

Report of the Administrative Board

During the reporting year, the Administrative Board and its committees carried out the duties assigned to them by law, the Bank's statutes and its rules of procedure. The members of the Administrative Board and its committees regularly advised the Board of Management on management issues and oversaw proper conduct of the Bank's affairs by the management. They were involved in all fundamentally significant decisions regarding the company.

Key issues of Administrative Board meetings

A total of four meetings took place in 2016, during which the Board of Management informed the Administrative Board about the Bank's current business trends and profit performance, its risk position and the Deka Group's strategic direction. The Board of Management reported on and discussed business and risk strategies with the Administrative Board in accordance with the minimum requirements for risk management of German credit institutions (MaRisk). The Administrative Board approved the medium-term plan for the years 2017 to 2019 that was prepared on this basis and submitted by the Board of Management. The reports on the activities of Audit and Compliance, along with the remuneration report for the 2015 financial year, were also submitted to the Administrative Board.

Between meetings, the Board of Management informed the Administrative Board of any significant events in writing. Important topics and pending decisions were discussed regularly between the Chairman of the Administrative Board and the Chairman of the Board of Management.

The Administrative Board was provided with regular reports about the implications of developments in the international capital markets for the Bank's earnings, liquidity and risk position, as well as management measures taken by the Board of Management. In addition, the Administrative Board received regular updates concerning the status of ongoing projects, particularly the continued implementation of DekaBank's transformation programme to become the Wertpapierhaus for the savings banks. Another key issue was the passing of resolutions on matters relating to the Board of Management. One member of the Administrative Board did not take part in the Board's deliberations regarding an equity investment because of a potential conflict of interest.

During the 2016 financial year, the Administrative Board held three full-day training events. In January it turned its attention to the asset management strategy for business with institutional customers. During the event held in February, the Administrative Board received a presentation on processes and priority areas for risk management and control. The third training day, which took place in October, was devoted to information technology.

Administrative Board Committees

The Administrative Board has established a General and Nomination Committee, a Remuneration Supervision Committee, an Audit and Risk Committee and a Credit Committee. The committees are drawn from the members of the Administrative Board. They support the work of the Administrative Board and carry out preparatory work on the issues and resolutions to be discussed in the main Board meetings. The committees' duties are specified in the Administrative Board's rules of procedure.

The General and Nomination Committee met four times during the past year, focusing primarily on the business model and the strategic development of DekaBank. It also took decisions on a number of matters relating to the Board of Management, including the allocation of duties to Board of Management members and the establishment of policies on contractual arrangements and remuneration. In addition, the General and Nomination Committee issued recommendations on the re-appointment of Board of Management members and on the appointment of new members to the Administrative Board.

The Remuneration Supervision Committee met four times in 2016. It discussed the remuneration report and the remuneration supervision report for 2015, gave consideration to whether the remuneration systems for the Board of Management and employees were set up appropriately and prepared resolutions covering Board of Management members' remuneration and targets.

The Audit and Risk Committee met four times during 2016. It conducted a detailed review of the financial statements and consolidated financial statements. It also verified the requisite independence of the auditors, engaged the auditors to perform their audit based on the key audit priorities established and concluded a fee agreement.

The Audit and Risk Committee was provided with a comprehensive overview of the Deka Group's accounting system and the effectiveness of its risk management systems. It obtained reports on the audit activities of external auditors, the Internal Audit department and the Compliance unit, as well as on the resulting action to be taken. The Audit and Risk Committee took note of the report on the Internal Control System (ICS) and conducted a detailed examination of DekaBank's risk position. This examination included credit, market price, liquidity and operational risks, as well as other types of risk, such as business and shareholding risks, and legal and reputational risks. It also received regular reports on the status of national and international regulatory projects of relevance to DekaBank.

Other key issues addressed by the Audit and Risk Committee included discussing the business, risk and IT strategies, updating the recovery plan and carrying out preparatory work for the resolution plan to be prepared by the competent resolution authorities. The Audit and Risk Committee also discussed the results of the 2016 stress test carried out by the European Banking Authority.

The members of the Credit Committee met four times during the reporting year. In its capacity as a loan approval body, the Committee passed relevant resolutions and familiarised itself with the risk position in lending business. As part of this process, it gave particular attention to developments in the ship financing portfolio. The Credit Committee also held discussions with the Board of Management covering the business policy for lending business and the credit risk strategy.

The Chairmen or the Deputy Chairmen of the individual committees reported to the Administrative Board on a regular basis concerning the results of consultations held by the respective committees.

Audit and approval of 2016 financial statements and consolidated financial statements

At DekaBank's Shareholders' Meeting, KPMG AG Wirtschaftsprüfungsgesellschaft (KPMG) was appointed as auditor for the 2016 financial year. KPMG audited DekaBank's 2016 financial statements and management report, as well as the consolidated financial statements, notes and Group management report, and issued an unqualified audit opinion on them.

These financial statements and associated documents were forwarded promptly to the members of the Administrative Board, along with KPMG's reports. The auditors attended the relevant meetings of the Audit and Risk Committee as well as the Administrative Board's meeting to review the financial statements, which was held today. The auditors reported on the findings of their audit and provided additional information where required. The Administrative Board took note of the auditors' findings and, following its own examination, raised no objections.

The Administrative Board approved the 2016 financial statements and submitted a proposal to the Shareholders' Meeting regarding the appropriation of accumulated profit.

Changes to the Board of Management and Administrative Board

During the 2016 financial year, the Administrative Board extended the appointment of CEO Michael Rüdiger with effect from 1 November 2017, and the appointment of Deputy CEO Dr. Georg Stocker with effect from 1 August 2017, each for a further five years.

The Administrative Board withdrew its decision to appoint Stefan Keitel to the Board of Management. Instead, Mr Keitel took on the role of CEO of Deka Investment GmbH, with effect from 1 January 2017.

Ludwig Momann, CEO of the Emsland savings bank, was elected as a member of the Administrative Board with effect from 17 March 2016.

Hans-Werner Sander stepped down from his position on the Administrative Board at the end of 2016. The Administrative Board would like to thank Mr Sander for his valuable contributions and the constructive support he has given to the company and the Board of Management.

Government supervision of DekaBank is exercised by the Federal Minister of Finance.

DekaBank performed well in the 2016 financial year, in a persistently difficult market environment. This reflects the valuable work performed by DekaBank's Board of Management and employees. The Administrative Board would like to thank them for their achievements and considerable personal commitment.

Frankfurt/Main, 30 March 2017

The Administrative Board

A handwritten signature in black ink, appearing to read 'Georg Fahrenschon', written in a cursive style.

Georg Fahrenschon
Chairman of the Administrative Board