

Remuneration report for 2013

Deka Group

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

Remuneration report for financial year 2013

1.	Introduction and overview	3
2.	Remuneration philosophy and principles	3
3.	Compensation governance	4
4.	Structure of remuneration systems	5
4.1.	General remuneration structure in the Deka Group	5
4.2.	Remuneration system for risk-relevant employees	6
4.2.1.	Identifying employees whose roles are risk-relevant	6
4.2.2.	Sustainability and performance-related structuring of remuneration	6
4.3.	Remuneration system for the Board of Management	8
4.4.	Remuneration systems in international subsidiaries	8
4.4.1.	Luxembourg	8
4.4.2.	Switzerland	8
4.4.3.	Other countries	8
5.	Disclosure	9
5.1.	Total figures by division	9
5.2.	Total figures for risk-relevant employees	10
5.3.	Disclosure of high earners	11

1. Introduction and overview

The present remuneration report for 2013 of DekaBank Deutsche Girozentrale and its subsidiaries with employees has been prepared in accordance with Section 16 Paragraph 1 of the German supervisory regulations governing remuneration for banks (InstitutsVergV) and Art. 450 of Regulation (EU) No. 575/2013 and fulfils the national and European disclosure requirements for the Deka Group. The report therefore satisfies the additional requirements of the amended InstitutsVergV that entered into force on 1 January 2014. The 6 October 2010 version applicable during the reporting period was observed accordingly.¹

The companies recorded in the remuneration report for financial year 2013 (hereinafter comprehensively referred to as the **"Deka 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
- 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)

The remuneration systems of the Deka Group were continuously reviewed for appropriateness during the course of financial year 2013 as part of the existing compensation governance processes. In addition, a special audit was performed by the German Bundesbank in accordance with Section 44 of the German Banking Act (KWG). The resulting changes needed in the existing remuneration systems were implemented during the reporting period or work is being done to implement them in 2014.

2. Remuneration philosophy and principles

The Deka Group's remuneration philosophy is to use attractive, incentive-based remuneration systems to help achieve the strategic goals of the Deka Group while providing incentives for employees to adopt a responsible and risk-aware approach in business². At the same time, it is designed to achieve 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 our 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.

¹ Provisions of the 6 October 2010 version of the InstitutsVergV applicable to financial year 2013 are identified below using the abbreviation "p.v." (= previous version).

² 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.

Key factors of the Deka 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 a greater level of regulation and increased complexity in the regulatory environment.

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

- take into account the Deka Group's profitability as well as risk and capital costs,
- secure the sustained future performance and earnings power of the Deka Group,
- promote long-term thinking and a responsible approach by employees,
- offer Deka Group 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,
- are aligned with the Deka Group's strategies, and
- do not adversely affect the supervisory functions of the monitoring units.

3. Compensation governance

As a Group-wide remuneration committee within the meaning of Section 6 of the InstitutsVergV (p.v.), the Management Committee for Remuneration (MCV) is responsible within the Deka Group for the tasks assigned to it under German supervisory regulations and any other tasks assigned to it within the Deka Group. The MCV meets regularly at least twice every financial year. Additional meetings can be called if needed.

The MCV's tasks include:

- Monitoring that the remuneration systems are appropriate,
- Checking compliance with regulatory requirements and the remuneration principles of the Deka Group,
- Advising executive and supervisory 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 and supervisory 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, in the future: remuneration control report),
- Preparing the remuneration report for the Deka 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 Risk Controlling, Head of Credit Risk Office

- Representatives from business origination units: Head of Internal Services – Security Funds, Head of Internal Services – Capital Markets Business
- 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 Deka 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 Deka Group.

The Deka Group will make significant changes in the area of compensation governance in financial year 2014 due to changes in regulatory requirements. For example, the DekaBank Administrative Board has established a Remuneration Control Committee in accordance with Section 15 of the InstitutsVergV and Section 25d Paragraph 12 of the KWG and DekaBank has appointed a Remuneration Officer in accordance with Section 23 et seqq. of the InstitutsVergV. The MCV supports, advises and works in close cooperation to assist the Remuneration Officer in the performance of his duties.

4. Structure of remuneration systems

4.1. General remuneration structure in the Deka Group

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

Remuneration comprises all financial consideration employees receive in respect of their job in the Deka 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 (currently 13 months' salary). The monthly salary of non pay scale employees is agreed individually.
- **Variable remuneration** includes all non-fixed remuneration components, the granting of which or relevant amount are at the Deka Group's discretion or which depend on agreed conditions arising. It may be, for example, the annual bonus for a financial year 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 a variable target amount for the relevant financial year. This forms the basis for determining the annual bonus that depends on achievement of contributions to performance.
- **Fringe benefits** comprise all other normal market 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 the ratio of guideline bonus to fixed remuneration, the Deka 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 Paragraph 5 of the InstitutsVergV (p.v.). 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 percentage upper limit applies to total variable remuneration for all employees throughout the Group. This upper limit will be adjusted in accordance with Section 25a Paragraph 5 of the KWG in financial year 2014.

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 Management³
- 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.

4.2. Remuneration system for risk-relevant employees

Section 5 of the InstitutsVergV (p.v.) and Art. 13 Paragraph 1 of the AIFM Directive impose special requirements on the structuring of the remuneration system for employees whose activities have a significant effect on the overall risk profile of DekaBank, one of the investment management companies in the Deka Group or the funds they manage ("**risk-relevant employees**").

4.2.1. Identifying employees whose roles are risk-relevant

In accordance with applicable regulatory requirements, DekaBank identifies the risk-relevant employees in the Deka Group each year. The analysis process includes all non pay scale employees and is performed at the end of each year to identify the risk-relevant employees for the following year. The process is reviewed annually by the MCV. Changes and adjustments must be approved by the DekaBank Board of Management.

Risk-relevant employees are identified using a multi-step process that takes into account both quantitative and qualitative key indicators and 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 Deka 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).

In financial year 2013, 59 risk-relevant employees (not including the Board of Management) were identified in the Deka Group.

The process for identifying risk-relevant employees will be adjusted in financial year 2014 to take new regulatory requirements into account.

4.2.2. Sustainability and performance-related structuring of remuneration

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 division and the Deka Group.

For risk-relevant employees of DekaBank who report direct to the Board of Management (division management), it is mandatory to defer 60 % of variable remuneration for a minimum period of three years. The deferred share is 40 % of variable remuneration for risk-relevant employees below the level of division head or managing director and employees of investment management companies or unregulated subsidiaries.

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 Deka 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.

³ 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.

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), which depend on the sustained performance of the Deka Group.

The deferred (sustainable) components of variable compensation consequently consist of a cash portion ("cash deferral"), which is paid when vested, and a share granted in the form of performance units ("long-term PU"), which is subject to a further blocking period of one year after vesting.

The non-deferred component of compensation also consists of a cash portion ("cash bonus"), which is paid when due, and a portion granted in the form of performance units ("short-term PU"), which are also subject to a blocking period of one year after granting.

Risk-relevant employees whose variable remuneration for financial year 2013 amounts to less than €75,000 receive their variable remuneration in full, paid in the form of a cash bonus. This threshold will be adjusted in financial year 2014.

Total variable remuneration is therefore divided as follows depending on the employee category:

	Cash bonus	Short-term PU	Cash deferral	Long-term PU
Risk-relevant employees at the division management level (basic amount ⁴ ≥ €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 %	. / .	. / .	. / .

The remuneration system for risk-relevant employees of investment management companies and unregulated subsidiaries in the Deka Group generally corresponds to the remuneration model above. However, in accordance with the regulatory requirements for corporations, variable remuneration 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 therefore applies for 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 %	. / .

The Deka Group will adjust the remuneration system for employees and managing directors of investment management companies in financial year 2014 to take changes in regulatory requirements into account. In particular, the deferral model for the investment management companies will be affected.

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 The basic amount is the provisional total of all probable variable remuneration for 2013.

4.3. Remuneration system for the Board of Management

As a rule, 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 are 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 2013, 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 2013, the model of deferred remuneration did 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

5.1. Total figures by division

The total remuneration for financial year 2013 shown below in accordance with Art. 450 Paragraph 1 (g) of Regulation (EU) 575/2013 for employees and officers⁵ of the Deka Group includes the fixed salaries for 2013 as at 31 December 2013⁶ as well as the total of variable remuneration for financial year 2013 (including retained amounts).

Composition of remuneration for 2013 (all employees/Board of Management members receiving variable remuneration):

In €	Corporate Centres	Sparkasse Sales & Marketing	Real Estate	Securities	Capital Markets	Financing	Board of Management	Total
Total remuneration	133,200,217	34,655,389	49,512,895	93,998,010	23,045,787	6,127,288	7,017,072	347,556,658
of which fixed salary	113,056,177	28,570,796	38,582,173	74,400,264	14,366,641	4,630,061	3,337,072	276,943,184
of which variable remuneration	20,144,040	6,084,593	10,930,722	19,597,747	8,679,146	1,497,227	3,680,000	70,613,475
No. of employees with variable remuneration	1,529	408	521	1,119	142	55	6	3,780

Differences may occur due to rounding.

⁵ Information relating to managing directors of subsidiaries is not shown separately but on an aggregated basis for each division.

⁶ 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. Total figures for risk-relevant employees

The table below shows the total remuneration for risk-relevant employees of the Deka Group, including members of the DekaBank Board of Management, for financial year 2013 in accordance with Art. 450 Paragraph 1 (h) of Regulation (EU) 575/2013. The total remuneration shown includes the fixed salary components as at 31 December 2013 as well as the probable total variable remuneration for financial year 2013 (100 % including all retained amounts). In accordance with data protection law and Section 7 Paragraph 1 Sentence 1 of the InstitutsVergV (p.v.), total amounts are shown for the Corporate Centres, Sparkasse Sales & Marketing and the divisions.

Composition of the remuneration for 2013 (risk-relevant employees receiving variable remuneration):

In €	Corporate Centres	Sparkasse Sales & Marketing ⁷	Real Estate	Securities	Capital Markets/ Financing ⁸	Board of Management ⁹	Total
Total remuneration	5,027,435	0	2,685,258	5,473,023	9,176,246	7,017,072	29,379,034
of which fixed salary	2,931,810	0	1,413,258	2,775,574	4,482,400	3,337,072	14,940,114
of which variable remuneration	2,095,625	0	1,272,000	2,697,449	4,693,846	3,680,000	14,438,920
No. of risk-relevant employees with variable remuneration	14	0	7	13	25	6	65
Variable remuneration 2013¹⁰	1,934,151	0	1,272,000	2,697,449	4,693,846	3,680,000	14,277,446
of which amounts not retained	1,049,877	0	843,198	1,541,966	2,726,668	1,544,000	7,705,709
Cash bonus	607,938	0	783,198	1,400,480	1,411,334	832,000	5,034,950
Short-term performance units	441,938	0	60,000	141,487	1,315,334	712,000	2,670,759
of which amounts retained	884,274	0	428,802	1,155,483	1,967,178	2,136,000	6,571,737
Cash deferral	442,137	0	338,802	980,745	983,589	1,068,000	3,813,273
Long-term performance units	442,137	0	90,000	174,738	983,589	1,068,000	2,758,464
of which subject to the malus clause	884,274	0	428,802	1,155,483	1,967,178	2,136,000	6,571,737
Deferred remuneration	2,924,334	0	1,346,009	3,760,546	5,137,445	5,183,797	18,352,131
of which vested as at 31/12/2013	961,616	0	386,069	1,026,222	1,371,582	577,849	4,323,338
of which not vested as at 31/12/2013	1,578,738	0	796,473	2,276,657	3,367,692	4,267,266	12,286,826
of which paid in 2013	383,980	0	163,467	457,667	398,171	338,682	1,741,967
of which reduced in 2013	0	0	0	0	0	0	0

Differences may occur due to rounding.

⁷ No risk-relevant employees were identified in the Sparkasse Sales & Marketing division in financial year 2013.

⁸ Only one employee in the Financing division was classified as risk-relevant in the financial year under review. In order to provide sufficient protection of individual data, total amounts were shown for remuneration in the Capital Markets and Financing divisions for 2013.

⁹ Members of the Board of Management that had left DekaBank as at 1 January 2013 were not included.

¹⁰ Discrepancy between variable remuneration 2013 and the variable remuneration for the Corporate Centres is due to individual contracts.

Statement of the (i) guaranteed bonuses individually guaranteed in financial year 2013 as part of the start of employment in accordance with Section 8 Paragraph 3 No. 2 of the InstitutsVergV (p.v.) (“**guaranteed bonuses**”) and (ii) severance payments made for termination of activities in accordance with Section 8 Paragraph 3 No. 5 of the InstitutsVergV (p.v.) (“**severance**”):

In €	Corporate Centres / Sparkasse Sales & Marketing	Securities/ Real Estate	Capital Market / Financing	Board of Management	Total
Guaranteed bonuses in 2013	./.	./.	./.	120,000	120,000
No. of beneficiaries	./.	./.	./.	1	1
Severance payments in 2013	./.	425,000	./.	./.	425,000
No. of beneficiaries	./.	1	./.	./.	1
Highest severance payment made	./.	425,000	./.	./.	425,000

5.3. Disclosure of high earners

In financial year 2013, there were four employees in the Deka Group with remuneration of EUR 1 million or more requiring disclosure in accordance with Art. 450 Paragraph 1 (i) of Regulation (EU) 575/2013, of which two employees had remuneration between EUR 1 million and EUR 1.5 million, one employee between EUR 1.5 million and EUR 2 million and one employee between EUR 2 million and EUR 2.5 million.

DekaBank
Deutsche Girozentrale

Michael Rüdiger

Oliver Behrens

Dr. Matthias Danne

Martin K. Müller

Dr. Georg Stocker

Frankfurt am Main, 11 September 2014

„DekaBank

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

Tel: (+49) 69 71 47-0
Fax: (+49) 69 71 47-13 76
www.dekabank.de

 **Finanzgruppe**