

Remuneration report for financial year 2010

DekaBank Group



Remuneration report for financial year 2010

| | |
|--|-----------|
| 1. Preliminary remarks | 4 |
| 2. General information about remuneration systems in the DekaBank Group | 4 |
| 2.1 Remuneration philosophy | 4 |
| 2.2 General remuneration structure | 5 |
| 2.3 General remuneration principles | 5 |
| 2.4 Structure of the variable remuneration and relevant remuneration parameters | 6 |
| 3. Structure of the remuneration systems for financial year 2010 | 6 |
| 3.1 DekaBank Deutsche Girozentrale | 6 |
| 3.1.1 Identifying employees whose roles are relevant in terms of risk | 6 |
| 3.1.2 Differentiation by employee group | 6 |
| 3.1.3 Remuneration system for Management Board members | 7 |
| 3.1.4 Remuneration system for employees whose roles are relevant in terms of risk | 7 |
| 3.1.5 Remuneration system for other DekaBank employees | 8 |
| 3.2 DekaBank Deutsche Girozentrale Luxembourg S.A. | 8 |
| 3.3 Group KAG based in Luxembourg | 9 |
| 4. Remuneration committee – Management Committee for Remuneration | 9 |
| 5. Disclosure in accordance with Sections 7 and 8 of the German supervisory regulations governing remuneration for banks (InstitutsVergV) | 10 |
| 5.1 Disclosure in accordance with Section 7 of the InstitutsVergV | 10 |
| 5.2 Disclosure in accordance with Section 8 of the InstitutsVergV | 10 |

1. Preliminary remarks

The remuneration report for financial year 2010 implements the disclosure duties of the Group companies below in terms of the structure of their remuneration systems:

- DekaBank Deutsche Girozentrale (hereinafter referred to as **“DekaBank”**) including its subsidiary in Luxembourg in accordance with the German supervisory regulations governing remuneration for banks (Instituts-Vergütungsverordnung, InstitutsVergV) of 13 October 2010
- DekaBank Deutsche Girozentrale Luxembourg S.A. in accordance with circulars 10/496 of 22 December 2010 and 11/505 of 11 March 2011 from the Luxembourg financial services authority CSSF (Commission de Surveillance du Secteur Financier)
- Deka International S.A., International Fund Management S.A., Deka-WestLB Asset Management Luxembourg S.A. and Deka Immobilien Luxembourg S.A. in accordance with circular 10/437 from the CSSF of 1 February 2010

No further disclosure duties exist as part of this remuneration report for companies in the DekaBank Group. Where required under the relevant national regulations, disclosures are made as part of the annual report or on the website of the relevant company.

In future, the DekaBank Group will prepare a remuneration report for each financial year. Once the variable remuneration has been set and paid out, the report will be published on DekaBank’s website in the second quarter of each subsequent year.

2. General information about remuneration systems in the DekaBank Group

2.1 Remuneration philosophy

The DekaBank Group’s remuneration systems are based on a uniform remuneration philosophy which is implemented throughout the Group. This remuneration philosophy comprises remuneration decisions aimed at promoting the achievement of the DekaBank Group’s strategic corporate goals, providing incentives for the responsible and risk-aware business conduct of employees and generating value for shareholders. Overall, this creates a profit-driven corporate culture which rewards the individual performance and strengths of employees and therefore motivates employees to fully exploit their own potential in the interest of the DekaBank Group. As a result, the interests of executives and employees of the DekaBank Group are brought into line with those of shareholders.

To implement its remuneration philosophy, DekaBank has defined the following basic principles on remuneration systems, which apply throughout the Group. The remuneration systems within the DekaBank Group shall:

- take into account profitability as well as risk and capital costs of the DekaBank Group,
- secure the sustained future performance and earnings power of the DekaBank Group,
- offer employees of the DekaBank Group an attractive and competitive incentive system,
- promote long-term thinking and a responsible approach by employees,
- prevent incentives for employees to take on excessive risk positions,
- ensure that the DekaBank Group will continue to be in a position to recruit and retain highly qualified and talented employees in the future,

- differentiate appropriately across divisions and responsibilities with regard to the amount of remuneration and
- avoid unnecessary complexity and be designed to be transparent and intelligible.

2.2 General remuneration structure

The total remuneration generally comprises fixed salary components and variable remuneration as well as fringe benefits.

- The **fixed salary component** encompasses the monthly salary (incl. bonuses) of employees. 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 banking industry. The monthly salary of non pay scale employees is agreed individually. The combined fixed salary components are referred to below as **“fixed remuneration”**.
- **Variable remuneration components** include the annual bonus and other special payments (e.g. project-related bonuses). The combined variable remuneration components are referred to below as **“variable remuneration”**. For certain employees, the payment of some of the variable remuneration is deferred (cf. Section 3.1).
- **Fringe benefits** comprise all other benefits, e.g. healthcare management, subsistence/canteen allowance, training courses 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 and/or with specific jobs in accordance with the applicable guidelines.

In accordance with Section 3 Sub-section 5 of the InstitutsVergV, DekaBank has specified an appropriate upper limit for the ratio of fixed to variable remuneration. In this respect, a differentiation was made according to roles and upper limits apply to both the share of the target/benchmark bonus of total remuneration and the ratio of the total amount of variable remuneration to the target/benchmark bonus.

In order to make all remuneration components and employer contributions transparent for DekaBank Group employees and state these, employees in Germany receive personal total compensation statements for every financial year. The total compensation statement shows the total of all fixed and variable remuneration components paid to the employee and fringe benefits. In addition, employees also receive an overview of the social security contributions transferred by the relevant Group company and any payments into the company pension scheme made by the respective employee himself/herself by means of salary conversion. No total compensation statements are available at present for employees in Luxembourg and Switzerland.

2.3 General remuneration principles

The remuneration systems in the DekaBank Group for financial year 2010 are in line with the following general remuneration principles:

- The ratio of fixed to variable remuneration is appropriate. Fixed remuneration is structured so as to ensure that employees are not forced to rely on variable remuneration to cover the reasonable cost of living.
- As a rule, guaranteed variable remuneration payments (e.g. one guaranteed annual bonus) are not permissible and if at all only permitted at the beginning of a contract of employment and for a maximum of one year.
- Severance payments are always based on provisions under collective pay agreements or on an individual agreement made in connection with an employee leaving the company. In particular, it is not permissible to promise guaranteed payments to employees in the event of their leaving the company at a later date (golden parachutes).

- The structure of the remuneration systems must allow for an adjustment by the Group company concerned in the event of disproportionately high amounts of variable remuneration. In particular, the company should reserve the right, where permissible by law, to adjust disproportionately high amounts of remuneration at its discretion, taking into account the risk positions in each case and legal requirements.
- Variable remuneration must be based on the achievement of the targets specified in the strategies of the Group company concerned and in particular on the relevant risk profile. Any incentives must be avoided which would induce employees to take on excessive or disproportionate risk positions.
- The amount of variable remuneration for employees in the monitoring business units and for employees in the organisational units monitored by these must not be largely determined on the basis of similar remuneration parameters.
- The remuneration systems must be reviewed at least once a year to check that they are appropriate and adjusted if necessary.

2.4 Structure of the variable remuneration and relevant remuneration parameters

Performance represents a key element of the DekaBank Group's corporate culture. Profit and performance-related variable remuneration components therefore constitute a key element of the remuneration systems for all companies within the DekaBank Group. Variable remuneration is in line with market conditions and compared with that paid by competitors at regular intervals.

When calculating the variable remuneration to be paid for the relevant financial year (in particular the annual bonus), the risk-adjusted profit of the DekaBank Group and of certain business divisions are taken into account as well as the employee's individual performance. The DekaBank Board of Management coordinates and manages the process of determining the criteria for measuring Group and divisional growth. The relevant key indicators for the various business divisions are developed specifically on the basis of the respective strategies, targets, risks and necessary activities. Individual targets and target and/or benchmark bonuses are agreed or specified as part of internal requirements in the relevant business division and on the basis of cooperation between executives and employees.

3. Structure of the remuneration systems for financial year 2010

3.1 DekaBank Deutsche Girozentrale

3.1.1 Identifying employees whose roles are relevant in terms of risk

In financial year 2010, DekaBank carried out a risk analysis procedure in accordance with Section 5 of the InstitutsVergV and identified those employees whose roles have a significant impact on the overall risk profile of DekaBank (hereinafter referred to as **"risk-relevant employees"**). DekaBank conducts this procedure annually at the year-end and includes all non pay scale employees, in order to establish the relevant group of people for the next financial year. The procedure is checked by the remuneration committee (Management Committee for Remuneration, MCV) and finally approved by the Board of Management.

3.1.2 Differentiation by employee group

DekaBank makes a distinction between the following groups of employees when developing remuneration systems:

- Board of Management ¹⁾ and risk-relevant employees on management level M1: for the variable remuneration of Management Board members and employees who report direct to the Board of Management (management level M1), separate legal provisions apply in accordance with Section 5 of the InstitutsVergV. In particular, it is mandatory to defer a

¹⁾ The Administrative Board approves the remuneration for Management Board members and reviews it regularly. The General Committee of the Administrative Board specifies the remuneration system and variable remuneration for the Board of Management.

share of at least 60% of variable remuneration for a minimum period of three years. This share is risk-based during this period of time in accordance with the InstitutsVergV. In addition, at least 50% of both the deferred and non-deferred variable remuneration depends on the sustained performance of DekaBank.

- Risk-relevant employees below management level M1: for the variable remuneration of these employees, separate legal provisions apply in accordance with Section 5 of the InstitutsVergV. In particular, it is mandatory to defer a share of at least 40% of variable remuneration for a minimum period of three years. This share is risk-based during this period of time in accordance with the InstitutsVergV. In addition, at least 50% of both the deferred and non-deferred variable remuneration depends on the sustained performance of DekaBank.
- Non risk-relevant non pay scale employees: these employees receive a non pay scale salary. They also receive performance-related variable remuneration, which is payable in cash and is not deferred. The separate provisions of the InstitutsVergV do not apply to these employees.
- Employees on the pay scale: these employees are remunerated in accordance with the collective pay agreement. They also receive performance-related variable remuneration, which is payable in cash and is not deferred. The separate provisions of the InstitutsVergV do not apply to these employees.

The table below provides an overview of the payment structure of variable remuneration for the employee groups mentioned above. Details regarding the structure of the cash bonus, cash deferral, short-term performance units and long-term performance units are explained below.

| | Cash bonus | Short-term performance units | Cash deferral | Long-term performance units |
|---|------------|------------------------------|---------------|-----------------------------|
| Risk-relevant M1 level employees | 20% | 20% | 30% | 30% |
| Risk-relevant employees below M1 level | 30% | 30% | 20% | 20% |
| Non risk-relevant non pay scale employees | 100% | ./. | ./. | ./. |
| Pay scale employees | 100% | ./. | ./. | ./. |

3.1.3 Remuneration system for Management Board members

The remuneration system for the members of the Management Board of DekaBank Deutsche Girozentrale corresponds, in principle, to the remuneration system described in the next paragraph for risk-relevant DekaBank employees and the general principles outlined in Section 2 above. The concrete details of the remuneration system for the Board of Management were specified by the Administrative Board in accordance with the regulatory requirements.

3.1.4 Remuneration system for employees whose roles are relevant in terms of risk

The variable remuneration components mentioned for risk-relevant employees are structured as follows:

- **Cash bonus:** the cash bonus is paid in the form of a cash payment (gross) in May 2011. Employees are entitled to the cash bonus once the annual bonus for financial year 2010 has been specified.
- **Cash deferral:** the cash deferral amount is retained for a waiting period of up to three years. During the waiting period, employees may not dispose of the amount in cash deferred. During the waiting period, any negative performance contributions of the employee, his/her organisational unit or a negative overall performance by the Bank or the DekaBank Group will reduce the amount of the deferred cash payment (**malus clause**). Every year on the anniversary of the issue date, a third of the deferred cash payment is vested, so that 100% of the deferred cash payment is vested at the end of the three-year period. Once the benefit is vested, the waiting period ends and the now vested deferred cash amounts are no longer subject to the malus clause. They are paid out after vesting on the disbursement date.

- **Long-term performance units:** performance units with a long-term payment horizon (**long-term performance units**) are retained for a waiting period of up to three years. During the waiting period, employees may not dispose of the long-term performance units, and they are subject to the malus clause. Every year on the anniversary of the issue date, a third of the long-term performance units is vested, so that 100% of the long-term performance units is vested at the end of the three-year period. Once the benefit is vested, the waiting period ends and the now vested long-term performance units are no longer subject to the malus clause. However, they are not paid out until the end of a blocking period of one year from the date of vesting and are then paid out in the value applicable on the relevant disbursement date. During the blocking period, employees may not dispose of the long-term performance units.
- **Short-term performance units:** unlike the long-term performance units, no waiting period applies to performance units with a short-term payment horizon (**short-term performance units**). Short-term performance units are not subject to the malus clause. However, they are not paid out until the end of a blocking period of one year from the issue date and are then paid out in the value applicable on the relevant disbursement date. During the blocking period, employees may not dispose of the short-term performance units. In all other respects, the same conditions apply to short-term performance units as apply to long-term performance units.

Performance units (i.e. long-term performance units and short-term performance units) do not grant participation rights in any distribution made by DekaBank. However, subject to a condition precedent, they grant entitlement to payment of a cash amount equivalent to the value of the performance units on the third anniversary of the issue date. The value of the performance units and therefore the amount of the performance-related payment depends on the sustained trend in the corporate results of the DekaBank Group. There is a strong correlation between the sustained trend in the corporate results and the trend in the enterprise value, and the results are also used as a basis for the internal company valuation of the DekaBank Group. The performance units do not participate in any increase in enterprise value. However, they decrease in value as soon as the corporate results fall below a minimum value specified by the Board of Management. The value of the performance units to be applied is determined once a year on 31 December of the relevant year.

Risk-relevant employees below M1 management level whose total variable remuneration for 2010 is less than EUR 75,000 will receive their variable remuneration in full, paid in the form of a cash bonus.

3.1.5 Remuneration system for other DekaBank employees

The remuneration system for other DekaBank employees does not differ from the general principles explained under Section 2 above. In particular, the variable remuneration for financial year 2010, determined in accordance with the general provisions of the InstitutsVergV and the criteria mentioned in Section 2 above, is paid as a cash bonus with no deferred share.

3.2 DekaBank Deutsche Girozentrale Luxembourg S.A.

The remuneration system for employees of DekaBank Deutsche Girozentrale Luxembourg S.A. largely corresponds to the remuneration system for DekaBank described in Section 3.1 above and does not differ from the general principles explained in Section 2 above.

The remuneration system for employees of DekaBank Deutsche Girozentrale Luxembourg S.A. also fulfils the requirements stated in circulars 10/496 and 11/505 from the CSSF.

3.3 Group KAG based in Luxembourg

The remuneration system for Deka International S.A., International Fund Management S.A., Deka-WestLB Asset Management Luxembourg S.A. and Deka Immobilien Luxembourg S.A. does not differ from the general principles explained in Section 2 above.

The regulations specified in circular 10/437 from the CSSF regarding remuneration systems have therefore already been largely implemented for financial year 2010.

The regulations specified in CSSF circular 10/437 regarding variable remuneration for managing directors and employees whose activities, based on the regulations on approval powers, may materially impact on the risk profile of the company and/or the invested assets under management and individual portfolios will only apply to variable remuneration components paid for financial year 2011 (as is the case for all regulations specified in CSSF circular 10/437 regarding remuneration systems). Accordingly, the variable remuneration for financial year 2010, determined in accordance with the criteria mentioned in Section 2 above, is paid to employees of the Group KAG based in Luxembourg as a cash bonus with no deferred share.

4. Remuneration committee – Management Committee for Remuneration

To implement the regulatory requirements, DekaBank set up an in-house remuneration committee within the Bank, which is responsible for the Group as a whole, the Management Committee for Remuneration (Management Committee Vergütung, MCV). The MCV monitors that the remuneration systems within the DekaBank Group are appropriate and advises the Board of Management and managing directors of the Group companies on the structure and development of remuneration systems. The MCV acts as a Group-wide remuneration committee in accordance with Sections 6 and 9 of the InstitutsVergV, Sections 7.1.8 and 7.1.10 of the InvMaRisk (minimum risk management requirements for investment companies) as well as circulars 10/496 and 10/437 from the CSSF.

The MCV reports to the Board of Management and Administrative Board of DekaBank at least once a year on whether DekaBank's remuneration systems are appropriate and prepares a remuneration report for the DekaBank Group. To the extent required under legal provisions, the MCV also prepares remuneration reports for other Group companies. Where required, the MCV also reports to the Board of Management, the Administrative Board of DekaBank and the corporate bodies of Group companies on specific matters. If important changes are made to the remuneration systems or if other important events occur that are relevant to the remuneration systems, the MCV must prepare an event-based report.

The MCV's tasks include:

- Defining, monitoring and developing the remuneration systems. This includes fixed salary, variable remuneration and fringe benefits.
- Early identification of any shortcomings of the remuneration systems.
- In addition, the MCV deals with aspects which result from the use and implementation of the remuneration system. This includes, for example, changes in the bonus and salary pools, adequate definition of corporate targets and divisional targets as well as consistency across target agreements.

Since 2 November 2010, the MCV has comprised the following members:

- Chair: Head of Human Resources
- Representatives from the monitoring units: Head of Group Risk, Head of Finance, Head of Credit Risk Office and Group COO

- Representatives from business origination units: COO C&M, COO AMK, COO AMI, Head of Savings Banks Sales, Marketing and Sales Management
- Representatives from divisions with an advisory function: Head of Legal Affairs, Head of Group Audit, Head of Compliance, Head of IT/Org

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 2010 shown below for employees and officers in the companies of the DekaBank Group mentioned in Section 1 above, which are subject to disclosure duties, includes the fixed salaries for 2010 as at 31 December 2010 as well as the total of all variable remuneration components (including the retained amounts).

| € | CC | Savings Banks Sales | Asset Manage- ment Property | Asset Manage- ment Capital Markets | Corporates & Markets | Board of Manage- ment | Total |
|--|--------------------|---------------------------|--------------------------------------|--|-------------------------|-----------------------------|--------------------|
| Total remuneration | 112,669,268 | 26,572,262 | 7,210,770 | 45,140,114 | 42,101,522 | 8,918,432 | 242,612,368 |
| of which fixed salary | 90,931,547 | 19,925,146 | 4,196,000 | 36,086,617 | 24,917,240 | 2,785,432 | 178,841,981 |
| of which variable remuneration | 21,737,721 | 6,647,115 | 3,014,770 | 9,053,497 | 17,184,282 | 6,133,000 | 63,770,386 |
| Number of employees with variable remuneration | 1,360 | 313 | 49 | 678 | 263 | 6 | 2,669 |

5.2 Disclosure in accordance with Section 8 of the InstitutsVergV

The overview below indicates the total remuneration for risk-relevant employees and Management Board members of the DekaBank Group for financial year 2010. The total remuneration shown includes the fixed salary components as well as the probable total variable remuneration (100% including all retained amounts). For data protection reasons, the information about the Corporate Centres and Savings Banks Sales as well as the AMI and AMK 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 2010:

| € | CC / Savings Banks Sales | AMK / AMI | Corporates & Markets | Board of Management | Total |
|---|--------------------------------|------------------|-------------------------|------------------------|-------------------|
| Total remuneration for 2010 | 2,833,123 | 2,329,911 | 10,231,934 | 8,918,432 | 24,313,400 |
| of which fixed salary | 1,245,835 | 818,521 | 4,405,256 | 2,785,432 | 9,255,044 |
| of which variable remuneration | 1,587,288 | 1,511,390 | 5,826,678 | 6,133,000 | 15,058,356 |
| No. of employees with variable remuneration | 7 | 4 | 28 | 6 | 45 |
| Bonus for 2010 | 1,552,289 | 1,175,000 | 5,379,211 | 6,133,000 | 14,239,500 |
| of which cash bonus | 357,477 | 250,000 | 2,367,153 | 4,753,000 | 7,727,630 |
| of which cash deferral | 442,089 | 337,500 | 906,309 | 517,500 | 2,203,398 |
| of which short-term perf. units | 310,634 | 250,000 | 1,199,440 | 345,000 | 2,105,074 |
| of which long-term perf. units | 442,089 | 337,500 | 906,309 | 517,500 | 2,203,398 |
| of which subject to malus clause | 884,178 | 675,000 | 1,812,618 | 1,035,000 | 4,406,796 |

Statement of the (i) guaranteed bonuses agreed individually in financial year 2010 as part of the start of employment in accordance with Section 3 Sub-section 7 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**):

| € | CC / Savings Banks Sales | AMK / AMI | Corporates & Markets | Board of Management | Total |
|-----------------------------------|-----------------------------|-----------|-------------------------|------------------------|---------|
| Guaranteed bonuses in 2010 | ./. | ./. | 437,500 | ./. | 437,500 |
| Number of employees | ./. | ./. | 2 | ./. | 2 |
| Severance payments in 2010 | ./. | ./. | ./. | ./. | ./. |
| Number of employees | ./. | ./. | ./. | ./. | ./. |
| Highest severance payment made | ./. | ./. | ./. | ./. | ./. |

DekaBank
Deutsche Girozentrale

Franz S. Waas, Ph.D.

Oliver Behrens

Dr. Matthias Danne

Walter Groll

Hans-Jürgen Gutenberger

Dr. h.c. Friedrich Oelrich

Frankfurt/Main, 14 June 2011

„DekaBank

DekaBank
Deutsche Girozentrale
Mainzer Landstraße 16
60325 Frankfurt
P.O. Box 11 05 23
60040 Frankfurt

Phone: (0 69) 71 47 - 0
Fax: (0 69) 71 47 - 13 76
www.deka.de

 **Finanzgruppe**