made for termination of activities in accordance with Section 8 Sub-section 3 No. 5 of the InstitutsVergV (**severance**):

In €	CC/Savings Bank Sales	AM Capital Markets/AM Property	Corporates & Markets	Board of Management	Total
Guaranteed bonuses in 2012	./.	./.	./.	./.	./.
No. of beneficiaries	./.	./.	./.	./.	./.
Severance payments in 2012	./.	./.	585,008	./.	585,008
No. of beneficiaries	./.	./.	2	./.	2
Highest severance payment made	./.	./.	500,008	./.	500,008

In financial year 2012, no reductions in accordance with the provisions of Section 8 Sub-section 3 No. 3 of the InstitutsVergV were applied.

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Frankfurt/Main, 6 August 2013

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