Deka Group
Annual Report 2018

Deka

Finanzgruppe

Deka Group at a glance

BUSINESS DEVELOPMENT INDICATORS		31 Dec 2018	31 Dec 2017	Change (%)
Total assets[1]	€m	100,444	93,775	7.1
Total customer assets	€m	275,878	282,888	−2.5
thereof retail customers	€m	137,169	138,951	−1.3
thereof institutional customers	€m	138,709	143,937	−3.6
Number of securities accounts	thousand	4,654	4,492	3.6
		2018	**2017**	
Net sales	€m	11,773	25,671	−54.1
thereof retail customers	€m	11,296	12,309	−8.2
thereof institutional customers	€m	477	13,362	−96.4
PERFORMANCE INDICATORS				
Total income	€m	1,509.0	1,494.1	1.0
thereof net interest income[2]	€m	181.5	142.5	27.4
thereof net commission income	€m	1,218.0	1,202.7	1.3
Total expenses	€m	1,057.2	1,045.2	1.1
thereof administrative expenses (including depreciation)	€m	1,038.5	1,039.8	−0.1
Economic result	€m	451.8	448.9	0.6
Net income before tax	€m	516.9	480.5	7.6
KEY RATIOS				
Return on equity (before tax)[3]	%	9.6	9.9	– 0.3%-Points
Cost/income ratio[4]	%	69.9	68.8	1.1%-Points
KEY REGULATORY FIGURES (without transitional provisions – fully loaded)		**31 Dec 2018**	**31 Dec 2017**	
Own funds	€m	5,741	5,442	5.5
Risk-weighted assets	€m	29,021	24,886	16.6
Total capital ratio	%	19.8	21.9	−2.1%-Points
Common Equity Tier 1 capital ratio	%	15.4	16.7	−1.3%-Points
RISK RATIOS				
Risk capacity	€m	5,920	5,912	0.1
Total risk	€m	2,492	2,035	22.5
Utilisation of risk capacity	%	42.1	34.4	7.7%-Points
RATING LONG-TERM (SHORT-TERM)				
Moody's[5]		Aa2 (P-1)	Aa2 (P-1)	
Standard & Poor's[6]		A+ (A-1)	A+ (A-1)	
SUSTAINABILITY RATING		**31 Dec 2018**	**31 Dec 2017**	
MSCI		AA	AA	
ISS-oekom		C+	C+	
KEY EMPLOYEE FIGURES				
Number of employees		4,716	4,649	1.4
Number of active employees		4,179	4,078	2.5

[1] Previous year's figures have been adjusted (see also note [43] "Income taxes").
[2] Net income from the disposal of assets recognised at amortised cost in the amount of €4.8m (previous year: €13.1m) was included in net financial income for the first time in 2018. This was disclosed under net interest income in the previous year. The prior-year figures have been adjusted to aid comparison.
[3] The return on equity (before tax) corresponds to the annualised economic result relative to the average balance sheet equity including atypical silent capital contributions, without additional Common Equity Tier 1 capital (AT1) and adjusted for intangible assets.
[4] Calculation of the cost/income ratio does not take into account restructuring expenses or loan loss provisions and, from 2018, also excludes risk provisions for securities business. The prior-year figures have been adjusted to aid comparison.
[5] Rating long-term: Preferred Senior Unsecured Debt & Issuer Rating (Moody's: 31 December 2018: Senior Unsecured Debt; 31 December 2017: Senior Senior Debt)
[6] Rating long-term: Preferred Senior Unsecured Debt & Issuer Rating (S&P Senior Unsecured Debt)

Due to rounding, numbers and percentages presented in this report may not add up precisely to the totals provided.

Dear Shareholders and Investors,

For DekaBank Deutsche Girozentrale, 2018 was a special year: 1 February marked the start of our hundred-year anniversary. Together with the savings banks, Deka has been committed to sustainable economic, social and ecological development in Germany since the Bank's establishment. Derived from the shared values of the Sparkassen-Finanzgruppe, the key themes of our anniversary celebrations were people, the economy and responsibility. These values remain crucial to our future direction as well, as there is no future without past foundations.

In our centenary year, our business model once again proved to be resilient. Despite challenging market conditions, the Deka Group achieved a satisfactory economic result of €452 million (previous year: €449 million). Total income rose slightly to €1,509 million, while expenses of €1,057 million showed a moderate increase compared to the previous year's level.

In an increasingly uncertain stock market environment, net sales of the Deka Group were once again in double-digit territory, reaching around €12 billion for the 2018 financial year. It is encouraging to note that more and more savings bank customers are discovering the world of securities investments – as evdenced by around 160,000 new securities and customer custody accounts in the Deka Group as well as over 400,000 new Deka investment savings schemes. In the current market phase especially, regular fund-based saving is a vital component of a stronger securities culture in Germany.

One reason for the positive sales development of Deka products is the high quality of our product and service offering. In 2018 this was once again corroborated by numerous awards from independent parties. The *Wertpapierhaus* of the savings banks was for the first time chosen as "Fund Manager of the Year" by Finanzen Verlag, receiving the publisher's Golden Bull award. In the prestigious Fonds-Kompass awards, which are organised by Capital business magazine together with rating agency Scope Analysis and consultancy firm Tetralog Systems, Deka once again received the maximum five-star rating, also making it one of just four companies to repeat the top ranking awarded to them in the previous year. Deka is also set to receive top rankings in both sets of awards again this year. In the Zertifikate Awards, Deka was chosen as "Certificate Issuer of the Year" and won the German Excellence Prize. At the same time, Deka has established itself as one of the leading sustainable financial service providers. For example, one way in which we are supporting the Sustainable Development Goals of the United Nations is by means of a new 'positive list' for financing.

During our centenary year we demonstrated that Deka is in a stable position and is well equipped for the future. In order to ensure that this remains the case, the Board of Management launched the DekaPro programme during the reporting year. This is our way of investing in the future direction of our business model. Our primary objective is customer focus – we are rethinking processes and products from the bottom up in order to bring them even closer into line with the needs and workflows of savings banks and institutional customers. This is something that digitalisation is helping us to achieve in all areas of the Bank, for example through solutions such as robotic process automation. In addition, we are exploiting every opportunity for organisational optimisation and efficiency improvements, as well as the possibilities opened up to us by digitalisation.

In 2019, we once again expect an economic result on a par with the current reporting year, which will ensure payment of an appropriate dividend.

This level of stability will enable us to continue to make necessary investments in our future using our own resources in order to enhance our long-term growth and earnings prospects.

Sincerely,

Michael Rüdiger

Dr. Georg Stocker

Manuela Better

Dr. Matthias Danne

Martin K. Müller

Report of the Administrative Board for the 2018 financial year

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 2018, 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 2019 to 2021 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 2017 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 the strategic programme, DekaPro. The Administrative Board also discussed matters concerning equity investments (including in relation to S-Pensions-Management GmbH) and regulatory issues (such as the risk culture framework and implementation of the EBA Guidelines on internal governance). Another key issue was the passing of resolutions on matters relating to the Board of Management.

During 2018, the Administrative Board also held two full-day training events. In February, it turned its attention to the topic of "risk culture and risk control". The training event in October covered the topic of "IT and digitalisation".

Administrative Board Committees

The Administrative Board has a General and Nominating Committee, a Remuneration Supervision Committee, an Audit Committee and a Risk and Credit Committee. The committees are made up of 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 Nominating Committee met four times during the past year, focusing primarily on the business model and the strategic development of the Deka Group. 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 Nominating Committee issued recommendations on the election of new members to the Administrative Board.

The Remuneration Supervision Committee met four times in 2018. It discussed the remuneration report and the remuneration supervision report for 2017, 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 Committee met five times in 2018. It conducted a detailed review of the financial statements and consolidated financial statements. It also monitored the requisite independence of the auditors, discussed and approved the additional services they performed, engaged the auditors to perform their audit based on the key audit priorities established and concluded a fee agreement.

The Audit Committee extensively reviewed the Deka Group's financial accounting. It obtained reports on the audit activities of external auditors, Internal Audit and Compliance, as well as on the resulting action to be taken. The committee discussed the report on the internal control system (ICS) and the Sustainability Report, which constitutes the separate non-financial report pursuant to section 289b (3) of the German Commercial Code (Handelsgesetzbuch – HGB), as well as the matter of the share trades conducted by DekaBank around the dividend record date in the period from 2008 to 2015. It also received regular reports at its meetings on the status of national and international regulatory projects of relevance to DekaBank.

The members of the Risk and Credit Committee met four times during the reporting year. At its meetings, the committee 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, legal and reputational risks or risks arising from guarantee commitments in relation to pension products. Other key issues addressed by the Risk and Credit Committee included discussing the business and risk strategies, updating the recovery plan and carrying out preparatory work for the resolution plan to be prepared by the competent resolution authorities.

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 again gave particular attention to developments in the ship financing portfolio. The Risk and Credit Committee also held discussions with the Board of Management covering the business policy for lending business.

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

Audit and approval of 2018 financial statements and consolidated financial statements
At DekaBank's Shareholders' Meeting, KPMG AG Wirtschaftsprüfungsgesellschaft (KPMG) was appointed as auditor for the 2018 financial year. KPMG audited DekaBank's 2018 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 both the corresponding meetings of the Audit Committee and the accounts meeting of the Administrative Board 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 2018 financial statements and submitted a proposal to the Shareholders' Meeting regarding the appropriation of accumulated profit.

The Administrative Board also discussed the Group's separate non-financial report for the 2018 financial year, which forms part of the Deka Group's Sustainability Report. AGIMUS GmbH, which was appointed to audit the Group's separate non-financial report, found that the Group's separate non-financial report met the legal requirements. Following its own examination, the Administrative Board also raised no objections.

Changes to the Board of Management and Administrative Board
The CEO of DekaBank, Michael Rüdiger, will step down from his post at the end of 2019 at his own request and leave the Bank. The Administrative Board has accepted Mr Rüdiger's decision with great regret. The Administrative Board resolved in its meeting today to appoint the Deputy CEO, Dr. Georg Stocker, as the new CEO with effect from 1 January 2020. At today's meeting, the Administrative Board also appointed Daniel Kapffer as a member of the Board of Management with effect from 1 May 2019.

Ralf Fleischer, CEO of Stadtsparkasse München, was elected as a member of the Administrative Board with effect from 1 June 2018. With effect from 1 April 2018, the Administrative Board elected Walter Strohmaier as the first Deputy Chairman of the Administrative Board.

The Administrative Board's new five-year term of office began on 1 January 2019. The election of new members did not give rise to any changes in the composition of the Administrative Board. As President of Deutscher Sparkassen- und Giroverband ö. K., Helmut Schleweis continues to serve as Chairman of the Administrative Board. Walter Strohmaier and Thomas Mang were elected first and second Deputy Chairman of the Administrative Board respectively.

Supervision of DekaBank is exercised by the Federal Minister of Finance.

DekaBank performed well in the 2018 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 am Main, 4 April 2018

The Administrative Board

Helmut Schleweis
Chairman of the Administrative Board

As the *Wertpapierhaus* for the savings banks, Deka Group relies on an integrated business model. Asset Management and Banking create added value for savings banks, their customers and institutional investors at every stage of the investment process.

The *Wertpapierhaus* for the savings banks

More than 100 years of Quality, Competence and Commitment.

Banking business

- Custodial Services
- Financing
- Capital Markets

Learn more: p. 15

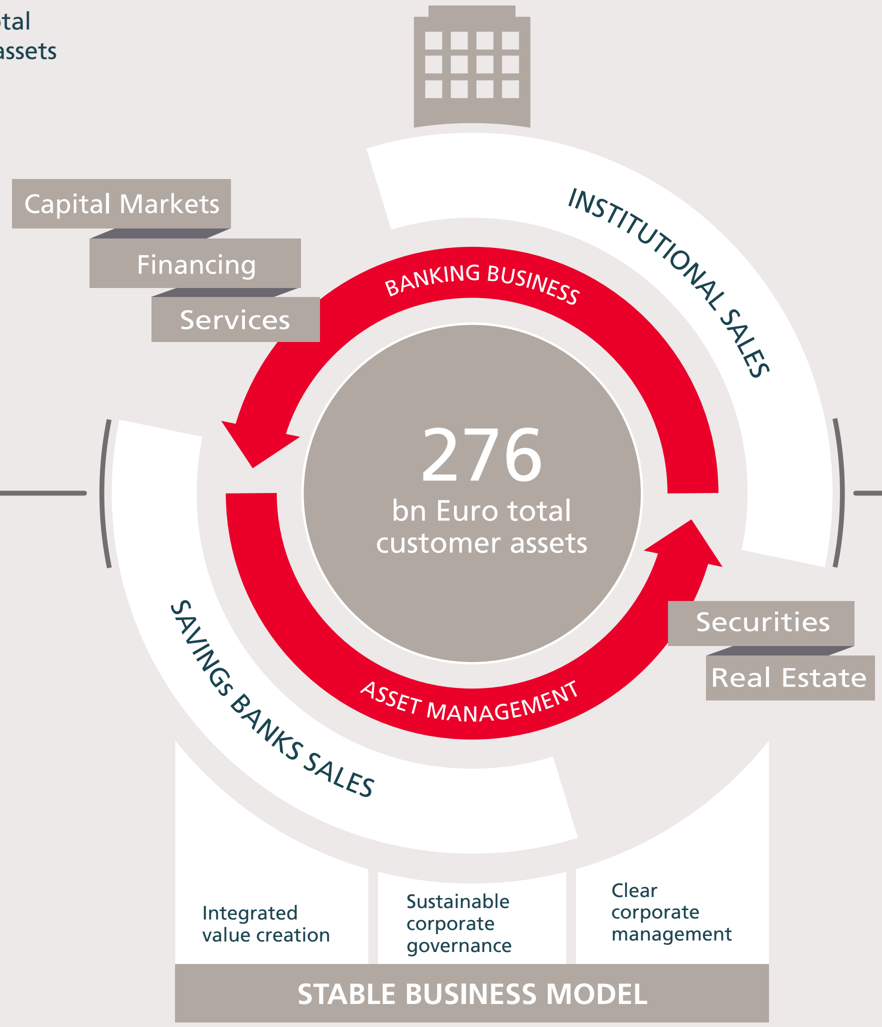
137 bn Euro total customer assets

139 bn Euro total customer assets

Retail customers

- Supporting the advisory process in the savings banks
- Supporting private pension plans and wealth creation
- Multichannel solutions

Learn more: p. 11



Institutional customers

Banks

- Saving banks
- Financial institutions

Institutional customers

- Insurances
- Non-profit organisations
- Public sector
- Family Offices
- Pension funds
- Corporates

Learn more: p. 12

Asset Management

- Fundamental management of funds
- Asset management and property funds of funds
- Quantitative management of funds and ETFs
- Real Estate and credit funds

Learn more: p. 13

For more information, go to: www.deka.de/deka-group

All information current as of end 2018

EXPERTISE AND SOLUTIONS FOR SAVINGS BANK CUSTOMERS

More quality in investing

Interest rates are low and the political environment is turbulent. If you want to build up and safeguard your capital reliably, you need quality in investing. At Deka, that is what we stand for: as the *Wertpapierhaus* of the savings banks, we have made it our mission to offer over 40 million savings banks customers better alternatives for their savings. Everyone can profit from the future: small savers and wealthy investors alike. Investors who want one-to-one advice at their savings bank branch, and execution-only clients who want to manage their investments primarily online. The route to this goal involves carefully designed, customised investment solutions based on an in-depth analysis of customer needs, markets and companies, as well as on well-founded information and services. In this way, Deka can provide investment and asset management solutions that are precisely tailored to the requirements of different types of investors. As the *Wertpapierhaus* for the savings banks, this is what exactly Deka stands for.

Deka – Quality for all investors

Quality in every dimension: Deka's services for private investors

Deka

Consistently high quality of advice

- Comprehensive information for advisers, branch customers and execution-only clients.
- Advice that matches individual needs, in line with the savings banks' financial concept.
- Deka Research with clear market opinions and thorough analysis

+

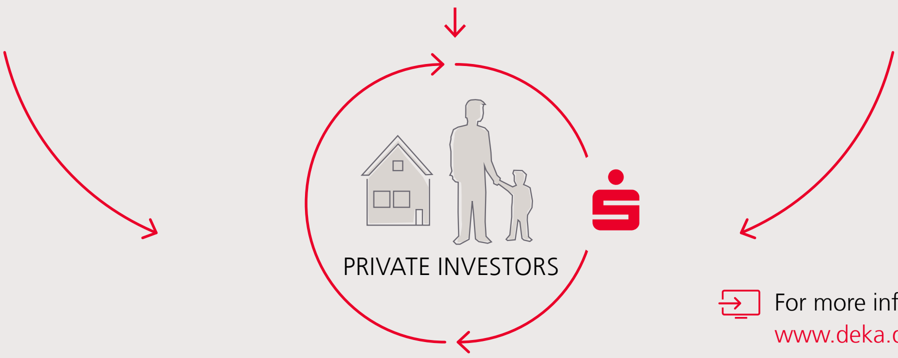
Precise investment solutions

- Broad range of products for all investment needs – lump-sum investments or savings plans
- Carefully designed investment solutions from basic investing to wealth management
- Expanded range of multi-asset funds, balancing opportunities with diversification of risk

+

Convincing multichannel solution

- High-performance online platform with premium content
- Perfect integration of online services and branch-based advice
- Own online dealing platform (S-Broker)



For more information, go to:
www.deka.de/privatkunden

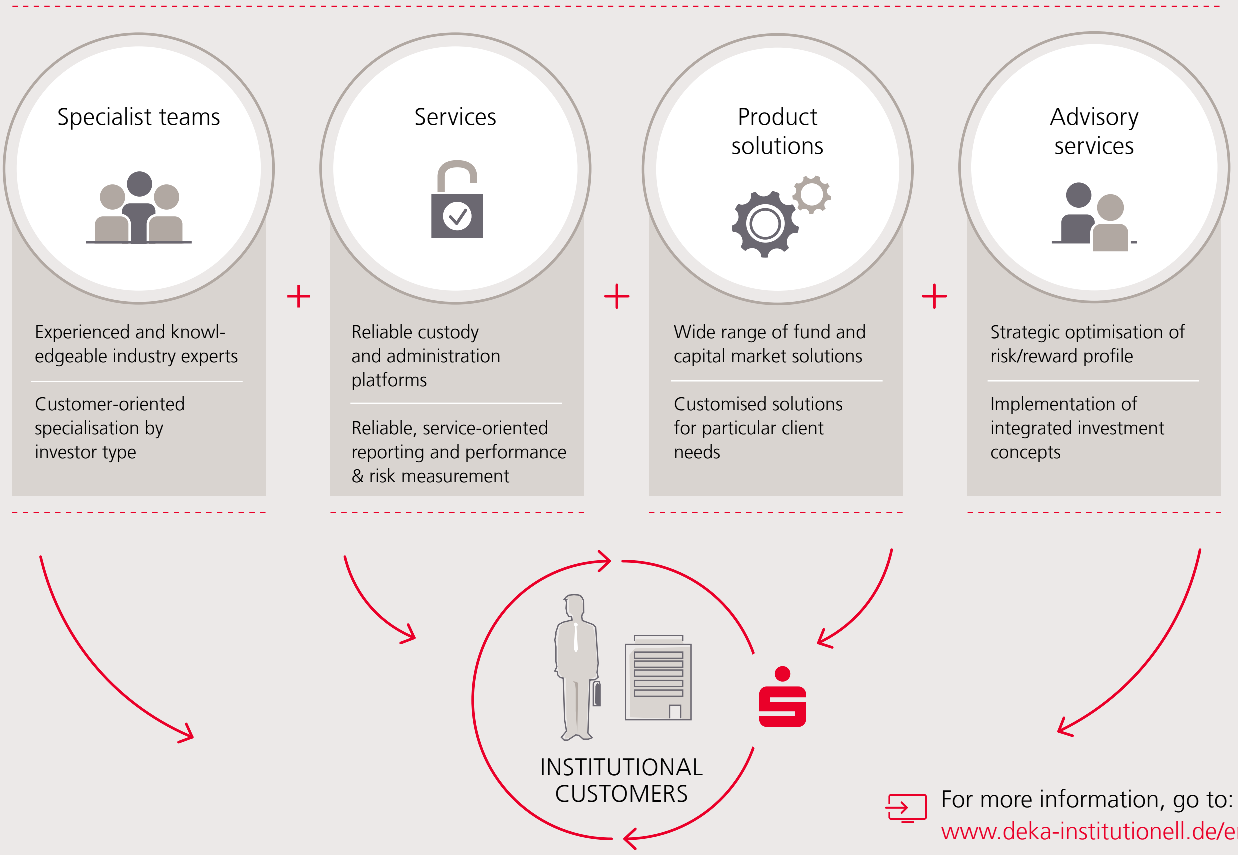
EXPERTISE AND SERVICE FOR INSTITUTIONAL CUSTOMERS

Investment solutions that fit

Deka is a first-choice partner for institutional customers. Our asset management and banking products form part of a holistic advisory approach that helps customers achieve both their key goals: assuring regulatory compliance at reasonable cost, and implementing a specific business strategy to seize opportunities for returns in any market environment.

Our advisory and solution expertise is combined under the *Deka Institutionell* brand with its core promise, "Success begins with respect". The starting point is always the individual customer, their particular background and their specific goals and requirements with regard to investments and balance sheet management – as well as a clear understanding and respect for their financial and ethical values. Combining a customer-centred approach with deep roots in the German market and wide-ranging expertise, Deka provides investment support to pension funds, businesses, insurers, non-profit organisations, family offices, the public sector and, of course, the savings banks. Investors abroad also take advantage of Deka's range of services.

Deka's offering covers the entire value chain of institutional asset management and associated capital market services. In order to give professional clients the best possible support in their investment decisions, Deka also provides comprehensive information services and maintains an intensive dialogue in the form of specialist events such as the "Regulatory Radar" and the Deka Institutionell Investment Conference. As the *Wertpapierhaus* for the savings banks, Deka also offers insights and ideas on managing proprietary investments to over 300 savings banks in the form of the *Deka-Treasury-Kompass*. Via the Deka Easy Access web platform, Deka provides savings banks and other institutions with access to and information on the capital markets, which they can link in real time to their own custody accounts.



For more information, go to:
www.deka-institutionell.de/en/

ASSET MANAGEMENT BY DEKA

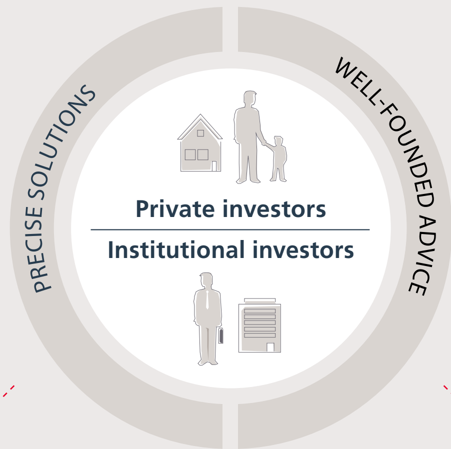
Tailor-made investing

Persistently low interest rates have increased demand among investors for alternative types of investment. Deka's asset management offers a wide range of products for securities and property investing, with which savings bank customers and institutional customers alike can follow their investment strategies – with the right combination of opportunity and stability for each client. The foundation is provided by our comprehensive market expertise built on Deka Research, as well as our understanding of the requirements of the different customer groups.

Deka offers actively managed funds and investment products for securities and property, as well as exchange-traded funds (ETFs) for passive investing. As a result, investors can always find the right solution for their needs. What all of these solutions share is the high quality in securities investment that is the hallmark of Deka and the savings banks. The best proof of this is offered by the excellent positions of Deka funds and investment solutions in well-known quality rankings, and the high scores achieved for management quality. At the 2019 €uro FundAwards, Deka once again demonstrated that it has a broad range of attractive and successful funds: 16 of the Deka Group's funds and four of its ETFs won a total of 40 awards. In the selection of "Fund Manager of the Year", Deka was ranked in second place; this was another major success after the previous year saw the Bank secure the top spot for the first time. In the 2019 Capital-Fonds-Kompass awards, Deka was awarded five stars for the seventh year in succession, once again placing it among the leading performers.

Deka Asset Management – for quality in investing

Investment competence in all major asset classes under one roof



Securities

- Mutual and special funds
- Equity and bond funds
- Multi-asset funds and fund-linked investment management
- Quantitative Products and ETFs
- Alternative investments

Real Estate

- Open-ended property mutual funds
- Open-ended and closed-ended special funds
- Individual property funds
- Property funds of funds
- Club deals in the form of open-ended property funds or property funds set up through limited liability investment partnerships
- Credit funds

Excellent investment solutions for securities and property

The fundamental or quantitative active management of securities funds is Deka's core competence in the field of securities investment. Investment strategies and investment vehicles can be precisely tailored to the risk appetite and target returns of each private or institutional investor. Deka's quality- and stability-oriented approach, our wide range of securities- and property-based investment products and our services always meet the investing needs of both types of customer.

Investments available to private and institutional customers also include passive index funds (ETFs) and pension products, as well as alternative investments.

The potential of property investments to generate continuous and stable long-term growth is especially interesting to investors in times of low interest rates. Physical assets and a history of mostly low volatility in yields make property an attractive asset class for private investors and institutional customers alike. Institutional investors can also make use of the range of credit funds.

CURRENT AWARDS

Making sustainability investable

Sustainable strategies for investment are growing in importance. Investors increasingly want ESG (environment, social & governance) factors to be considered in their investment decisions. This is where Deka's sustainability funds for private investors come in. The *Deka-Nachhaltigkeit* (Deka Sustainability) family of funds for private investors currently comprises three funds, namely an equity fund, a bond fund and a mixed asset fund which combines the two (*Nachhaltigkeit Balance*). Other distinctive offerings such as the *Deka-Umwelt-Invest* equity fund, which invests solely in companies in the climate and environmental protection, water and renewable energy sectors, complete the range.

As part of its offering for institutional investors, Deka has developed funds and other investment solutions that are precisely tailored to the needs of investors with specific ethical requirements such as charitable foundations or churches.

For more information, go to:
http://s.de/xwk

DEKA'S BANKING BUSINESS

Meeting requirements – Assuring returns

The different sections of Deka's banking business provide savings banks, institutional customers and investment funds in asset management business with efficient access to the capital markets and finance. Based on the specific requirements of the individual customer, they offer a broad portfolio of products for the planning, control and administration of securities investments and balance sheet management. Banking and asset management are thus both essential parts of Deka's integrated business model.

The customer-centred approach to banking is grounded in the seamless integration of investment solutions with infrastructure and advisory services. This enables institutional customers to make use of synergies and economies of scale – and to exploit opportunities while ensuring regulatory compliance. Whether the challenge involves the balanced management of liquidity risk, market conformity and liquidity tests, or equity exposures for insurance companies under Solvency II, our combination of capital markets expertise, innovation and customer understanding ensures that institutional customers achieve their objectives in the best way possible.

The infrastructure and services for successful investing

Deka's banking services at a glance

Capital Markets

Products, solutions and infrastructure services for capital markets

- Securities lending and repurchase transactions
- Trading and structuring of capital market products
- Issues
- Commission business

Asset Management Services

Banking services for asset management

- Specific management services
- Digital solutions for the securities business of savings banks
- Online execution-only services

Financing

Special financing and property financing for savings banks and institutional customers, debt investment products

- Financing for savings banks
- Transport sector financing
- Infrastructure and export finance
- Property financing

Group management report 2018.

DekaBank, the *Wertpapierhaus* of the savings banks, achieved a satisfactory economic result of €451.8m in its anniversary year, despite a challenging market environment. At €275.9bn, the Deka Group's total customer assets were slightly down on the level recorded at the end of 2017. This was despite net sales of €11.8bn. Thanks to its robust financial position, which is also reflected in a good credit rating, the Deka Group is able to fully lock on to its strategic path – DekaPro – and put in place the foundations to create lasting high value added in the years to come.

Group management report

At a glance

DekaBank, the *Wertpapierhaus* for the savings banks, continued in its centenary year to work on the areas that have been at the heart of its activities since launching the *Wertpapierhaus* strategy: tailoring its business model to savings banks, savings bank customers and institutional investors, and striving to be a valued investment partner. With this clear sense of direction, the Deka Group achieved a satisfactory economic result of €451.8m (previous year: €448.9m) despite a challenging market environment. Income increased slightly to a total of €1,509.0m (previous year: €1,494.1m). Expenses amounted to €1,057.2m in total, representing a moderate increase compared with the previous year (€1,045.2m).

The Deka Group was unable to fully escape the cyclical effects arising from the negative performance of almost all asset classes in 2018. At €275.9bn, the Deka Group's total customer assets were therefore slightly down on the level recorded at the end of 2017 (€282.9bn). This was despite net sales of €11.8bn. Net sales fell short of the high prior-year figure (€25.7bn), partly due to a one-off effect in institutional customer business. The positive sales performance was accompanied by market-induced negative investment performance at the reporting date, distributions (from which customers benefited) and certificate redemptions.

The DekaPro programme of initiatives, which was launched at the beginning of the reporting year, aims to promote growth and efficiency by making the Deka Group more customer-centric. All aspects of the programme gathered pace over the course of the year. Enhancing processes will enable them to be integrated even more smoothly into the workflows of savings banks, their customers and institutional investors. This trend is also being supported by increasing automation using innovative technologies such as robotics, machine learning, artificial intelligence and blockchain.

Confirmation of the high quality of Deka's products and solutions came from Finanzen Verlag, which named Deka as their "Fund Manager of the Year" for 2018 – the first time Deka has won this accolade – as well as from the 2018 Capital-Fonds-Kompass awards, where Deka was awarded the maximum five-star rating.

Thanks to its robust financial position, which is also reflected in a good credit rating, the Deka Group is able to fully lock on to its strategic path – DekaPro – and lay the foundation to create lasting high value added in the years to come. At the end of 2018, the Common Equity Tier 1 capital ratio (fully loaded) stood at 15.4% and the leverage ratio (fully loaded) at 4.6%. The liquidity coverage ratio was 149.8% at year-end 2018, comfortably above the minimum requirement of 100% applicable since the start of 2018. At 42.1%, utilisation of risk capacity remained at a non-critical level.

Information about the Deka Group

Deka Group profile and strategy

DekaBank is the *Wertpapierhaus* for the savings banks. The Deka Group is made up of DekaBank and its subsidiaries. Through its asset management and banking activities, it acts as a service provider for the investment, administration and management of assets, supporting savings banks, their customers and institutional investors at every stage in the investment process. It also offers comprehensive advice and solutions both to the savings banks and to institutional customers outside the *Sparkassen-Finanzgruppe* on investing, liquidity and risk management, and refinancing.

Legal structure and corporate governance
DekaBank Deutsche Girozentrale is a German federal institution incorporated under public law with registered offices in Frankfurt am Main and Berlin. It is wholly owned by the German savings banks. 50% of the shares are held via Deka Erwerbsgesellschaft mbH & Co. KG. The savings banks hold their interests via this company, which is owned by their regional savings bank and giro associations. The other 50% of the shares are held by the German Savings Bank and Giro Association (*Deutscher Sparkassen- und Giroverband* – DSGV).

The Deka Group strictly adheres to the principles of good and responsible corporate management. The corporate governance concept for the management and supervision of the Group ensures that the responsibilities of board and committees are clearly defined and enables efficient decision-making processes.

Corporate governance
DekaBank is managed collectively by the Board of Management, which continued to comprise five members as at the 2018 reporting date. Responsibility for Human Resources & Organisation was transferred from Martin K. Müller to Michael Rüdiger as from 1 January 2018. Responsibilities as at the end of 2018 were thus as follows:

- CEO, Asset Management Securities: Michael Rüdiger
- Deputy CEO, Savings Banks Sales & Marketing: Dr Georg Stocker
- Risk (CRO): Manuela Better
- Finance (CFO), Treasury and Asset Management Real Estate: Dr Matthias Danne
- Banking business and IT: Martin K. Müller

Michael Rüdiger announced in early December 2018 that he would be leaving the Deka Group during 2019. He is leaving at his own request for personal reasons. The Administrative Board will decide in due course on his successor as CEO and on a new appointment to the Board of Management.

The members of the Board of Management are supported by in-house management committees in an advisory capacity. In addition, DekaBank actively incorporates representatives of the *Sparkassen-Finanzgruppe* into its decision-making process via three specialist advisory boards, which advise the Board of Management, and six regional sales committees. The Board of Management uses their expertise and proximity to the market to develop business further.

The Administrative Board oversees the Board of Management and thus performs a supervisory role. It comprises shareholder and employee representatives as well as representatives from the *Bundesvereinigung der kommunalen Spitzenverbände* (German Federal Association of Central Municipal Organisations), who act in an advisory capacity. The Administrative Board's work is performed in part by the full Board and in part by various committees. To this end, the Administrative Board has established a General and Nomination Committee, an Audit Committee, a Remuneration Supervision Committee and a Risk and Credit Committee. The German Federal Minister of Finance is responsible for general governmental supervision.

Sustainable governance and non-financial statement
The Deka Group's sustainability strategy is an integral part of its corporate strategy. Deka has committed itself to national and international standards (UN Global Compact, Equator Principles and the German Sustainability Code) and is constantly improving its portfolio of sustainable products and services. As a signatory to the Frankfurt Declaration, it also supports the creation of sustainable infrastructures in the financial sector and is actively accompanying the discussion of the European Commission's Action Plan: Financing Sustainable Growth. Since the reporting year, it has additionally been an official supporter of the Task Force on Climate-related Financial Disclosures (TCFD). The TCFD's primary aim is to develop common standards for the disclosure of companies' climate-related financial risks. The Deka Group supports the United Nations Sustainable Development Goals, among other things by funding relevant projects. These include electricity generation from renewable energy, transport or storage of renewable

energy, and modernisation of production facilities to significantly reduce CO2. A corresponding whitelist was created in the 2018 financial year and the blacklist was considerably expanded.

The annual sustainability report provides detailed information on the sustainable management of the Deka Group. It includes the Deka Group's non-financial statement pursuant to the German CSR Directive Implementation Act (*CSR-Richtlinie-Umsetzungsgesetz*). The declaration sets out, in particular, targets, measures and due diligence processes for the environmental, social and employee concerns that are significant to the Group's business model, as well as for the upholding of human rights and the combating of bribery and corruption.

See also: www.deka.de/deka-group/sustainability

The annual sustainability report including the non-financial statement does not form part of the Group management report. In accordance with the statutory publication deadlines, it is published by the end of April each year on the Deka Group website (www.deka.de/deka-group/sustainability), where it will remain accessible for at least ten years.

Business model

The business model of the Deka Group is characterised by close collaboration between asset management and banking business. The Group's asset management products comprise securities funds, real estate funds, credit funds and capital markets certificates, together with the associated asset management services for private and institutional investors. Such services include investment fund support for asset managers and support for institutional customers in their asset, capital, liquidity and risk management. In this regard, the Deka Group acts as finance provider, issuer, structurer, trustee and depositary (custodian bank).

In addition to asset management activities in the narrower sense, the Deka Group also provides the execution of securities trading, custody accounts, asset servicing and depositary services. The range of advisory and other services for asset management purposes, which can be used by savings banks and other institutional customers, encompasses the bank's role as a liquidity and collateral platform, its securities lending services, and support with the purchasing and settlement of securities and derivatives, including clearing. The Deka Group also offers supplementary services such as market analyses, collateral agreements and regulatory compliance (including market conformity tests and trade repository reporting).

In securities funds and real estate funds, the Deka Group primarily earns commission income in the form of management and transaction fees. Subject to regulatory requirements, some of this income is passed on as an "association payment" to the savings banks in their capacity as sales partners. Additional commission income is generated from banking transactions, including capital market activities. Interest income is obtained primarily from specialised financing and real estate finance, as well as from the Capital Markets business division and Treasury operations.

Deka Group strategy

Strategic objectives

The Deka Group's strategy is geared towards supporting the savings banks with their important role in helping German households build capital and with all issues relating to the securities investments of retail and corporate customers. This encompasses branch and internet sales, lump-sum investments, asset management and savings plans, training measures and the standardisation of the sales management process. The Deka Group also offers customised investment products for institutional customers in Germany and other countries, as well as advisory and infrastructure services to enable them to meet their business objectives safely and efficiently in a challenging market and regulatory environment.

With this approach, the Deka Group is positioning itself as a customer-centric *Wertpapierhaus* for the savings banks. At every level and in every field, it gears its services and workflows to the needs and processes of customers. This constantly refined promise of performance is backed up by the strengths of an integrated business model that is founded on both asset management and banking.

The DekaPro programme combines initiatives aimed at the growth-oriented further development of the retail and institutional business, the improvement of value added, a more flexible cost structure, and the digitalisation of customer interfaces, products and processes. Launched at the beginning of 2018, this programme of initiatives sets the direction for the Deka Group's strategic and operational focus in the coming years. With DekaPro, the Deka Group is investing in a robust, increasingly digitalised business model with long-term viability and preserving the balance between focused growth, performance orientation and efficiency.

Priorities in the 2018 financial year

Customer centricity

DekaPro ingrains the customer-centric orientation more deeply in the business model and organisation as a whole. The relevant customer segments for this approach are, firstly, the savings banks with their requirements for proprietary business, as well as their end customers. Individual customers, high net worth private clients and – closely related to these – commercial and corporate customers of the savings banks also constitute an important target group in this regard. Secondly, the Deka Group supports institutional customers. Besides the savings banks, these include insurance companies, pension funds, foundations, family offices, corporates in various sectors and the domestic public sector. Deka aims to acquire and serve these customers in partnership with the savings banks.

DekaPro aligns the Deka Group's advice, products, services and internal processes even more rigorously with the expectations, needs and processes of the relevant customer groups. All DekaPro initiatives are consistently thought out from the customer's perspective, leading to the improvement, streamlining and partial automation of core processes along with the partial realignment of Deka's product and service range. DekaPro also involves investing in areas that will be important to customers in the future and driving these agendas forward with a high pace of development. This includes, for example, creating a multichannel-oriented offering that works seamlessly across physical and "internet branches", or providing digital asset management. These efforts will allow the Deka Group to realise growth potential in its business with savings banks, savings bank customers and institutional investors.

The importance of customer-centricity is also reflected in closer customer relationships. Formats, both tried-and-tested and newly developed, are helping to expand business in the savings bank sector and beyond. At the Sustainability Day, for example, Deka informed insurance companies and pension funds about the importance of sustainability concerns in asset allocation. The Family Office Radar discussed fund taxation among other topics.

The Deka Group won various important awards in the reporting year, underscoring the fact that it is already highly appreciated by its customers. Deka Investment was chosen as "Fund Manager of the Year" (Finanzen Verlag) for the first time in 2018, scoring highly for having the best product range of Germany's major fund providers. Achieving first place in the overall ratings is confirmation of the consistent good service provided by Deka's fund management. The 2018 Capital-Fonds-Kompass awards again assigned the maximum five-star rating to Deka Investment. Deka was one of only four firms to receive the maximum rating in the past year. Individual Deka securities and real estate funds also achieved outstanding results at the €uroFund Awards and Scope Investment Awards. Deka Investment's Master KVG offering was given a score of 1 and an outlook of 1+ ("excellent") by the rating agency Telos in the reporting year. The improved rating cements Deka's position as a leading solutions provider under the *Deka Institutionell* brand.

Growth

The Deka Group aims to realise growth potential with savings banks, savings bank customers and institutional investors as a consistently customer-centric organisation.

Exploiting potential in retail business

The Deka Group helps savings banks to expand the whole of their securities business and leverage potential in securities business with retail customers. Working closely with the securities committees of the regional savings banks, sales managers and customer advisers, Deka seeks to attract savings bank customers who have so far limited themselves to deposit and credit products and to convince them of the benefits of securities investment, turning them into long-term securities customers. It also aims to help savings banks make greater use of the existing fund investor customer base with product initiatives and advice. Partly thanks to these initiatives, customers have opened more than 160 thousand new custody accounts in the space of a year, and net sales have performed positively in the retail business. This also reveals the considerable potential that remains, especially given the fast-growing monetary assets of savings bank customers.

In terms of products, the focus includes fund savings plans. After strong growth in the previous year, the number of savings plans increased again by more than 400 thousand in 2018. In lump-sum investments, the *Deka-BasisAnlage* (Deka Basic Investment) funds of funds, along with themed funds such as *Deka-Dividendenstrategie*, played a key role. Index funds (ETFs) were also more extensively incorporated into the sales offering to add to the investment mix and complement actively managed mutual funds, creating a comprehensive securities offering. Asset management concepts and robo-advisory investing combine the benefits of index funds and active fund management.

The initiatives to fully exploit the potential are accompanied by greater standardisation of investment advice, meaning considerably reduced outlay, substantially improved quality and more reliable processes for the savings banks. The modular securities concept developed for this purpose takes a customer-centric approach tailored to the sales management process of the savings banks. Following a successful pilot phase, training of Deka sales directors and the roll-out of the technical solution began at the end of 2018.

Systematic training on the securities business is continuously provided to market managers, sales managers and savings bank advisory staff.

Deka also helps the savings banks approach different end customer groups in different ways and is already working with more than 230 savings banks as part of its private banking initiative. It provides services, advisory support and special investment solutions for advisers working in private banking. New strategies for healthcare professionals have also been added.

Improving market position in institutional business

Strengthening the Deka Group's competitiveness and market position in the institutional business is another big priority. Deka is looking especially at the potential outside the *Sparkassen-Finanzgruppe* that it can leverage together with the savings banks. Having comprehensively established customers' needs, Deka formulated a new plan for institutional sales in the reporting year. This also serves as the basis for a modular catalogue of services and for customer relationship management. Individual service components are prioritised to create a strategic focus that lines up with customer requirements. Sales efforts are focusing on institutional mutual funds and special funds.

Growth in our institutional business was driven not least by platform solutions such as Deka Easy Access. This analysis, management and dealing tool was already employed by over 150 savings banks at the end of 2018. Systematically conceived from the end user's perspective, the tool allows Treasury departments at the savings banks to conveniently manage and analyse portfolios with up-to-the-minute information. As an additional service, Deka introduced the Deka Research Hub in the reporting year. This helps savings banks with lending decisions by providing extensive information on issuers' creditworthiness as well as a sustainability screening. Beyond Deka Easy Access, Deka plans to expand and integrate infrastructure services in the banking business, taking full advantage of all the opportunities of digitalisation. Through access to centrally provided services with a high level of value added – such as *Deka Treasury-Kompass*, the securities and collateral platform (including collateral management), derivatives clearing and trade repository reporting – savings banks and other institutional customers can reduce the cost of compliance with regulatory requirements.

Efficiency

The Deka Group is using various measures to ensure it performs its services efficiently and thus with lasting competitiveness, taking advantage of the opportunities provided by digital technology.

Growing with optimised value added and cost structure

Numerous measures forming part of DekaPro are designed to handle a growing volume of business with stable resources and to manage challenging regulatory requirements with an appropriate level of expenditure.

The standardisation of the Bank's internal processes, including greater use of automation, is set to noticeably reduce complexity and improve the cost structure in the coming years. Savings Bank Sales is using interdisciplinary teams to modify core processes, creating an even better fit with workflows in the savings banks.

There will also be improvements to the organisational structure and strategic direction of subsidiaries. As part of the strategic realignment, Landesbank Berlin Investment GmbH (LBB-INVEST) was renamed Deka Vermögensmanagement GmbH in the reporting year. The company's head office is in Frankfurt/Main. The company acts as a centre of expertise for asset management products, which are gradually being combined under its umbrella, as well as for boutique funds. Deka Investment GmbH is thus focussing on the fundamental and quantitative management of mutual funds, special funds and ETFs as well as on asset servicing. The equity and bond funds previously housed within LBB-INVEST have been transferred to Deka Investment GmbH.

In Luxembourg, DekaBank Deutsche Girozentrale Luxembourg S.A. is largely concentrating on producing asset management products and services. It will be converted into a branch of DekaBank to achieve even closer integration with Frankfurt/Main. Classic banking activities such as the lending business, capital market business and direct customer business will be discontinued, allowing the return of the company's banking licence.

Digitalising customer interfaces, products and processes

The digital transformation in the Deka Group is concentrated, firstly, on interfaces with savings banks and retail and institutional customers along with the products and services available for these groups. Deka is also concentrating on digitalising its internal processes. Digitalisation therefore has major overlaps with other DekaPro initiatives as it is essential to the customer-centric development of the Deka product and service portfolio and to efficiency along the value chain. A digitalisation circle and expert group for digitalisation have been created to coordinate activities and drive the process of digital transformation.

Digitalising the customer interface

The products and services developed and provided by Deka for the multichannel sale of securities had already been integrated into the "internet branches" of more than 300 savings banks by the end of 2018. The future aim is to provide savings banks and their customers with a securities offering that enables every step from selection to subscription to take place seamlessly across different media. In building up online securities business and expanding the associated product packages, Deka takes account of the needs of both execution-only customers and the savings banks' multichannel customers. The savings banks' branch-based approach is thus perfectly dovetailed with multichannel banking. Ongoing development has brought a range of improvements for end customers over the past year, including extensions to the custody account dashboard and new ways for savings bank customers to contact customer advisers. The incorporation of stocks and shares functions into the *Sparkassen-Finanzgruppe* app goes hand in hand with the expansion of online execution processes. An attractive range of information on products and market developments helps investors take decisions.

At the subsidiary bevestor GmbH, an interdisciplinary team of experienced experts in securities and digital technology are developing solutions that offer private investors simple and transparent ways to invest and manage assets digitally. An integrated investment assistant helps users assess and choose investments themselves, for example. Model portfolios with different risk profiles are provided as a basis for individual investment along with three actively managed funds of funds. The business magazine Capital tested robo-advisory services in 2018 and awarded bevestor's digital offering for customers the top score of five stars. S Broker expanded its range of savings plans in 2018, also to include ETF savings plans from Deka. It also increased order numbers, partly through campaigns allowing investors to buy for free. S Broker is also of growing importance to the modular implementation of the Deka Group's custody account strategy.

Digitalising products and processes

To accelerate the digital transformation, Deka created the Open Digital Factory during the reporting year. Here, interdisciplinary, agile teams from IT and other departments develop and test innovative digital solutions. They have focused initially on robotic process automation (RPA). At the end of 2018, more than 40 software robots were already being used to automate processes and make them more robust, which has considerably reduced throughput time. The factory has also been working on developing the first machine learning prototypes, for instance to process standard transactions using chatbots. The use of artificial intelligence (AI) for forecasting models has also been successfully tested, for instance to trigger adjustments to asset allocation. The third area of emphasis in the reporting year was the use of blockchain technology. For example, Deka has developed a digital promissory note loan together with other banks. Other digital key technologies such as cloud computing and DevOps are in the pilot stage.

In terms of products, Deka's emphasis has been on further development of the *Internetfiliale 6.0* ("internet branch 6.0") as well as platform and portal solutions for institutional customers. One example in 2018 was the successful introduction of a web application for *Deka Treasury-Kompass*. This has further improved the savings banks' ability to record and analyse information. Deka Investment has also digitalised the entire process of creating and amending investment guidelines. The new system went live in the third quarter of 2018. Behind the user-friendly front end, downstream implementation algorithms automatically assign all standard requirements in the target system.

Organisational structure

See also: Segment reporting, pages 121 ff.

The Deka Group's activities are organised into five business divisions. Deka's asset management activities are handled by the Asset Management Securities and Asset Management Real Estate business divisions. The Group's banking business is covered by the Capital Markets and Financing business divisions. The fifth business division, Asset Management Services, focuses on providing banking services for asset management. Despite the clear separation at Board level between banking business and asset management, the business divisions work closely both with one another and with the sales departments and corporate centres. They form the basis for the Deka Group's segment reporting under IFRS 8.

Asset Management Securities business division

The Asset Management Securities business division focuses on the active management of securities funds as well as on investment solutions and services for private investors and institutional customers. In addition, passive investment solutions are also offered.

The product range comprises

- actively managed mutual securities funds following fundamental and quantitative strategies in all major asset classes, along with fund savings plans based on these,
- passively managed index funds (exchange-traded funds – ETFs),
- products relating to fund-based asset management, funds of funds and fund-linked private and company pension products,
- special funds, advisory/management mandates and asset servicing solutions with an emphasis on master KVGs for institutional customers.

The product range is supplemented by bespoke and standardised securities services, for which the division works closely with the Asset Management Services business division.

Products and solutions are marketed under the Deka Investments, Private Banking and Deka Institutionell brands.

The division's strategic objectives remain to expand its market position in retail activities and to achieve profitable growth in institutional business.

Asset Management Real Estate business division

The Asset Management Real Estate business division offers real estate investment products for personal and institutional investors. It also offers credit funds and is an important partner for the savings banks in commercial property investment. The division focuses on the office, retail, hotel and logistics segments in Europe as well as selected locations in North and South America and the Asia-Pacific region.

Its services comprise the purchase, sale and management of real estate and all other real estate services, as well as the growth-oriented development of marketable commercial properties in liquid markets, and active portfolio and risk management.

Products offered by the division include open-ended real estate mutual funds as well as special (i.e. private) funds with either an open-ended or closed-ended structure, single-investor real estate funds, real estate funds of funds, club deals and credit funds that invest in real estate, infrastructure or transport financing. As part of the *Deka Immobilien-Kompass* initiative, the savings banks and other institutional investors are also offered an extensive modular service package aimed at real estate fund investment.

The division has set itself the target of expanding its market position in both retail and institutional business while maintaining strict compliance with quality and stability commitments.

Asset Management Services business division
The Asset Management Services business division provides banking services for asset management. The services range from supporting the sales departments with digital multichannel management to managing custody accounts for customers and providing custodial services for investment funds.

The Depositary subdivision provides a full range of depositary services, from the regulatory control function under the German Investment Code (*Kapitalanlagesetzbuch* – KAGB) to securities settlement and reporting, both for Deka Group funds and for investment management firms outside the Group. Depositary functions are also offered to institutional end investors. Asset Management Services works closely with the Capital Markets business division on services such as commission business, collateral management and securities lending.

The Digital Multichannel Management subdivision develops and implements digital solutions for securities business in the "internet branch" of the savings banks, in line with the savings banks' multichannel strategy. In the retail segment, it also takes legal responsibility for the management of DekaBank custody accounts. A multi-platform online securities offering, including stock exchange and securities information tools, is made available to the savings banks, using DekaNet as a centralised information and sales platform. DekaNet also offers the opportunity to achieve greater process efficiency through automation solutions. Its services are supplemented with those provided by S Broker, whose solutions likewise allow the savings banks to realise multichannel sales. *S ComfortDepot* is a particularly popular solution for savings banks that want S Broker to take legal charge of their retail customer custody accounts (*Depot B*). With *DepotPlus* and *DirektDepot*, S Broker also provides the savings banks with an offering for online-oriented execution-only customers and trading-oriented clients. The "bevestor" digital development platform produces innovative solutions for online securities business.

The division has set itself the objective of continuing to develop the digital channel into a persuasive offering for online securities investment, trading solutions and digital asset management, so as to make an important contribution to growth in the retail customer business. The depositary business also aims to be clearly positioned in the market and responsive to the rising trend in mutual funds, both among Deka Group investment managers and via third-party mandates.

Capital Markets business division
The Capital Markets business division is the central product, solution and infrastructure provider in the Deka Group's customer-driven capital market business, and also acts as a service provider and driver of innovation in this area. As such, the division provides the link between customers and the capital markets. The Capital Markets business division offers investment solutions to both retail and institutional customers and helps customers to put their asset management decisions into practice.

With its tailored range of services relating to securities repurchase transactions, securities lending and foreign exchange trading, the business division also acts as the central securities and collateral platform for the savings bank association. The division thus enables customers to carry out transactions in all asset classes. It serves as a centre of competence for trading and structuring capital market products as well as for DekaBank's issuance business. It also offers clearing services to institutional customers, thus helping them to fulfil regulatory requirements efficiently.

The activities of the Capital Markets business division are combined in three subdivisions:

- The Collateral Trading & Currency unit brings together securities lending products, securities repurchase transactions and customer-oriented currency trading.

- The Trading & Structuring unit is the Deka Group's centre of competence for trading and structuring capital market products (cash instruments, bonds and shares), for derivatives in all asset classes and issues of capital market products (debt securities and certificates). The strategic investments comprise the securities investments of Deka Group that do not form part of the liquidity reserve.
- The Commission Business unit executes trades in securities and exchange-traded derivatives in its own name on behalf of third parties.

The division aims to offer strategically significant functions (including access to capital markets and (central) counterparties) to savings banks and other institutional customers as a solution and infrastructure provider while making use of synergies and economies of scale. It responds to regulatory requirements by optimising the business portfolio on an ongoing basis and by efficiently managing regulatory capital requirements.

Financing business division

The activities of the Financing business division are carried out within two subdivisions.

The Specialised Financing subdivision concentrates on aircraft and ship financing (transport financing), on energy, grid, utilities and public infrastructure projects (infrastructure financing), on financing covered by export credit agencies, and on financing the public sector. It also has a leading position in the funding of German savings banks across all maturity ranges. Loans that were made before the credit risk strategy was revised in 2010 are combined in a legacy portfolio that does not conform to the current strategy. Legacy business continues to be reduced in a manner that safeguards assets.

The Real Estate Financing subdivision provides lending for commercial real estate. Lending is focused on marketable properties in the office, retail, hotel and logistics segments in liquid markets in Europe and North America.

Lending is taken onto our own statement of financial position via the banking book, as well as being packaged as an investment product for other savings banks and banks or institutional investors via club deals or syndications. Priority is given to placements within the *Sparkassen-Finanzgruppe*.

Due to considerations relating to balance sheet structure, the division is seeking to expand new business in the defined core segments and asset classes. It also aims to cement its position as a quality leader in liquid markets and as a sought-after financing partner for the most important international real estate investors. DekaBank continues to act in its role as a refinancing partner for the savings banks.

Sales

Savings Banks Sales & Marketing

Savings Banks Sales & Marketing uses a multichannel approach to focus on comprehensive sales support for the savings banks in their business with retail and commercial customers.

There is a clear division of tasks in market cultivation: The savings banks have sole responsibility for directly contacting, advising and serving retail customers, while the Deka Group provides the products and services they need to do so. Deka therefore also aims its marketing activities directly at end customers so as to nurture demand for the savings banks' services. Sales Management, Marketing and Private Banking systematically analyses the needs of customers and savings banks as well as competitor and market developments. It uses its findings to develop forward-looking sales and marketing measures to support the savings banks. The Product and Market Management unit looks after all matters in relation to the funds, certificates and wealth management solutions on offer and in relation to private and occupational pension products, throughout the entire product life cycle.

To ensure nationwide support, Sales is divided into six sales regions in Germany. Sales directors maintain regular dialogue on markets and customers with the savings banks and associations. Deka also provides the savings banks with sales associates and other specialists as the topic or occasion requires to assist at local level with marketing and sales activities and offer training and coaching.

Institutional Customer Sales
The Institutional Customer Sales unit supports the savings banks with proprietary business and serves institutional investors, including foreign investors in some cases. Customer advisers adopt a comprehensive approach that covers all products and services offered by the Deka Group across all business divisions. The unit acts as a solutions provider for its customers, bringing together the service range of all business divisions under one roof. The *Deka Institutionell* brand puts customers and their needs at its heart in keeping with the customer-centric orientation of DekaPro.

In the savings bank sector, the Institutional Customer Sales team is available to savings banks and other banks as a management partner and adviser, and develops immediately viable solutions for proprietary business (*Depot A*) and overall bank management. This includes methods and applications for interest rate book management and asset allocation. The solutions are built on comprehensive analyses of the earnings and risk situation.

A further focus is the business with pension funds, insurance companies, corporates, public bodies, non-profit organisations, family offices and international investors.

Corporate Centres
As a resource manager for the Deka Group, the Treasury corporate centre has a key role in ensuring that the structure of the balance sheet and income statement are managed in line with the business model. As such, Treasury manages the Group's liquidity reserves, maintaining a clear focus on liquidity. It also assists the Board of Management with the management of guarantee risks from DekaBank funds and fund-related products, manages market price risks in the banking book and credit risks in its own banking book, manages group liquidity and Deka Group refinancing across all maturities, and is responsible for asset-liability management, including equity instruments. By setting transfer prices for the whole Group, Treasury helps to ensure that the balance sheet is evenly structured and in line with strategy, and that transactions are managed and calculated on a source-specific basis. Treasury's services help the business divisions achieve their targets.

Alongside Treasury, other corporate centres support Sales and the business divisions. As of the reporting date, these were Compliance, Finance, Business Services, IT, the Credit Risk Office, Human Resources & Organisation, Legal, Internal Audit, Risk Control, Corporate Development, the Corporate Office & Communications and Risk Control Capital Market Funds.

Major companies and locations

The Deka Group's business is managed from the head office in Frankfurt/Main. The major investment management companies are also located there. WestInvest Gesellschaft für Investmentfonds mbH has its headquarters in Düsseldorf, while S Broker is based in Wiesbaden and S-Pensionsmanagement GmbH (DekaBank shareholding: 50%) in Cologne. The Deka Group's most important international office is in Luxembourg.

Deka Investment GmbH focuses on the fundamental and quantitative management of public mutual funds, special funds, ETFs and asset servicing. From 1 April 2018, the equity and bond funds managed by Deka Vermögensmanagement GmbH (formerly Landesbank Berlin Investment GmbH) were therefore transferred to Deka Investment GmbH.

Markets and influencing factors

In securities-related asset management, the economy, money market and capital market environment, the sales environment for the *Sparkassen-Finanzgruppe*, customer-driven trends and product quality all strongly influence business development and profit performance. These factors have an impact on sales to retail and institutional investors as well as on the performance of portfolios. In addition to this, real estate asset management is largely influenced by the situation and developments in commercial property, investment and letting markets.

Developments in the money and capital markets are also highly relevant to the Capital Markets and Financing business divisions. For example, customer demand for liquidity partly depends on the volume of liquidity made available by the European Central Bank (ECB). In addition, the situation in the market for fixed-income securities impacts on the issuing activities of the Capital Markets business division. Lending business is affected to some extent by economic trends in the sectors financed and by market interest rate developments.

See also: Economic report: pages 31 ff.

Changes to regulatory requirements are of key significance for all business divisions and corporate centres. An overview of current economic conditions is provided in the economic report.

The Deka Group's business divisions have a strong position in their respective markets. With fund assets (according to the BVI, the German Investment Funds Association, as at 31 December 2018) of €122.2bn and a market share of 14.0%, Deka is Germany's fourth-largest provider of mutual securities funds. In terms of mutual real estate funds, with fund assets (according to the BVI, as at 31 December 2018) of €30.9bn and a market share of 31.5%, it occupies second place in Germany.

With issue volume once again rising significantly during the reporting year, the Deka Group achieved a market share of 18.3% in the primary market for investment certificates at the end of the third quarter of 2018 and was thus ranked second in Germany. At the same time, Deka has established itself as the market leader in reverse convertible bonds and is the second-largest provider of express certificate structures.

Alongside its own issues, DekaBank is also a significant solutions provider and adviser on issues for customers. In the savings bank sector, DekaBank is market leader in this regard in the segment for the financing of German federal states.

Risk and profit management at the Deka Group

The Deka Group aims to achieve a return on equity that is at least sufficient to secure corporate value, on the basis of an appropriate balance between risks and rewards over the long term. Financial and non-financial performance indicators are used in the Bank's management. Comprehensive reporting on the Deka Group's management indicates at an early stage whether strategic and operational measures are successful and whether the Deka Group risk/reward ratio is within the target range.

Financial performance indicators

The Deka Group's earnings, equity and risk management are essentially illustrated by three key financial indicators.

The economic result is the key in-house management indicator within the meaning of IFRS 8 and is based on the IFRS figures. The economic result includes the total of profit or loss before tax, plus or minus changes in the revaluation reserve (before tax) and the interest rate and currency-related valuation result from financial instruments recognised at amortised cost, which are not recognised in the income statement under IFRS but are relevant for assessing financial performance. The interest expense on Additional Tier 1 bonds, which is reported directly within equity (Additional Tier 1 capital), is also included in the economic result. Account is also taken of contingent future charges where the likelihood of occurrence is considered to be "possible" but for which a provision cannot be recorded under IFRS due to the lack of sufficient concrete evidence. The aim of the adjustments to the profit or loss before tax reported under IFRS is to reflect actual growth during the period under review.

See also: Segment reporting, pages 121 ff.

The economic result has been used in external reporting at Group and business division level since 2007. For a reconciliation of the economic result to profit before tax under IFRS, please refer to the segment reporting in note [4], which shows the measurement and reporting differences in the "reconciliation" column. This ensures that it is possible to reconcile the figures presented with profit before tax under IFRS.

See also : Changes in regulatory capital (own funds): pages 49 ff.

The Common Equity Tier 1 capital ratio is used as a key management indicator for assessing the adequacy of the Deka Group's own funds in line with regulatory requirements. It is therefore also of major importance for rating agencies' assessments of the Deka Group. The Common Equity Tier 1 capital ratio is defined as the ratio of Common Equity Tier 1 capital to risk-weighted assets (RWAs) for all relevant credit, market and operational risk positions plus the credit valuation adjustment (CVA) risk. Risk-weighted assets are managed in line with the Deka Group's strategy, the targeted balance sheet structure and the capital market environment. To supplement these, further regulatory key ratios are monitored, including the leverage ratio and liquidity coverage ratio (LCR).

The risk capacity for profit-affecting risks (ICAAP) represents the upper limit of acceptable (profit-affecting) risk. The utilisation of risk capacity is the ratio of total risk (risk level) to risk capacity. A key operational risk management parameter for economic risk-bearing capacity is risk appetite, which serves as the basis for allocating risk capital. The monthly risk-bearing capacity analysis involves comparing the Deka Group's risk appetite and allocated risk capital, which may be used to cover losses, with total risk determined across all risk types that have an impact on profit or loss. This makes it possible to establish whether total risk limits have been adhered to at Group and divisional level.

Non-financial performance indicators

Non-financial performance indicators relate to various aspects of the bank's operations and are an indication of the success of the products and services of the business divisions in the market and the efficiency of business processes.

"Net sales" is the key indicator of sales success in asset management and certificates. This figure essentially consists of the total direct sales volume of the Deka Group's mutual and special funds, fund-based asset management, funds of partner organisations, master funds and advisory/management mandates, ETFs and certificates. Net sales in investment fund business corresponds to gross sales less redemptions and maturities. Sales generated through proprietary investment activities are not counted. Redemptions and maturities are not taken into account for certificates, since in the certificates business the impact on earnings primarily occurs at the time of issue.

The "total customer assets" performance indicator includes the income-relevant volume of mutual and special fund products in the Securities (including ETFs) and Real Estate business divisions, direct investments in the funds of partner organisations, the portion of fund-based asset management activities attributable to partner organisation funds, third party funds and liquidity, and also advisory/management mandates. It also includes the volume attributable to certificates and externally managed master funds. Total customer assets have a significant impact on the level of net commission income. They are reported at Deka Group level by customer segment and product category.

See also: Business development and profit performance in the Deka Group: pages 36 ff.

Trends in the two key non-financial performance indicators during the reporting year are described in the context of business development and profit performance at Deka Group level and at the level of the Asset Management Securities, Asset Management Real Estate and Capital Markets business divisions.

Economic report

Economic environment

Compared with 2017, the economic environment for asset management deteriorated somewhat over the reporting period. Investors were increasingly cautious in the face of the ongoing tightening of monetary policy, rising uncertainty concerning global growth prospects (which stemmed in part from trade disputes and geopolitical tensions), sluggish growth in corporate profits, and subdued earnings expectations. This was reflected in falling share prices as well as a significant decline in net inflows affecting mutual securities funds across the industry. Concerns about the long-term stability of the EU and the euro also multiplied. This was partly linked to the difficult Brexit negotiations and an expansionary fiscal policy stance in Italy. The Deka Group's total customer assets at the reporting date declined slightly year-on-year despite positive sales performance. This was caused in particular by negative investment performance as a result of market developments. Averaged over the year, however, total customer assets moderately exceeded the prior-year figure. Extremely low interest rates on deposits continued to provide a tailwind; securities will remain indispensable for a long time to come if investors are to avoid losses in the real value of their investments.

As in previous years, the expansionary central bank policy in the eurozone was detrimental to the banking business. Though the European Central Bank has phased out its securities purchases, this has not yet resulted in any lasting upward trend in bond yields. Yields on medium- and long-term Bunds and Bobls (German government bonds) fell significantly again over the year, while the deposit rate and three-month EURIBOR remained stuck in negative territory. Low market interest rates, low bond yields and a high liquidity supply again put pressure on short-term capital markets business and on lending. There were also high economic risks, for example from the impending Brexit, the trade dispute between the US and China and the political developments in Italy.

The UK plans to leave the European Union (EU), and thus the world's largest single market, on 29 March 2019. Agreements or organisational measures and intensive, long-running preparations are needed to establish the future economic relationship. The British government and EU therefore agreed initially on rules for the period immediately after the UK's exit until such a trade agreement has been signed. These transition rules (the "deal") provide for the UK to retain the European Union's trade legislation and external tariffs during this transition period. Though the protracted negotiations between the UK and EU throughout 2018 showed how difficult Brexit is to achieve, there has not yet been any significant impact on business in the Deka Group. The uncertainty surrounding Brexit is considerable, leading banks and businesses to also prepare for the possibility of a "hard", disorderly Brexit. This is a response to the political disagreement in the British parliament, which was exemplified by a vote on 15 January 2019, in which the "deal" was defeated by a large majority.

Macroeconomic conditions

Global growth weakened somewhat in the course of 2018 with increasing regional disparities. The strong upturn in the US was contrasted by a moderate slowdown in growth rates in the eurozone and China. Among the eurozone countries, Germany and Italy fell especially short of expectations. In Germany's case, this was partly due to a backlog in vehicle approvals in the automotive industry. The trade dispute between the US and China, which began with the imposition of a punitive 10% tariff on 200 billion US dollars' worth of Chinese goods, did not yet have a significant impact in the reporting year. However, the escalation threatened for the first half of 2019, involving 25% tariffs, was already weighing on sentiment in manufacturing among other industries.

Despite eurozone unemployment reaching below-average levels, core inflation remained low. The substantial oil price correction at the end of the year also acted as a brake on inflation. There was thus still no cause for the European Central Bank (ECB) to raise base rates. The ECB's monetary policy remained expansionary, notwithstanding the phasing-out of net securities purchases. This put pressure on the euro, which lost ground against the US dollar.

Economic environment for asset management

Private household wealth in Germany rose noticeably in response to the stable economic climate. At the end of the third quarter of 2018, German households held financial assets of €6,053bn, up €172bn on year-end 2017. They continued to favour cash and demand deposits, however, while investments in shares increased only marginally. Investments in fund units rose by approximately €20bn in the period to the end of September 2018. Given the greater economic and political risks posing a growing challenge to the corporate sector, private investors reduced their risk appetite.

This was accompanied by falls in share prices, especially in the second half of the year. The DAX German equity index lost 18.3% over the year. Elsewhere in Europe and in Asia, there were also substantial corrections in the second half of the year, accompanied by rising volatility. In the US, meanwhile, the Dow Jones abruptly ended its soaring performance in the fourth quarter despite continuing strong economic growth.

The cautious attitude of investors was also reflected in the investment statistics of the German Investment Funds Association BVI. Net assets in open-ended mutual funds amounted to €973.6bn at the end of 2018 (previous year: €1,022.3bn), thus falling well short of the prior-year figure, as did net inflows at €21.8bn (previous year: €72.5bn). Relatively low-risk mixed funds were in demand but did not repeat the inflows seen in the previous year. Equity funds posted a positive result with net inflows of €0.7bn. However, this did not come close to the previous year's €18.0bn. Bond funds saw significant net outflows. In contrast to retail funds, open-ended special funds for institutional investors achieved moderate growth in net assets.

Demand for mutual real estate funds rose slightly with net sales of €6.4bn, while special real estate funds lost noticeable ground. Real estate funds still offer an attractive risk/reward ratio in the current interest rate environment. Given high real estate prices and limited availability of suitable properties, however, the investment opportunities open to real estate funds remain limited. This is restricting their ability to attract new investor funds, particularly given that it is not possible to generate positive margins from liquidity investments. The stable economic environment once again led to considerable rental growth in the markets for office space in 2018. Yields declined further, especially in European markets. Overall, the global transaction volume was up on the already high prior-year figure. The North America region recorded the highest increase in investment turnover, followed by Asia/Pacific.

Economic environment for the banking business

The monetary policy framework set by the central banks continued to make itself felt in the market environment for the banking business in 2018. With core inflation remaining moderate, the ECB held fast to its historically low base rates. Deka economists do not expect the ECB to raise its deposit facility rate until spring 2020. As the flattening of money market curves at the longer-maturity end shows, market participants corrected their expectations of future base rate hikes downwards again towards the end of the year.

The ECB's securities purchases were already cut back to a monthly volume of €30bn at the start of 2018 before being terminated completely at the end of the year. However, the impact on bond yields was limited. The upward trend in yields on long-dated German government bonds was masked by the change in risk perception informed by the global trade disputes and, increasingly, the debt situation in Italy. In the final weeks of 2018, the concern about a reignition of the euro crisis and the escalating trade dispute between the US and China caused investors to move funds from high-risk investments to safer German Bunds and US Treasuries. Lowered expectations regarding future base rate rises also prevented a lasting increase in yields on the sought-after safe-haven investments.

Meanwhile, in response to the growing uncertainty, there was a noticeable widening of spreads on corporate bonds as well as sovereign and bank bonds from Italy and other eurozone countries regarded as less stable. Yields on German *Pfandbriefe* also exceeded the previous year's level.

The very high availability of liquidity continued to greatly limit short-term capital markets business. Moreover, the margins achievable on the market in the Commission Business unit were put under pressure by the increase in execution venues (such as the Organised Trading Facility (OTF)), which led to a reallocation of trading volumes. The environment for structured issues was affected by a general stagnation in certificates markets. In the OTC derivatives market, the temporary uncertainty about the recognition of LCH as the central clearer was resolved at the end of the year, meaning a stable market infrastructure for derivatives trading and the related infrastructure services of the savings banks is not in doubt.

There were no significant year-on-year changes in the market environment for the financing business. While the shipping markets continued to see structural overcapacity, the environment for aircraft and infrastructure financing was stable on the whole. Potential in terms of margins remained limited, however, as strong competition from banks and institutional investors for attractive credit assets meant that borrowers could continue to negotiate favourable terms.

Regulatory environment

Changes to regulations, both those already initiated and those in the pipeline, once again influenced the business model and profitability of the Deka Group during the 2018 financial year. Regulatory projects especially make considerable demands on costs and resources.

Regulatory topics

In the EU, reform of Capital Requirements Regulation II (CRR II) and Capital Requirements Directive V (CRD V) made progress in the reporting year. The revision of the CRR is intended primarily to implement the proposals of the Basel Committee on Banking Supervision (BCBS) regarding the leverage ratio (LR), net stable funding ratio (NSFR) and standardised approach to counterparty credit risk (SA-CCR), as well as the revised rules on large exposures and the trading book. The trilogue negotiations between the European Council, European Parliament and European Commission on the adoption of CRR II were largely completed by the end of 2018, meaning that formal adoption of the final legal texts can be expected in the first half of 2019.

The Fundamental Review of the Trading Book (FRTB) planned to accompany the implementation of CRR II contains amended rules on market risk, which are likely to lead to an increase in risk-weighted assets (RWAs) when using the standardised approach in future. On 14 January 2019, the Basel Committee published the final standard with slightly reduced risk weightings in the standardised approach compared with under the 2016 Basel standard. This will reduce the increase in risk-weighted assets overall.

As part of the revision of European capital and liquidity requirements, it is also planned to tighten up the rules on large exposures, forcing more restrictive handling of large exposure risks. The large exposure limit will no longer be set according to the level of total own funds but instead according to the level of Core Equity Tier 1 capital. In addition, when collateral is accepted, the collateral provider or issuer of the financial collateral shall be required to take the loan into account in their large exposure limit. Repo and stock lending transactions may become less attractive as a result. First-time application remains scheduled for 2021.

The provisions of the Basel III regulations finalised in December 2017 (also known as "Basel IV"), which contain, among other things, rules on the output floor and Credit Risk Standardised Approach (CRSA), are not included in CRR II. The Basel Committee intends these rules to be introduced as from 1 January 2022. A timetable for implementation at EU level is not yet known. More specifically, the gradual introduction of an output floor is planned. This will stand at 50% upon introduction at the beginning of 2022 and increase to its final level of 72.5% in 2027. The output floor will limit the benefit of internal models as compared to the standardised approach. DekaBank currently uses the IRB approach for the majority of its lending. For the general components of interest rate and share price risk, it uses an up-to-date internal model for market price risk. It will therefore be particularly affected by the new output floor rules, which may lead to a significant rise in RWAs going forward. In addition, new rules have been agreed on calculating RWAs for CVA (credit valuation adjustment) risk and operational risk, which are also to be applied starting in 2022. These may also increase RWAs.

Alongside CRR II, the European Council reached an agreement on changes to the EU's Bank Recovery and Resolution Directive (BRRD II) and Single Resolution Mechanism Regulation (SRMR II). These primarily concern the translation of international standards on loss-absorbing capacity into European law (TLAC) and their harmonisation with the minimum requirements for own funds and eligible liabilities for loss absorption and recapitalisation in the event of resolution (MREL). In October, the trilogue negotiation partners reached an agreement on the treatment of existing, currently MREL-eligible liabilities until maturity. As the Single Supervisory Mechanism (SSM) applies to the Deka Group, DekaBank again supported the work on a resolution plan for the Deka Group during 2018, which will ultimately be the basis for determining MREL.

In October 2017, the European Banking Authority (EBA) presented a regulatory interpretation regarding the own funds requirements for guarantees on investments in investment funds. Application of these requirements would have severe effects on prudential capital ratios. An industry-devised alternative solution for handling the credit risks presented by guarantee funds and *Riester* pension products was introduced into the legislative process for CRR II in the course of the ECON committee meeting in mid-June 2018, with the committee voting in favour. The proposal is currently under discussion as part of the trilogue negotiations on CRR II. First-time application of the new rules is expected to coincide with the entry into force of CRR II.

The ECB examined 37 eurozone banks in the reporting year in connection with the 2018 stress tests conducted with the European Banking Authority (EBA). At the same time, the ECB carried out its own stress test, consistent with the EBA methodology, for significant institutions that are subject to direct ECB supervision, but, like DekaBank, are not among the institutions participating in the EBA's EU-wide stress tests. The stress test results for all significant institutions were used in the second half of 2018 to determine the Pillar II capital requirements for individual banks in connection with the Supervisory Review and Evaluation Process (SREP). DekaBank concluded the stress test with a result that considerably exceeded the SREP requirements.

In March 2018, the ECB also published its expectations concerning the level of risk provisioning for non-performing loans (NPL). The document is not binding on banks, but serves as a basis for the annual dialogue at banking supervisory level. Specifically, the guidelines call for full risk coverage of uncollateralised (collateralised) NPLs after two (seven) years following classification as NPL (this does not, however, give rise to any mandatory capital requirement). A draft amendment to the CRR put forward by the European Commission, by contrast, proposes a mandatory deduction from Common Equity Tier 1 capital if a bank's actual provisioning falls short of the minimum supervisory requirement.

Product- and service-related regulatory proposals

Since 3 January 2018, requirements of the EU Markets in Financial Instruments Directive II (MiFID II), EU Markets in Financial Instruments Regulation (MiFIR) and MiFID II Implementing Regulation have been partly applicable through the Securities Trading Act (*Wertpapierhandelsgesetz* – WpHG) or directly applicable as national law. MiFID II and MiFIR impose new requirements for investor protection and market infrastructure, and affect almost all of the Deka Group's portfolio of products and services. The directives include supplementary and new regulations in relation to inducements, product and marketing approval requirements and related monitoring (product governance), new record-keeping requirements (voice recording), extended obligations for institutions with proprietary trading ("systematic internalisers"), new provisions for automated trading and derivatives trading, and new reporting obligations for securities trading. DekaBank implemented the requirements of MiFID II and MiFIR on time and in close cooperation with the *Sparkassen-Finanzgruppe* and especially the DSGV. Implementing the regulatory requirements has given rise in particular to higher costs for securities and derivatives trading as well as to liability risks. Various clarifying guidelines on MiFID II were issued at national and EU level over the further course of the year. Among other things, guidelines on suitability assessment have been issued by the ESMA (European Securities and Markets Authority) and Minimum Requirements for the Compliance Function (MaComp) revised by the Federal Financial Supervisory Authority (BaFin) have been published. Both of these have been implemented accordingly in the Deka Group in consultation with the DSGV.

The EU Directive on deposit guarantee schemes (Deposit Guarantee Scheme Directive) was adopted at the end of 2018 as a component of the European Banking Union. It is planned to establish a common European Deposit Insurance Scheme (EDIS), harmonising the requirements concerning national deposit guarantee schemes at European level. Gradual implementation is planned to run until 2024. In the first stage of the process, liquidity assistance will be made available in the event that a national guarantee scheme runs out of money. In stage two, however, all savers will be compensated from a single guarantee pot. There are inherent risks in an EU-wide pooling of liability.

Tax policy developments

The German Investment Tax Reform Act (*Investmentsteuerreformgesetz*) came into force at the beginning of the reporting year. The new Act fundamentally changes the taxation of investment funds in Germany. Since then, both mutual funds and special funds have been liable to corporation tax on income from domestic equities, rental income and gains on property disposals. To compensate for taxation of the fund, private investors in particular receive suitable partial exemptions. The exemptions are applied when calculating withholding tax and thus offset the performance-dampening effects. Subject to certain conditions, the regulations for special funds will remain unchanged.

Another tax change related to the grandfathering of old investment fund units for private investors. Gains realised since 1 January 2018 have been subject to the new tax regime to the extent they exceed a tax-exempt amount of €100,000. This rule change did not significantly impact upon customers' investment behaviour. However, implementation expenses were incurred in connection with it.

The Act for the Prevention of VAT Revenue Losses from Trading with Goods over the Internet and Amendment of Further Tax Provisions (*Gesetz zur Vermeidung von Umsatzsteuerausfällen beim Handel mit Waren im Internet und zur Änderung weiterer steuerlicher Vorschriften*) – or "Annual Tax Act 2018" – included consequential amendments to the Investment Tax Reform Act 2018. Among other things, there were changes to the equity participation ratios for individual fund types, creating greater freedom for fund managers.

Business development and profit performance in the Deka Group

Overall statement on the business trend and the Group's position

Despite a challenging market environment in 2018, the Deka Group achieved a satisfactory economic result of €451.8m (previous year: €448.9m). Income increased slightly to a total of €1,509.0m (previous year: €1,494.1m). Higher net interest income, a positive loan loss provisioning balance and slightly increased net commission income were accompanied by a decline in net financial income and other operating profit. Expenses moderately increased to a total of €1,057.2m (previous year: €1,045.2m).

The Deka Group was unable to fully escape the increasingly uncertain stock market environment in the second half of 2018. At €11.3bn, net sales in the retail business remained well within positive territory but did not quite match the previous year's figure of €12.3bn. Equity funds, mixed funds, real estate funds and certificates made up a particularly significant proportion of sales. Including sales to institutional customers, net sales totalled €11.8bn, falling short of the high prior-year figure of €25.7bn. At €0.5bn, institutional business was substantially down on the previous year (€13.4bn), partly as a result of the termination of an individual mandate (as planned) as part of the integration of Deka Vermögensmanagement GmbH (formerly LBB-INVEST GmbH) in 2018.

Deka Group net sales *in €m (Fig. 1)*

	2018	2017
Net sales	**11,773**	**25,671**
by customer segment		
Retail customers	11,296	12,309
Institutional customers	477	13,362
by product category		
Mutual funds and fund-based asset management	4,547	8,492
Special funds and mandates	–1,418	9,724
Certificates	8,043	7,597
ETFs	601	–141

At €275.9bn, the Deka Group's total customer assets were slightly down on the figure for year-end 2017 (€282.9bn). The positive sales performance was accompanied by a market-induced negative investment performance at the reporting date, distributions (from which customers benefited) and certificate redemptions.

Deka Group total customer assets *in €m (Fig. 2)*

	31 Dec 2018	31 Dec 2017	Change	
Total customer assets	**275,878**	**282,888**	–7,010	–2.5%
by customer segment				
Retail customers	137,169	138,951	–1,782	–1.3%
Institutional customers	138,709	143,937	–5,228	–3.6%
by product category				
Mutual funds and fund-based asset management	137,249	141,166	–3,917	–2.8%
Special funds and mandates	109,585	115,057	–5,472	–4.8%
Certificates	20,443	17,552	2,891	16.5%
ETFs	8,602	9,113	–511	–5.6%

Utilisation of risk capacity (42.1%) and risk appetite (67.4%) showed an increase compared to the previous year's figures (34.4% and 55.0%). This was predominantly attributable to the development of counterparty risk and market price risk. The principal reasons for this were position expansion in the Capital Markets division and a volume increase for guarantee products in conjunction with higher spread and equity volatilities. Economic risk-bearing capacity was at a non-critical level overall as at the 2018 balance sheet date.

The Deka Group's financial position remains sound. The Common Equity Tier 1 capital ratio is calculated by reference to the CRR/CRD IV requirements, without the transitional provisions (fully loaded). At the end of 2018, it stood at 15.4%. As expected, this was slightly lower than the previous year's figure (16.7%). While Common Equity Tier 1 capital increased to €4,460m due to retention of part of the annual profit from 2017 and other effects from the 2017 annual financial statements, risk weighted assets (RWAs) increased by 16.6% to €29,021m. The increase in credit risk resulted primarily from an expansion of business in the Financing business division, higher volumes in the Capital Markets business division and higher RWAs from guarantee products in the Asset Management Securities business division. The increased market risk was also attributable to the expansion of business in the reporting year.

At 4.6%, the leverage ratio (fully loaded) at the end of 2018 was considerably higher than the minimum 3.0% expected to apply from 2019. The liquidity and funding position remained comfortable, as expressed in a liquidity coverage ratio (LCR) of 149.8% as at 31 December 2018, and changed only insignificantly compared with year-end 2017 (152.5%).

Taking account of the requirements of the SREP (Supervisory Review and Evaluation Process), DekaBank had to comply at Group level with a phase-in Common Equity Tier 1 capital ratio of at least 8.18% as at 31 December 2018. This capital requirement is made up of the Pillar 1 minimum requirement (4.5%) plus the Pillar 2 requirement (1.25%), the capital conservation buffer (1.875%), the countercyclical capital buffer (approximately 0.238% at year-end 2018) and the capital buffer for other systemically important banks (0.32%). The capital requirement for the total capital ratio with transitional provisions (phase-in) was 11.68%. Both requirements were clearly exceeded at all times.

In summary, the Deka Group is well-prepared for the future in both asset management and banking business.

Comparison of forecast and actual growth

Expectations regarding the Deka Group's results in 2018, as set out in the forecast report of the 2017 Group management report and updated in the 2018 interim financial report, were largely met.

Net sales were an exception: the increasingly uncertain stock market environment in the second half of 2018 and a one-off effect in institutional business resulted in a more substantial decline than expected. Nevertheless, clearly positive net sales performance was achieved in the retail business. Total customer assets were slightly down on the prior-year figure despite the net sales. A slight increase compared with year-end 2017 had been expected. The decline was attributable to market-induced negative investment performance at the reporting date, distributions (from which customers benefited) and certificate redemptions.

Development of performance indicators in the Deka Group *(Fig. 3)*

		31 Dec 2017	Forecast report 2017	Interim report 2018	31 Dec 2018	Change	
Economic result	€m	448.9	Slight increase	Slight increase	451.8	2.9	0.6%
Total customer assets	€bn	282.9	Slight increase	Slight increase	275.9	–7.0	–2.5%
Net sales	€bn	25.7	Slight decrease	Slight decrease	11.8	–13.9	–54.1%
Common Equity Tier 1 capital ratio	%	16.7	Over 13%	Over 13%	15.4	–1.3%-points	
Utilisation of risk capacity	%	34.4	Moderate increase	Moderate increase	42.1	7.7%-points	

Ratings

At year-end 2018, DekaBank's ratings remained among the best in its peer group of German commercial banks. Since October 2017, our issuer rating from Standard & Poor's (S&P) has stood at A+ with a stable outlook, with a short-term rating of A-1. S&P gives us ratings of A+ for preferred senior unsecured debt ("Senior Unsecured Debt") and A for non-preferred senior unsecured debt ("Senior Subordinated Debt").

Moody's adjusted the ratings for DekaBank debt securities at the start of August 2018, as part of an industry-wide ratings reassessment. This was due to the transposition of Directive (EU) 2017/2399 of the European Parliament and of the Council of 12 December 2017 amending Directive 2014/59/EU as regards the ranking of unsecured debt instruments in insolvency hierarchy ("BRRD Amendment Directive") into German law on 21 July 2018.

Moody's gave DekaBank's preferred senior unsecured debt ("Senior Unsecured Debt") a rating of Aa2 with a stable outlook. Non-preferred senior unsecured debt ("Junior Senior Unsecured Debt") is rated A1. Moody's gave DekaBank an issuer rating of Aa2 with a stable outlook. The short-term rating is unchanged at P-1. Moody's awarded an Aaa rating to DekaBank's *Pfandbrief* bonds.

The ratings awarded by both agencies reflect the high strategic importance of the Deka Group to the savings bank sector as well as the adequate capital and liquidity base for its business model.

Profit performance of the Deka Group

The economic result stood at €451.8m, thereby remaining stable at the previous year's level (€448.9m). Total income rose slightly to €1,509.0m (previous year: €1,494.1m). Meanwhile, there was a moderate year-on-year increase in expenses to €1,057.2m (previous year: €1,045.2m).

At €181.5m, net interest income was up €39.0m on the previous year's figure (€142.5m). Key components of net interest income were the earnings contribution from specialised and real estate financing in the Financing business division, as well as the earnings contribution from the strategic investments unit in the Capital Markets business division, which were higher than the previous year's level overall.

Risk provisions in the lending and securities business stood at €22.4m (previous year: €–17.8m), chiefly due to the reversal of loss allowances that were no longer required. Lending business accounted for €14.5m (previous year: €–28.5m) and securities for €7.9m (previous year: €10.7m). Net financial income from banking book portfolios includes negative earnings contributions of approximately €–17m from loan portfolios measured at full fair value; this figure should be viewed in combination with risk provisions for loan losses.

Net commission income amounted to €1,218.0m (previous year: €1,202.7m) and made up around 80% of total income. Commission from the investment fund business rose primarily due to higher variable management fees and acquisition and construction fees in the Real Estate business division. A further positive impact came from the increase in total customer assets (averaged over the year) in the Securities division. Growth in custodial fees led to a rise in commission from custody account business. Commission income from banking reduced. This fall was partly attributable to the Commission Business unit.

Net financial income came to €130.8m, falling short of the previous year's figure (€158.8m). This figure includes all income and expense items from the trading book as well as the valuation and sale results from the banking book portfolios.

At €271.5m, net financial income from trading book portfolios was slightly higher than the prior-year figure (€252.4m). A key component was income from the Trading & Structuring unit, which noticeably outperformed the comparative figure for 2017. In structuring, demand was strong in the third-party issues and certificates business. Collateral Trading & Currency achieved a result close to that seen in the previous year.

Net financial income from the banking book was €–140.7m (previous year: €–93.6m). This was essentially due to adverse valuation effects on securities in the wake of spread movements during 2018. An amount of €35m was released from the general provision for potential risks. The previous year's figure (€–93.6m) included an increase in the general provision of €95m. Additions to or releases from the general provision are reflected in the economic result, but do not form part of the IFRS profit or loss and are not allocated to specific business divisions.

The other operating profit in the amount of €–43.7m was below the previous year's figure (€8.0m). Actuarial losses of €–30.7m were recorded on pension provisions, owing to a market-induced fall in the value of plan assets. The actuarial interest rate remained unchanged year-on-year at 1.90%. Actuarial gains of €15.4m were recorded in the previous year. Actuarial effects are not included in the IFRS profit or loss as they are posted directly to equity (revaluation reserve). However, they are reported in the economic result as part of the profit or loss for the period.

There was only a minor increase in personnel expenses, from €524.3m in the previous year to €531.0m. Wage and salary increases under collective agreements and moderately higher staffing levels due to regulatory requirements and growth in business volume caused the upward trend.

At €459.9m, operating expenses (excluding bank levy and depreciation) remained almost unchanged on the previous year (€460.9m). Operating expenses also reflect the expenses incurred in relation to the implementation of regulatory requirements. The annual contribution (€10.8m) to the deposit protection reserve of the *Landesbanken* and *Girozentralen* is also recognised here (previous year: €8.2m).

At €29.6m, the bank levy was €5.7m lower than in the previous year (€35.3m).

Depreciation charges of €18.0m (previous year: €19.3m) mainly related to intangible assets.

Restructuring expenses of €18.7m were incurred in 2018. These resulted primarily from the strategic reorganisation of DekaBank Deutsche Girozentrale Luxembourg S.A. The prior-year figure included, in particular, restructuring provisions from the strategic reorganisation of Deka Vermögensmanagement GmbH (formerly LBB-INVEST GmbH) in the amount of €5.4m.

The cost/income ratio, i.e. the ratio of total expenses (excluding restructuring expenses) to total income (before risk provisions in the lending and securities business), was 69.9% (previous year: 68.8%). Return on equity (before tax) was 9.7% (previous year: 9.9%).

Deka Group performance *in €m (Fig. 4)*

	2018	2017	Change	
Net interest income[1]	181.5	142.5	39.0	27.4%
Risk provisions in the lending and securities business	22.4	– 17.8	40.2	225.8%
Net commission income	1,218.0	1,202.7	15.3	1.3%
Net financial income[1]	130.8	158.8	– 28.0	– 17.6%
Other operating profit	– 43.7	8.0	– 51.7	(< – 300%)
Total income	**1,509.0**	**1,494.1**	14.9	1.0%
Administrative expenses (including depreciation)	1,038.5	1,039.8	– 1.3	– 0.1%
Restructuring expenses	18.7	5.4	13.3	246.3%
Total expenses	**1,057.2**	**1,045.2**	12.0	1.1%
Economic result	**451.8**	**448.9**	2.9	0.6%

[1] Net income of €4.8m from the disposal of assets recognised at amortised cost (previous year: €13.1m) was recognised in net financial income for the first time in 2018. This was disclosed under net interest income in the previous year. The prior-year figures have been adjusted to aid comparison.

Business development and profit performance by business division

Business development and profit performance in the Asset Management Securities business division

In light of market developments, the division's economic result fell short of the previous year's figure. Net sales to retail customers performed as expected, while a one-off effect led to a significant decline in net sales to institutional customers. Given the unfavourable development of the market in the second half of the year, the division saw a moderate fall in total customer assets.

Net sales and total customer assets

Net sales fell substantially compared to the exceptional figure of €15.9bn recorded in 2017. At €1.1bn, they also failed to meet expectations. This was due to redemptions and maturities of €–2.1bn for special funds and mandates including master funds, compared to net sales of €9.6bn in the previous year. The change reflected the one-off effect constituted by the departure of a major master funds customer.

By comparison, net sales of mutual securities funds, including fund-based asset management, were considerably more stable at €2.6bn. As expected and given the difficult market environment, however, they also failed to match the €6.4bn achieved in 2017. Equity funds and mixed funds outperformed the prior-year figures, while bond funds fell short. *Deka-DividendenStrategie* was particularly popular with investors in terms of sales. Total direct sales of mutual funds declined to €2.0bn (previous year: €5.6bn). In fund-based asset management, net sales of €0.6bn (previous year: €0.8bn) were achieved thanks to the continued success of *Deka-BasisAnlage* (Deka Basic Investment). Net ETF sales increased to €0.6bn (previous year: €–0.1bn) due to a strong rise in net sales of equity-based ETFs.

Net sales in the Asset Management Securities business division *in €m (Fig. 5)*

	2018	2017
Net sales	**1,107**	**15,870**
by customer segment		
Retail customers	3,912	5,563
Institutional customers	–2,806	10,307
by product category		
Mutual funds and fund-based asset management	2,555	6,426
ETFs	601	–141
Special funds and mandates	–2,050	9,585

The division's total customer assets amounted to €217.3bn at the end of 2018 (previous year: €231.0bn). The positive sales performance was more than offset by the market-induced negative investment performance and by distributions (from which customers benefited).

Total customer assets in the Asset Management Securities business division *in €m (Fig. 6)*

	31 Dec 2018	31 Dec 2017	Change	
Total customer assets	**217,337**	**230,991**	–13,654	–5.9%
by customer segment				
Retail customers	97,384	103,104	–5,720	–5.5%
Institutional customers	119,952	127,887	–7,935	–6.2%
by product category				
Mutual funds and fund-based asset management	106,315	112,883	–6,568	–5.8%
thereof: equity funds	28,443	29,656	–1,213	–4.1%
thereof: bond funds	31,426	36,473	–5,047	–13.8%
thereof: mixed funds	15,467	16,377	–910	–5.6%
ETFs	8,602	9,113	–511	–5.6%
Special funds and mandates	102,420	108,995	–6,575	–6.0%

Profit performance in the Asset Management Securities business division

At €230.5m, the division's economic result was lower than in the previous year (€345.4m). Income was affected by the decline in net commission income, due among other things to lower performance fees and negative effects from provisions for guarantee products. Net interest income and net financial income also fell short of the comparative figures for 2017. Expenses were almost unchanged at €393.8m.

Profit performance in the Asset Management Securities business division *in €m (Fig. 7)*

	2018	2017	Change	
Net commission income	649.4	716.1	–66.7	–9.3%
Other income	–8.1	34.1	–42.2	–123.8%
Total income	**641.3**	**750.2**	–108.9	–14.5%
Administrative expenses (including depreciation)	389.9	389.7	0.2	0.1%
Restructuring expenses	3.9	3.8	0.1	2.6%
Total expenses	**393.8**	**393.5**	0.3	0.1%
Economic result without Treasury function	**247.5**	**356.7**	–109.2	–30.6%
Treasury function	–17.1	–11.3	–5.8	–51.3%
Economic result	**230.5**	**345.4**	–114.9	–33.3%

Business development and profit performance in the Asset Management Real Estate business division

The division's economic result outstripped the previous year's figure again, thanks to high variable fund management fees. This reflected solid investment performance by the funds, which was based on a further improvement in rental performance and a high transaction volume. Total customer assets increased by almost €3.8bn to €38.1bn due to improved net sales.

Net sales and total customer assets

The division's net sales increased to €2.6bn (previous year: €2.2bn). In the case of open-ended mutual real estate funds for retail customers, the sales quotas set on the basis of a conservative yield and liquidity management had largely been met by the end of the year. Net sales totalled €1.7bn. The previous year's figure (€1.9bn) includes reinvestments from an interim distribution from the funds prompted by changes in the German Investment Tax Reform Act (*Investmentsteuerreformgesetz*). The majority of net sales related to *Deka-ImmobilienEuropa* and *WestInvest InterSelect*.

Net sales in open-ended mutual real estate funds for institutional customers, special funds, individual real estate funds, credit funds and mandates increased significantly to €0.9bn (previous year: €0.3bn). Special funds were the main driver.

Net sales in the Asset Management Real Estate business division *in €m (Fig. 8)*

	2018	2017
Net sales	**2,624**	**2,204**
by customer segment		
Retail customers	1,717	1,924
Institutional customers	907	280
by product category		
Mutual property funds	1,992	2,065
Special funds and individual property funds and mandates	632	139

The Asset Management Real Estate business division's total customer assets increased by 10.9% in the reporting year to €38.1bn (year-end 2017: €34.3bn), of which €30.9bn related to mutual real estate funds. A yield-focused cash management policy again contributed to the rise in total customer assets. Euro-denominated mutual real estate funds achieved an average volume-weighted return of 3.4% (previous year: 2.7%).

Total customer assets in the Asset Management Real Estate business division *in €m (Fig. 9)*

	31 Dec 2018	31 Dec 2017	Change	
Total customer assets	**38,099**	**34,345**	3,754	10.9%
by customer segment				
Retail customers	28,477	26,232	2,245	8.6%
Institutional customers	9,622	8,113	1,509	18.6%
by product category				
Mutual property funds	30,934	28,283	2,651	9.4%
Special funds and individual property funds and mandates	7,166	6,062	1,104	18.2%

Transaction volume, i.e. purchases and sales of property, declined to €4.5bn (previous year: €5.9bn). Around 87% of the overall transaction volume concerned a total of 59 contractually secured property purchases. There were 21 disposals. Business activities continue to centre on properties in the office, retail, hotel and logistics asset classes. With this transaction volume, the Deka Group remains one of the world's biggest property investors.

Profit performance in the Asset Management Real Estate business division
At €162.7m, the Asset Management Real Estate business division's economic result was substantially up on the previous year's figure (€111.0m). With the positive business performance, higher variable management fees and acquisition and construction fees made a considerable contribution to the increase in net commission income. In contrast, expenses rose only moderately to €137.3m.

Profit performance in the Asset Management Real Estate business division *in €m (Fig. 10)*

	2018	2017	Change	
Net interest income	3.7	4.8	–1.1	–22.9%
Net commission income	303.1	240.4	62.7	26.1%
Net financial income	–4.5	–0.2	–4.3	(< –300%)
Other operating profit	1.6	1.9	–0.3	–15.8%
Total income	**303.8**	**246.9**	56.9	23.0%
Administrative expenses (including depreciation)	137.3	133.0	4.3	3.2%
Total expenses	**137.3**	**133.0**	4.3	3.2%
Economic result without Treasury function	**166.5**	**113.9**	52.6	46.2%
Treasury function	–3.8	–2.9	–0.9	–31.0%
Economic result	**162.7**	**111.0**	51.7	46.6%

Business development and profit performance in the Asset Management Services business division

The economic result in the Asset Management Services business division slightly exceeded the previous year's figure. There was an increase in the number of securities accounts in the Digital Multichannel Management subdivision. Market conditions led to a slight reduction in assets under custody (assets held by the Deka Group in its capacity as custodian bank).

Business development in the Asset Management Services business division
In Digital Multichannel Management, the division maintained almost unchanged assets under custody (€118.6bn) despite the negative market environment (year-end 2017: €119.3bn). At 76.8m, the number of securities transactions significantly outperformed the prior-year figure (62.3m), partly due to the effects of the Investment Tax Reform Act (*Investmentsteuerreformgesetz*) introduced in 2018. By the end of 2018, more than 140 savings banks had used the broker model to integrate the digital investment solutions developed by bevestor into the product offering of their "internet branches".

Negative investment performance along with redemptions and maturities led to a slight year-on-year reduction in assets under custody to €194.6bn. The number of custody accounts for which the division is the legal provider rose by 3.6% or 162 thousand to some 4.7 million. Regular savings products were a key driver of the increase once again in 2018.

Profit performance in the Asset Management Services business division
The economic result for the Asset Management Services business division in the reporting year was €4.1m. This outstripped the previous year's figure of €–4.8m. The increase resulted primarily from improved net commission income in the banking and custody account business. This earnings growth was partially offset by higher project expenses, including in connection with the expansion of Digital Multichannel Management, and a restructuring provision related to the strategic reorganisation of DekaBank Deutsche Girozentrale Luxembourg S.A.

Profit performance in the Asset Management Services business division *in €m (Fig. 11)*

	2018	2017	Change	
Net interest income	5.3	4.2	1.1	26.2%
Risk provisions in the lending and securities business	–0.1	–	–0.1	n/a
Net commission income	181.8	161.7	20.1	12.4%
Net financial income	–4.5	–0.1	–4.4	(< –300%)
Other operating profit	–0.4	–2.1	1.7	81.0%
Total income	**182.1**	**163.7**	18.4	11.2%
Administrative expenses (including depreciation)	170.0	165.4	4.6	2.8%
Restructuring expenses	6.0	1.6	4.4	275.0%
Total expenses	**176.1**	**167.0**	9.1	5.4%
Economic result without Treasury function	**6.0**	**–3.3**	9.3	281.8%
Treasury function	–1.9	–1.6	–0.3	–18.8%
Economic result	**4.1**	**–4.8**	8.9	185.4%

Business development and profit performance in the Capital Markets business division

Despite a challenging market climate, the Capital Markets business division generated a satisfactory economic result in 2018. As expected, however, valuation effects meant that this did not reach the high level of the previous year. As the Deka Group's product, solutions and infrastructure provider, the division plays an important role in the customer-centric approach of the *Wertpapierhaus*. The division further refined its product and advisory offering in the reporting year with a view to the regulatory capital requirement.

Business development in the Capital Markets business division

The Collateral Trading & Currency unit showed with its positioning e.g. in securities lending and collateral management a good course of business. The expansionary monetary policy of the ECB and resulting oversupply of liquidity in the market remained a key factor in the 2018 financial year. The ECB's phase-out of its bond purchase programme from October had no significant impact on profit performance in 2018.

The Commission Business unit was able to stabilise its business in 2018. However, competition compressed margins, meaning that results fell short of the comparative figure for 2017.

The Trading & Structuring unit continued to record high demand in the third-party issues and certificates business and further expanded the new issue volume in the retail and institutional businesses. The unit further cemented its position in the retail certificates market, with net sales of €5.7bn exceeding the previous year's figure of €4.8bn. Net sales of certificates to institutional customers totalled €2.4bn (previous year: €2.8bn).

Profit performance in the Capital Markets business division

The division achieved an economic result of €85.0m in financial year 2018 (previous year: €206.8m). Valuation effects on banking book portfolios and declining margins in the Commission Business unit were pivotal. There was also a higher negative contribution from the Treasury function, again as a result of valuation effects. Expenses of €172.1m were slightly above the previous year's level.

Profit performance in the Capital Markets business division *in €m (Fig. 12)*

	2018	2017[1]	Change	
Net interest income	45.3	39.2	6.1	15.6%
Risk provisions in the lending and securities business	8.3	11.8	–3.5	–29.7%
Net commission income	56.3	51.2	5.1	10.0%
Net financial income	215.2	292.5	–77.3	–26.4%
Other operating profit	5.0	2.3	2.7	117.4%
Total income	**330.1**	**397.0**	–66.9	–16.9%
Administrative expenses (including depreciation)	172.1	166.3	5.8	3.5%
Total expenses	**172.1**	**166.3**	5.8	3.5%
Economic result without Treasury function	**158.1**	**230.7**	–72.6	–31.5%
Treasury function	–73.1	–23.9	–49.2	–205.9%
Economic result	**85.0**	**206.8**	–121.8	–58.9%

[1] The remaining portfolios of non-core business were transferred to the Capital Markets business division as of 1 January 2018. The figures for the year 2017 have been adjusted.

Business development and profit performance in the Financing business division

The Financing business division noticeably improved its economic result compared to the previous year, primarily thanks to higher net interest income and a positive risk provisioning result. The specialised and real estate financing portfolios expanded considerably year-on-year, mainly due to strong new business combined with lower than expected repayments. The division’s gross loan volume increased noticeably from the end of 2017 (€21.6bn) to reach €24.0bn.

Business development in the Financing business division

Gross loan volume in the Specialised Financing subdivision rose to €14.2bn (year-end 2017: €13.0bn). This was attributable primarily to significant acquisitions in the infrastructure and transport financing segments. Of the year-end portfolio, €3.1bn related to infrastructure financing (year-end 2017: €2.4bn), €1.5bn to export financing (year-end 2017: €1.1bn), €1.2bn to public sector financing (year-end 2017: €0.8bn), and €4.5bn to transport financing (year-end 2017: €3.9bn). Transport financing comprised ship financing of almost €0.9bn and aircraft financing of €3.6bn. Total loans to savings banks fell to €3.7bn (year-end 2017: €4.5bn) due to lower demand.

The legacy portfolio, which primarily contains legacy ship financing loans that were made before the lending risk strategy was changed in 2010, was reduced further to €0.3bn (year-end 2017: €0.4bn). Legacy ship financing accounted for approximately 90% of this total.

Gross loan volume in the Real Estate Financing subdivision rose over the course of the year to €9.8bn (year-end 2017: €8.6bn). The volume of commercial property loans rose substantially to €7.8bn (year-end 2017: €7.1bn). Financing volume in open-ended real estate funds also increased, reaching €1.9bn (year-end 2017: €1.4bn).

Compared to year-end 2017, the average rating for the loan portfolio according to the DSGV master scale declined by one notch from 5 to 6. This corresponds to a decline from BBB– to BB+ on S&P’s external rating scale. The average rating for Specialised Financing slipped from 5 to 7 over the same period (S&P: BBB– to BB), while that for Real Estate Financing fell from 3 to 4 (S&P: BBB to BBB–). Taking account of collateralised assets, the average rating for Real Estate Financing remained unchanged at AAA on the DSGV master scale (S&P: AAA).

New business volume in the Financing division in 2018 stood at €6.7bn, of which €3.8bn was attributable to the Specialised Financing subdivision and €2.9bn to the Real Estate Financing subdivision. Savings bank financing accounted for approximately 7% of new business arranged.

The total volume of placements was €1.0bn. As expected, this was below the previous year's figure of €2.2bn. Around 40% of this was placed directly with the *Sparkassen-Finanzgruppe*.

Profit performance in the Financing business division

The Financing business division achieved a substantial year-on-year improvement in its economic result, which rose from €50.5m in the previous year to €67.4m. The key drivers on the income side were the appreciable rise in net interest income and a highly positive risk provisioning result due to the reversal of provisions no longer required and income on written-down receivables. This largely offset the negative effect arising from fair value loans in net financial income. At €–35.0m, the negative contribution from the Treasury function was greater than in the previous year (€–16.9m). Expenses totalled €54.7m and were therefore lower than in the previous year.

Profit performance in the Financing business division *in €m (Fig. 13)*

	2018	**2017**	Change	
Net interest income[1]	126.4	113.3	13.1	11.6%
Risk provisions in the lending and securities business	14.7	–29.7	44.4	149.5%
Net commission income	29.6	34.3	–4.7	–13.7%
Net financial income[1]	–15.2	–8.5	–6.7	–78.8%
Other operating profit	1.7	14.6	–12.9	–88.4%
Total income	**157.1**	**123.9**	33.2	26.8%
Administrative expenses (including depreciation)	54.7	56.6	–1.9	–3.4%
Total expenses	**54.7**	**56.6**	–1.9	–3.4%
Economic result without Treasury function	**102.4**	**67.4**	35.0	51.9%
Treasury function	–35.0	–16.9	–18.1	–107.1%
Economic result	**67.4**	**50.5**	16.9	33.5%

[1] Net income of €0.4m from the disposal of assets recognised at amortised cost (previous year: €1.0m) was recognised in net financial income for the first time in 2018. This was disclosed under net interest income in the previous year. The prior-year figures have been adjusted to aid comparison.

Financial position of the Deka Group

Financial management principles and objectives

Via its Treasury corporate centre, DekaBank pursues an integrated approach aimed at the efficient active management of group-wide liquidity, thus ensuring that flexibility and investor trust are retained even in difficult market situations. DekaBank acts as a liquidity platform, both through the close integration of asset management and banking activities and by operating cash pooling for the savings banks.

The Bank has high volumes of central bank-eligible highly liquid assets, which can be used to generate liquidity via various market access routes at any time.

Liquidity investing remains focused on investments in credit balances held with central banks, bonds issued by German federal states, German development banks, German run-off institutions, German *Pfandbriefe*, supranational institutions and investment-grade corporate bonds.

Deka's good ratings also enable access on stable and competitive terms to the money and capital markets. In order to achieve a diversified refinancing position, DekaBank uses a variety of refinancing instruments and issue programmes which ensure that funding is obtained from a broad, diversified range of sources with a variety of currencies, maturities, products and investors. On the money market, particular use for refinancing purposes is made of traditional overnight money and time deposits and commercial paper.

The Deka Group's equity management ensures adequate capital and reserves.

See also: Consolidated financial statements, pages 100 ff.

Derivative financial instruments are used for trading purposes and to hedge interest rate risks, currency risks and other price risks in the banking book and trading book. DekaBank does not have extensive open interest or currency positions. Details of derivative transactions can be found in the consolidated financial statements.

Financial position, capital structure, assets and liabilities

The Deka Group's total assets increased year-on-year by approximately 7% to €100.4bn (previous year: €93.7bn).

The amount due from banks and customers rose during the reporting period by a total of €1.3bn to €48.4bn and equated to around half of total assets. This movement resulted mainly from the expansion of lending. Cash reserves with central banks totalled €15.3bn, compared with €10.0bn in the previous year. The €6.9bn reduction in financial assets at fair value and €7.0bn increase in financial investments was mainly due to the reclassification of financial assets as part of the first-time application of IFRS 9. At the reporting date, financial assets at fair value and financial investments made up 25% and 11% of total assets respectively.

Amounts due to banks and customers rose collectively by €2.8bn to €48.7bn, and thus accounted for around 48% of total assets. This movement resulted mainly from the increase in deposits from banks. Securitised liabilities increased during the reporting year by €0.6bn to €14.8bn. The decline in bonds issued was more than offset by an increase in money market refinancing via commercial paper. Financial liabilities at fair value rose particularly as a result of a substantial €3.3bn increase in trading issues to €29.3bn.

Changes in the Deka Group balance sheet *in €m (Fig. 14)*

	31 Dec 2018	31 Dec 2017	Change	
Total assets[1]	**100,444**	**93,775**	6,669	7.1%
Selected asset items				
Due from banks and customers	48,393	47,047	1,346	2.9%
Financial assets at fair value	25,045	31,985	–6,940	–21.7%
Financial investments	10,795	3,791	7,004	184.8%
Selected liability items				
Due to banks and customers	48,673	45,899	2,774	6.0%
Securitised liabilities	14,791	14,235	556	3.9%
Financial liabilities at fair value	29,307	25,983	3,324	12.8%

[1] Previous year's figures have been adjusted (see also note [43] "Income taxes").

Changes in regulatory capital (own funds)

Capital adequacy is determined in accordance with the CRR/CRD IV. Alongside credit risk, market risk and operational risk, the credit valuation adjustment (CVA) risk is also taken into account. In accordance with the provisions of the Capital Requirements Regulation (CRR) and the German act implementing the EU Capital Requirements Directive (CRD IV), capital ratios are reported both on a phase-in basis (i.e. applying the transitional provisions) and on a fully loaded basis (without transitional provisions).

The own funds requirement under supervisory law was complied with at all times during the year.

See also: Overall statement on the business trend and the Group's position: pages 36 ff.

The change in the Common Equity Tier 1 capital ratio (fully loaded) is described as part of the overall commentary on the business trend and the Group's position. The corresponding total capital ratio stood at 19.8% at year-end (year-end 2017: 21.9%).

The leverage ratio determined in accordance with the Delegated Regulation of 17 January 2015, i.e. the ratio of Common Equity Tier 1 capital to total balance sheet assets as adjusted in line with regulatory requirements, amounted to 4.6% (fully loaded) at 31 December 2018, compared with 4.7% at the end of 2017. A leverage ratio of 4.6% is disclosed under the phase-in rules (year-end 2017: 4.8%). This is substantially above the minimum leverage ratio of 3.0% that is expected to apply in 2019.

Deka Group own funds *in €m (Fig. 15)*

	31 Dec 2018		31 Dec 2017	
	CRR/CRD IV (without transitional provisions)	**CRR/CRD IV (with transitional provisions)**	**CRR/CRD IV (without transitional provisions)**	**CRR/CRD IV (with transitional provisions)**
Common Equity Tier 1 (CET 1) capital	4,460	4,460	4,145	4,238
Additional Tier 1 (AT 1) capital	474	495	474	437
Tier 1 capital	**4,933**	**4,954**	**4,619**	**4,676**
Tier 2 (T2) capital	807	807	823	817
Own funds	**5,741**	**5,762**	**5,442**	**5,492**
Credit risk	18,744	18,744	15,568	15,568
Market risk	6,348	6,348	5,127	5,127
Operational risk	3,365	3,365	3,242	3,242
CVA risk	565	565	950	950
Risk-weighted assets	**29,021**	**29,021**	**24,886**	**24,886**
%				
Common Equity Tier 1 capital ratio	**15.4**	**15.4**	**16.7**	**17.0**
Tier 1 capital ratio	**17.0**	**17.1**	**18.6**	**18.8**
Total capital ratio	**19.8**	**19.9**	**21.9**	**22.1**

Liquidity and refinancing

See also:
Liquidity risk:
pages 89 ff.

The liquidity management requirements set out in the Minimum Requirements for Risk Management (*Mindestanforderungen an das Risikomanagement* – MaRisk) were fully satisfied throughout 2018. The requirements of the German Liquidity Regulation (*Liquiditätsverordnung*) were likewise complied with during the year. The Deka Group's liquidity coverage ratio (LCR) declined to 149.8% at the end of 2018 (year-end 2017: 152.5%). Details about the Deka Group's liquidity position, including the liquidity coverage ratio, can be found in the risk report.

Refinancing is carried out in a diversified manner using domestic and international money market and capital market instruments. This includes issues of *Pfandbriefe*, short-term bearer bonds based on the commercial paper (CP) programme, and medium to long-term unsecured bearer bonds based on the debt issuance programme and the programmes for structured issues and certificates. These activities are supplemented by placements of registered debt securities and promissory note loans. DekaBank also uses the repo and lending markets, call money and time deposits to raise and invest liquidity.

Human resources report

The total number of employees at the end of 2018 stood at 4,716 and was almost unchanged since the previous year (year-end 2017: 4,649). The number of employees is determined by counting the number of employment contracts (temporary and permanent) in existence at the reporting date, including inactive employees, trainees and interns.

The number of earnings-relevant full-time equivalents increased by 2.5% compared with the end of 2017, to 4,178.8. The total includes part-time employees actively involved in work processes in the Deka Group, who are counted *pro rata* on the basis of their working hours. The main increases were in the central compliance and information security functions, risk management for securities funds, and custody services. At the year-end, approximately 80% of the workforce were employed in full-time posts. The average age of active employees (excluding apprentices and inactive staff members) was 44.3 years (previous year: 43.8 years). Further key indicators regarding sustainable HR management can be found in the sustainability report.

The Deka Group continued in the reporting year to pursue HR policies designed around the best possible implementation of the corporate strategy. Key aspects included increasing the Deka Group's attractiveness as an employer using an employer branding approach, as well as reorienting skills development in the context of digitalisation. Training sessions, VUCA (Volatility Uncertainty Complexity Ambiguity) workshops and other formats were introduced for this purpose in Human Resources & Organisation. These will give employees even better support in future to help them expand their technical, methodological and personal skills in line with the requirements of working in the world of Industry 4.0.

The Deka Group also promotes the career development of high-performing and high-potential staff through various formats. As a signatory to the UN Women's Empowerment Principles, it pays particular attention to women's career development. In July 2018, Deka was recognised for the fifth time in the "career and family audit" (*Audit berufundfamilie*) for its various measures to promote a work-life balance and family-friendly HR policy.

Forecast and opportunities report

Forecast report

Forward-looking statements

The Deka Group's planning is based on the assumptions about future economic development that appear the most probable from a current standpoint. However, plans and statements about expected developments and the course of business during 2019 are subject to uncertainty. Actual trends in the international capital, money and property markets or in the Deka Group's business divisions may diverge significantly from our assumptions, which are partly based on expert estimates.

The Deka Group's risk position is summarised in the risk report. If the risk scenarios referred to in the risk report should materialise, for example as a result of stress situations or counterparty default, this may result in negative differences from the forecast during the remaining months of the 2019 financial year. Conversely, opportunities may result in expectations being exceeded.

Expected macroeconomic trends

DekaBank's economists expect global growth of 3.4% in 2019, representing a moderate slowdown compared to the reporting year. Neither the industrialised nations (1.8%) nor the emerging markets (4.5%) are likely to match the growth rates seen in 2018. Forecasts indicate slower expansion in the eurozone, partly due to the dips in growth anticipated in Italy, along with a visible slowdown in the US and in central and eastern Europe. This contrasts with the recovery expected in Latin America and relatively stable growth in Asia. Consumer spending will remain the bedrock of global growth, while momentum in global trade flows and investment is likely to remain subdued, partly due to mounting trade disputes.

There is significant uncertainty concerning the nature and timing of the UK's withdrawal from the EU. An orderly exit, or "deal", in the near future (in time for the scheduled exit on 29 March 2019) is not guaranteed, as the EU is currently rejecting further negotiations. In addition, the "backstop" arrangement, which will maintain the customs union in the event that the two sides fail to conclude a mutually satisfactory new trade agreement, is opposed by many British Members of Parliament. If the British government wants to enact its own trade laws, it must be clarified how, on the island of Ireland, EU law (in the Republic of Ireland) and the new British regulations (in Northern Ireland) can coexist without a visible border. Two further possibilities are being discussed: A disorderly (hard) Brexit would occur automatically if the British parliament is unable to ratify a withdrawal agreement. Such a Brexit would likely have substantial economic consequences, especially in the UK. However, the impact on growth and capital markets would probably be temporary. A more likely outcome is a postponement of the exit date beyond 29 March 2019. This would either simply allow more time to coordinate a deal or imply the resignation of, or a renewed (and successful) vote of no confidence in, the current government under Theresa May, resulting in new elections. In the latter case, the possibility of another referendum cannot be ruled out. In any event, the UK's exit from the EU continues to pose a political risk to growth and capital markets.

Only in the emerging markets is consumer price inflation likely to accelerate somewhat. This will enable the monetary policy turnaround by central banks to remain gentle, allowing a gradual retreat from ultra-expansionary monetary policy without seriously threatening global growth.

Expected environment for asset management
Despite the end of the bond purchase programme, the eurozone's withdrawal from its extremely expansionary central bank policy will be considerably slower than that of the US. Real interest rates are expected to remain negative, providing continued tailwind for securities investments. Given the changing interest rate expectations and growing geopolitical risks, however, a moderate rise in equity markets is likely to be accompanied by higher volatility, meaning that temporary price adjustments could well be pronounced. This could reduce investors' risk appetite and temporarily hinder sales of share-based fund products. The continuing trend on the part of investors towards avoiding negative real interest rates is a good basis for long-term securities saving.

This is also true of real estate asset management, which continues to represent an appealing asset class. However, investment opportunities for real estate funds remain limited, meaning that restraint is still called for when attracting new inflows. A medium-term slowdown in rental growth and future rises in initial yields as a result of expected interest rate hikes will pose particular challenges to fund managers.

Expected environment for the banking business
The expected slight slowdown in growth in the eurozone accompanied by only a modest increase in core inflation makes it unlikely that base rates will be raised at any point in 2019. Deka economists therefore expect money market rates (3-month EURIBOR) to remain in negative territory for the time being. On the bond market, meanwhile, a steepening of the Bund curve is expected in advance of the anticipated interest rate move. The strongly negative maturity premiums in the yields on long-dated German government bonds are likely to fall. In the US bond market, the yield spread between medium- and longer-term maturities is expected to narrow. Yields on corporate bonds are also forecast to rise in 2019, though the ECB's exit from its bond purchase programme has already been largely priced in. Growing political and economic risks may manifest themselves in higher volatilities, increasing risk premiums, value mark-downs and rating downgrades.

In the individual market segments of its capital markets business, the Deka Group expects only moderate changes compared to 2018. The commission business and derivatives trading will continue to experience strong competition and pressure on margins. In the financing business, the continuing high level of market liquidity and investment pressure among institutional investors will also put heavy pressure on margins, which may be reflected in the terms and conditions offered.

Overall assessment of the economic trends
Overall, despite generally stable economic growth, the Deka Group expects a challenging economic environment for asset management in financial year 2019. A pronounced stock market correction could negatively affect total customer assets through negative investment performance and investor caution. On the other hand, the considerable financial assets of private households generally and savings bank customers in particular hold enormous potential for fund sales. Returns on assets in the banking business will remain under pressure.

Expected business development and profit performance
For financial year 2019, the Deka Group has set itself the goal of achieving progress in all three aspects of DekaPro: customer centricity, growth and efficiency. This is also reflected in the Group's expectations for its key performance indicators.

The Group's economic result in 2019 is expected to remain at the level seen in the reporting year. The forecast economic result will ensure that DekaBank remains able to distribute profits and to make the reinvestments necessary for the purposes of capital management.

Expected returns for 2019 are based on ambitious sales plans combined with an investment fund business that maintains lasting value, including regular securities saving. Overall, net sales are expected to be significantly up on the previous year's figure.

The Asset Management Securities business division is aiming for higher net sales, and therefore an increase in total customer assets. The expected improvement in sales performance will be based, among other things, on marketing measures and the enhancement of the online and multichannel offering. This will be accompanied by an improved product offering for lump-sum investments, investment fund savings and fund-based asset management. A rise in net sales is planned for the institutional business, driven primarily by sales of special funds and mandates.

Risks lie in a quicker than expected turnaround in interest rates, which could put pressure on equity markets and adversely affect investors' risk appetite. Regulatory measures and geopolitical risks could also lead to the outflow of funds. In addition, a pronounced stock market correction could negatively affect total customer assets.

The Asset Management Real Estate business division aims to improve net sales in the institutional business again – without changing sales quotas for mutual real estate funds – and achieve an overall increase in total customer assets. The strategic focus on core real estate along with strong commitments regarding quality and stability make the division the first-choice partner for the savings banks and their customers when investing in commercial property. Potential in the institutional sector is to be tapped through new products, including in connection with the tried-and-tested Deka Property Compass, and intensified sales activities, among other things. Moreover, the division plans to reinforce its attractiveness to sustainability-oriented investors by consistently taking into account sustainability criteria in portfolio management and when purchasing property.

Risks to future performance arise from fierce competition in the transaction markets, which makes transaction planning difficult. While the interest-driven boom improves sale prospects, it also puts increased requirements on the structuring of property purchases. There is also the risk of cyclical changes in value in the event of a downturn on property markets.

For 2019, the Asset Management Services business division aims to increase assets under custody in line with the targeted asset management growth. In so doing, it also aims to consolidate its positioning in the *Sparkassen-Finanzgruppe*. The Digital Multichannel Management subdivision will put a special focus on enhancing the "internet branch" and integrating it with sales channels based on physical branches and other media. Multichannel sales services will be stepped up through better provision of information, support in actively approaching customers and other initiatives. The Deka Group will cement the position of the Depositary subdivision through growth in the Deka Group investment companies' mutual funds and by obtaining third-party mandates.

Risks to future performance include rising pressure on margins for depositaries as well as market-induced outflows of funds. In Digital Multichannel Management, rising expenses may result, among other things, from changes in the regulatory environment.

The Capital Markets business division will continue its existing strategic direction as a customer-centric product and solution provider focused on DekaBank's structured products and the derivatives, issuance and trading businesses. This is the division's way of reacting to both regulatory requirements and current market developments. In certificates business, a greater focus will be placed on retail products. The Deka Group will continue to position itself as an infrastructure provider with global capital market access by, among other things, expanding functionality and systematically digitalising the existing platform solutions.

Risks arise particularly from a drop in customer activity prompted by political or market/economic events, regulatory intervention in the design of products and definition of terms and conditions, further increased market pressure on fees and greater competition among brokers.

The Financing business division aims to increase new business in 2019 in its defined core segments in specialised and real estate financing. The planned expansion of the lending portfolio will serve as a basis for sustainable contributions to the division's results. Key to this are both the extension of our positioning as a quality leader and a broadening of the product offering in existing asset classes. In a market environment that remains competitive, the division is remaining true to its stability-oriented and low-risk strategy.

Risks include political crises, which could adversely affect the economic outlook for lending segments in which we operate. This could lead to a need for higher loan loss provisions, or to increased capital adequacy requirements as a result of a downgrading of our credit ratings. The long acquisition periods and intense competitive pressure for credit assets may also mean that the ambitious new business volume cannot be achieved.

Expected financial and risk position

For 2019 the Deka Group is anticipating a continued sound financial position with virtually stable total assets. While a volume increase is planned in the financing business, a reduction in volume is expected in the Capital Markets business division. Balance sheet management is geared towards ensuring compliance with the minimum 3.0% leverage ratio that is expected to apply in 2019.

The Group's liquidity position is expected to remain at a comfortable level. The Deka Group can thus fulfil its role as the liquidity, risk and collateral platform for the savings banks and other institutional customers without restriction.

Despite anticipated charges for guarantee and *Riester* pension products among other things, the Common Equity Tier 1 capital ratio (fully loaded) is expected to considerably exceed the 13% target.

Risk appetite utilisation is expected to remain at a non-critical level in future, despite a slight increase. With risk appetite almost unchanged, the planned new business in the Financing business division will be pivotal to this increase, resulting in a noticeably higher level of counterparty risk than at the end of 2018. Utilisation of risk capacity will likely rise appreciably in view of planned changes to the methodology, while also remaining at a non-critical level.

Development of performance indicators in the Deka Group *(Fig. 16)*

		31 Dec 2018	Forecast 2019
Economic result	€m	451.8	stable compared to the previous year
Total customer assets	€bn	275.9	noticeably above the previous year
Net sales	€bn	11.8	noticeably above the previous year
Common Equity Tier 1 capital ratio (fully loaded)	%	15.4	Over 13%
Utilisation of risk capacity	%	42.1	noticeably above the previous year

Opportunities report

Opportunity management

Opportunity management is built into the Deka Group's overall management concept. Opportunities are continually identified and evaluated as part of the strategic process. Decisions on resources to be made available to exploit additional potential in different areas of opportunity are taken on the basis of the expected impact on earnings and probability of occurrence. The assessment of the opportunities portfolio is regularly updated through continuous and intensive market observation – including that carried out by the bank's own research teams – as well as feedback processes established with the savings banks. This allows the Deka Group to actively manage its opportunities and react to new developments swiftly.

Opportunities are defined as positive deviations from the assumptions made for planning purposes over a one-year horizon. These essentially fall into three categories:

- Opportunities arising from changes in circumstances result from market developments that are more favourable than expected. These include regulatory changes or changing investment trends on the part of customers.
- Corporate strategy opportunities are mainly linked to implementation of the DekaPro programme of initiatives. Positive effects linked to the growth and digitalisation initiatives may be more extensive or occur sooner than assumed in the forecast report.
- Further opportunities exist in that process improvements may be better than planned or positive impacts on results may arise from cost efficiency improvements, likewise in the context of DekaPro.

Current opportunities

The assumptions on economic trends made in the forecast report represent the most likely scenario from the point of view of the Deka Group. Nevertheless, economic trends may turn out to be better than the baseline scenario assumes.

It is thus possible that, contrary to expectations, a substantial rise in index levels could lead to strong growth in total customer assets and have a positive impact on net commission income. Moreover, the departure, initiated in the reporting year, from an ultra-expansionary monetary policy could materialise more quickly than expected in a positive macroeconomic scenario with rising core inflation. The resulting increase in yields at the long end, associated with a steepening yield curve, could improve the conditions for investing own funds and managing liquidity.

A favourable macroeconomic scenario such as this would improve general conditions, most notably for securities- and property-related asset management and capital market activities. This scenario is seen as rather unlikely, however.

Opportunities on the market could also be generated by an even stronger shift towards funds for financial savings. However, the Deka Group anticipates that this process will continue to take place only gradually. Nonetheless, if the popularity of funds and certificates should increase, this would have a beneficial impact on net sales and total customer assets.

There are strategic and other opportunities associated with the consistent implementation of DekaPro. The resultant effects have already been incorporated into the planning for 2019, meaning that any further positive impacts on the Deka Group's business and results are unlikely.

Risk report

Risk policy and strategy

The basic principles underlying the Deka Group's risk policy and strategy remain largely unchanged from the previous year. In order to achieve its commercial objectives, the Deka Group accepts certain risks in line with strategic requirements. These risks are limited by a comprehensive risk management system that covers all types of risk and all business divisions, sales and corporate centres in order to ensure the success of the Deka Group as a business. The framework for business and risk management is provided by the general concept of risk appetite (Risk Appetite Framework – RAF), which forms the main basis for assessing the adequacy of internal capital and liquidity (ICAAP/ILAAP) and is an integral part of the Deka Group's strategy system.

Concept of risk appetite

The first starting point for the concept of risk appetite is a description of the desired risk profile that is implied by our customer-centred business model.

To successfully implement its vision of the *Wertpapierhaus* while avoiding conflicts of interest, the Deka Group exploits the advantages arising from the interconnection of its business activities in fund management, lending and capital markets. These activities give rise principally to counterparty, market, business and operational risks, as well as to liquidity risk (which does not directly affect the income statement).

The Deka Group's focus remains on added-value-generating operations that are in demand from both the savings banks and their end customers where the risks are strictly limited and for which adequate expertise is available. As part of the long-term business strategy defined by the Board of Management and the risk strategy consistent with it, risk positions are entered into primarily in connection with customer transactions or when they can be hedged on the market.

In addition, risks are incurred if they are conducive to liquidity management or if they are required to leverage synergies in investment fund business. Business activities in new products or new markets, and the establishment or acquisition of new business units, are undertaken only after a thorough risk evaluation has been performed.

An efficiently structured risk inventory ensures that the Deka Group has an overview of its risk profile at all times. The risk inventory exercise is carried out on an annual basis, and at other times as required, in order to determine which risks could have a significant negative impact on its financial position (including in terms of capital adequacy, earnings or liquidity). In the course of this process, DekaBank takes into account both external as well as internal factors, the underlying assumptions of which are reviewed regularly and on an ad hoc basis as necessary.

Particular consideration is given here to risk concentrations to which the Deka Group consciously exposes itself in connection with its business model. The main examples of this are the Group's focus on the domestic public sector, on German savings banks and their customers, and on selected capital market participants and central counterparties, which is partly due to its function as a securities and collateral platform.

The second starting point for the concept of risk appetite, in addition to the risk profile, is risk capacity – the maximum amount of risk that the Deka Group can accept with respect to its available funds. The risk capacity for profit-affecting risks is set in the course of the economic risk-bearing capacity analysis, while taking due account of risk concentration. It represents the upper limit of acceptable risk and corresponds to the Deka Group's internal capital. For liquidity risk (insolvency risk), risk capacity is defined as the amount of free liquidity that is in principle available. It thus corresponds to the positive balance of the funding matrix for normal business operations.

Risk appetite is defined, within the scope of these risk capacity values, as the overall aggregate risk for individual risk types that the Deka Group is willing to accept in order to achieve its strategic objectives and business plan.

The details of the business and risk strategy are specified and quantified as part of medium-term planning. Medium-term planning involves an integrated planning process for profits, capital and risk for the next three years, with account being taken of potential adverse developments.

Risk limits for profit-affecting risks are derived from the risk and capital planning, taking into account the desired risk profile and the available risk capacity (risk capital allocation). The overall risk appetite is laid down as part of this process. It is set via a two-stage process. The maximum risk appetite (i.e. the upper limit) is obtained by deducting a capital buffer for stressed circumstances from the risk capacity. The actual risk appetite for profit-affecting risks is the risk capital allocated for the overall risk position.

Non-financial risks are quantified, insofar as possible, as subcategories of operational risk and business risk. In addition to the quantitative risk appetite, qualitative overall risk tolerance rules are also set so that the particular features of non-financial risks are appropriately reflected. Such risks include compliance risk and reputational risk, among others.

For liquidity risk, the Deka Group has defined its risk appetite such that an indefinite survival horizon exists under an extreme hypothetical stress scenario of a simultaneous institution-specific and market-wide stress event. Compliance with this risk appetite is ensured firstly by illustrating the impact of the simultaneous occurrence of institution-specific and market-wide stress events in a "combined stress scenario" funding matrix. As a second step, limits on liquidity balances across all relevant maturities that allow only positive balances ensure that the Group is solvent at all times with an indefinite survival horizon. An early warning threshold set at €1.5bn represents a first escalation level in this context.

The concept of risk appetite also covers procedures for monitoring compliance with allocated risk capital. These include management instruments, regular reporting, rulebooks, controls and processes, as well as risk governance in the sense that roles and responsibilities are laid down for implementing and monitoring risk appetite. Taking risk concentrations into account, the Deka Group has thus established limits for all risks classified as significant during the risk inventory and has implemented rigorous risk management.

The concept of risk appetite described above and the procedures for monitoring compliance with it form one of the three fundamental pillars of the Group's risk culture. They are complemented by sound governance and a remuneration system that encourages appropriate risk behaviour. Processes are in place to ensure that these three pillars are continuously adjusted to changing circumstances. Staff and leadership behaviour – risk culture in the narrower sense – are shaped by the rules set down in the Code of Ethics and by the Deka Principles of Leadership, in addition to the aforementioned formal components. The risk culture framework adopted in the reporting year lays down binding guidelines for the responsible handling of risks in the Deka Group and for compliance among employees, managers and Board members in relation to this. It also sets out the guiding principles that detailed rules on processes and tools have to adhere to.

Strategy process

In accordance with the German Minimum Requirements for Risk Management (*Mindestanforderungen an das Risikomanagement* – MaRisk), the Group uses a systematic strategic process to ensure that its Group-wide business strategy, management and structure, as well as the corresponding divisional and sales strategies and the risk strategy, are reviewed on a regular basis. The reviews consider whether these items are consistent, complete, sustainable and up-to-date. The process covers the planning, implementation and evaluation of the strategies and any necessary adjustments to them. Division-specific targets for risk and profit are used in order to ensure that the business and risk strategy is implemented appropriately in the business divisions.

The sub-risk strategies developed for significant types of risk identified during the risk inventory are derived from the Deka Group's risk strategy as well as the strategies of the business divisions. These risk strategies provide specific details regarding risk monitoring and management. They are also reviewed at least once a year, revised if necessary, approved by the Board of Management and discussed with the Administrative Board.

Organisation of risk management and control

Board of Management and Administrative Board

The Board of Management is responsible for the development, promotion and integration of an appropriate risk culture within the Deka Group and is clearly committed to risk-appropriate behaviour. It is also responsible for establishing, enhancing and monitoring the effectiveness of the risk management system. Within the risk management organisation, the Board of Management makes decisions on the Deka Group's strategy and defines the amount of overall risk permitted at Group level. This includes decisions on the form and implementation of the risk appetite concept. The Board also sets the economic capital allocations for the different types of risk and the business divisions, including the Treasury corporate centre. It thereby takes decisions, in particular, on the governance framework for the internal processes used to assess the adequacy of internal capital and liquidity (ICAAP and ILAAP) and is responsible for implementing these processes. This includes setting limits at Group level for the individual risk types.

The Administrative Board, together with the relevant committees it has established – the Risk and Credit Committee and the Audit Committee – is responsible for monitoring the Deka Group's risk management system. Prior to every meeting of the Administrative Board, the Risk and Credit Committee meets to discuss in detail matters impacting the Group's risk exposure and risk management. It also reviews the Group's strategic direction with the Board of Management. The Risk and Credit Committee also acts as a credit approval body within the scope of the applicable authorisation guideline. The Audit Committee is an oversight body that concerns itself with the results of internal and external audits. It thereby contributes to ensuring the appropriateness and effectiveness of the Deka Group's monitoring, control and risk management arrangements.

Management committees
The Board of Management is supported in its management role by various management committees.

The Risk Management Committee (*Managementkomitee Risiko* – MKR) meets once a month and advises the Board of Management on matters regarding significant risks at Group level and on addressing, analysing and assessing issues that could have a significant influence on the total risk profile or profitability of the Group. The committee thus makes an important contribution to promoting a Group-wide risk culture. The voting members of the MKR include the Head of the Risk Control department, the managers of the Risk Control, Credit Risk Office, Finance and Risk Control Capital Market Funds departments, the COOs for the Asset Management Securities and Asset Management Real Estate business divisions, the COO for the banking divisions & depositary, and the heads of the Compliance and Legal corporate centres. The MKR is supported in this function by sub-committees, which each have individual core duties.

The Management Committee for Assets and Liabilities (*Managementkomitee Aktiv-Passiv* – MKAP), which meets every two weeks, primarily drafts resolutions on matters relating to the management of interest rates, currency, liquidity and refinancing and to the capital and balance sheet structure. In addition, it plays a role in limiting market price risk by making recommendations on the allocation of top-level limits for the Capital Markets business division and the Treasury corporate centre. Measures to be taken in the event of a liquidity crisis are also confirmed in the course of the MKAP's regular review. Membership of the MKAP is made up of the departmental heads responsible for Treasury, Finance, Risk Control and Capital Markets business and the heads of the Treasury, Capital Markets business, Risk Control and Finance corporate centres.

Sub-committees of the Risk Management Committee
The Stress Testing Committee supports the Board of Management in relation to the overall appraisal of the regular macroeconomic stress tests (covering all risk types) and risk-type-specific stress tests. Stress tests form an integral part of the Deka Group's risk management. The duties of the Stress Testing Committee include in particular the assessment and appraisal of stress test results as well as general responsibility for setting stress test scenarios and processes.

The Models Committee is a Group-wide, cross-divisional body that pools together and assesses current trends and validation issues with regard to valuation and risk models, and prepares content accordingly for the MKR, the Board of Management and senior management of Deka Group companies. The committee thus makes an important contribution to ensuring overarching consistency in the models employed. Furthermore, the Models Committee represents the central operational body for assessing model risks, with the aim of ensuring appropriate treatment of model risk in the Deka Group.

Additional committees that are relevant to counterparty risk management include the Country Risk Committee, which assesses country risk, the Monitoring Committee, which monitors and manages exposures at risk of default, the Risk Provisioning Committee, which performs regular analysis and examination of matters relating to the planning, monitoring and management of loan loss provisions as well as monitoring and managing restructuring and liquidation cases, and the Rating Committee, which analyses and monitors the internal rating procedures (see counterparty risk).

The duties of the Risk Talk are to regularly analyse, discuss and make decisions regarding matters in connection with the risk management and monitoring processes in the Capital Markets business division's operational processes. The emphasis is on the assessment, in relation to market or counterparty risks, of matters that could significantly influence the risk profile and/or profitability of the Capital Markets business division.

Business divisions and central functions
All business divisions and the Treasury corporate centre operate within the scope of the strategic requirements. In addition, they operate within the framework set by the Board of Management on the basis of recommendations from the MKR and MKAP. The Treasury corporate centre also manages market price risks in the banking book and the liquidity, refinancing and equity of the Deka Group within the limits.

The main responsibility of the Risk Control corporate centre, which is independent of the business divisions, is to develop a standardised and self-contained system to quantify, limit and monitor all significant risks associated with the Group's business activities. Its risk measurement procedures are continually updated in line with economic and regulatory requirements. Risk Control also monitors compliance with the limits approved by authorised decision makers, and immediately reports any limit breaches to them.

The Credit Risk Office corporate centre is primarily responsible for providing a second opinion independent of front office operations, for creating and/or approving ratings and for verifying and approving specific collateral. The office also acts as the central statistical monitoring centre for early-stage risk identification. In addition – acting independently of front office operations – the Credit Risk Office is responsible for closely monitoring and managing troubled loans as well as for dealing with restructuring and liquidation cases (work-out exposures).

The Compliance corporate centre is comprised of functions that monitor and minimise selected non-financial risks. On behalf of the Deka Group, it covers the regulatory functions of the Compliance Officer as set out in the German Banking Act (*Kreditwesengesetz* – KWG), the German Securities Trading Act (*Wertpapierhandelsgesetz* – WpHG) and the German Investment Code (*Kapitalanlagegesetzbuch* – KAGB). It also covers those functions assigned to the Money Laundering Officer pursuant to the German Money Laundering Act (*Geldwäschegesetz* – GwG) and the KWG, and represents the "Central Office" for the Money Laundering Officer and in relation to the obligations to prevent criminal acts under section 25h KWG. Furthermore, the Compliance corporate centre fulfils the roles of Group Money Laundering Officer, "Responsible Officer" as required for Qualified Intermediaries (QIs) under the Foreign Account Tax Compliance Act (FATCA), Information Security Officer, Data Protection Officer and Single Officer. The Compliance corporate centre has been headed by Oliver Görke since 1 August 2018.

The Internal Audit corporate centre is an independent unit that supports the Board of Management and other management levels in their control and monitoring functions. It examines and assesses all activities and processes on the basis of an annual audit plan that is drawn up with a risk-based approach, using a scoring model, and then approved by the Board of Management. One of the unit's most important tasks is to evaluate the business organisation with a focus on whether the internal control system and, in particular, risk management and monitoring are suitable and appropriate. Internal Audit also audits compliance with legal, regulatory and internal banking requirements. The Administrative Board is responsible for monitoring the internal audit system. It delegates this task to the Audit Committee.

In addition, all corporate centres and business divisions are responsible on a decentralised basis for identifying, measuring and managing their respective operational risks.

Organisational structure of risk management in the Deka Group *(Fig. 17)*

		Counterparty risk	Market price risk	Liquidity risk	Operational risk	Business risk	Shareholding risk
Administrative Board							
Risk and Credit Committee	- Overview of current risk situation/risk management system - Discussion of strategic direction with Board of Management - Credit approval body	•	•	•	•	•	•
Audit Committee	- Reviews results of internal and external audits	•	•	•	•	•	•
Board of Management	- Determines strategic direction - Responsible for Group-wide risk management system - Determines risk appetite - Allocates risk capital to risk types and business divisions, incl. setting the limits for individual risk types at business division level	•	•	•	•	•	•
Management Committee for Risk (Management komitee Risiko – MKR)	- Assists the Board of Management in matters relating to significant existing and prospective risks - Supports the Board of Management with the evaluation of issues that have a significant effect on the overall risk profile - Prepares draft resolutions for the Board of Management and makes decisions within the scope of the authority granted to it - Supplemented by various sub-committees	•	•	•	•	•	•
Stress Testing Committee	- Assesses and appraises stress test results - Specifies stress testing scenarios and processes - Reports and makes recommendations for action to the Board of Management	•	•	•	•	•	•
Models Committee	- Assesses current trends and validation issues with regard to valuation and risk models - Central operational body for assessing model risks	•	•	•	•	•	•
Country Risk Committee	- Assesses country risks - Assesses and further develops the methodology for limiting country risks - Approves/sets country limits	•					
Monitoring Committee	- Defines, assesses and further develops the early warning indicators and classification criteria - Monitors and manages troubled loans on the watch list	•					
Ratings Committee	- Enhances and maintains internal rating procedures and rating processes - Responsible for approving policies and regulations relating to the internal rating procedures	•					
Risk Provisioning Committee	- Plans, manages and monitors loan loss provisions - Monitors and manages restructuring and liquidation cases	•					
Risk Talk	- Supports the MKR/Board of Management in connection with risk management and monitoring processes in the Capital Markets business division’s operational processes - Emphasis on market price and counterparty risk	•	•	•	•	•	

		Counterparty risk	Market price risk	Liquidity risk	Operational risk	Business risk	Shareholding risk
Management Committee for Assets and Liabilities (Management komitee Aktiv-Passiv – MKAP)	- Supports the Board of Management in matters relating to interest rate and FX management, liquidity and funding management, capital and balance sheet structure management - Evaluates the measures planned for liquidity crises - Prepares draft resolutions for the Board of Management	•	•	•	•	•	•
AM Securities business division	- Conducts transactions in line with strategic guidelines	•	•	•		•	•
AM Real Estate business division	- Conducts transactions in line with strategic guidelines	•	•	•		•	•
AM Services business division	- Conducts transactions in line with strategic guidelines	•	•	•		•	
Capital Markets business division	- Conducts transactions in line with strategic guidelines	•	•	•		•	
	- Makes decisions within the guidelines established by the MKAP and sets limits within the division		•	•			
Financing business division	- Conducts transactions in line with strategic guidelines	•		•		•	•
Treasury (Corporate Centre)	- Conducts transactions in line with strategic guidelines	•	•	•			
	- Makes decisions within the guidelines proposed by the MKAP and established by the Board of Management and sets limits within the corporate centre - Manages market price risks in the banking book, manages the liquidity and refinancing of the Deka Group		•	•			
Risk Control (Corporate Centre)	- Develops and updates system to quantify, analyse and monitor risks - Reports to Board of Management and Administrative Board - Determines/monitors risk-bearing capacity - Monitors approved limits	•	•	•	•	•	•
Credit Risk Office (Corporate Centre)	- Administrative office for early risk identification - Market-independent second recommendation - Reviews and/or approves ratings - Checks certain collateral - Management of troubled and non-performing loans (work out) - Loan administration - Responsible for lending-related processes	•					
Equity investments (Corporate Centre Corp. Development)	- Manages equity investment portfolio						•
Compliance (Corporate Centre)	- Monitors selected non-financial risks via specialised functions - Overall controlling of operational risks - Functions as Compliance Officer as set out in the German Banking Act (KWG), German Securities Trading Act (WpHG) and German Investment Code (KAGB), as Money Laundering Officer pursuant to the German Money Laundering Act (GwG) and as Central Office in line with the requirements of the KWG - Functions as Responsible Officer under QI and FATCA - Monitors IT security measures				•		
Internal Audit (Corporate Centre)	- Audits and evaluates all activities/processes (especially risk management system)	•	•	•	•	•	•
All business divisions and Corporate Centres	- Identify, measure and manage operational risks on a decentralised basis				•		

Three Lines of Defence model

Risk management involves active management of the Deka Group's risk position. The distribution of risk-related activities and associated controls across several organisational units requires proper assignment and delineation of the respective responsibilities and functions. Ever greater significance is attributed to an effective and properly functioning risk management system across all organisational units, which has no control gaps, conflicts of interest or redundancy and takes into consideration the risk strategy of DekaBank. This also promotes clear-cut governance.

The "Three Lines of Defence" model practised by DekaBank is designed to ensure compliance with and verification of the risk framework stipulated by the risk strategy, including the regular review of ICAAP and ILAAP. The operational business units responsible for exposures are – as the first line of defence – responsible for identifying, assessing and managing the risks involved in any business conducted. This also includes transactions to minimise total risk at Group level in day-to-day operations. The controls forming the first line of defence are supplemented and enhanced by the independent downstream organisational units that carry out risk management functions as part of the second line of defence (e.g. the Risk Control, Credit Risk Office and Compliance corporate centres). These units monitor compliance with the requirements of corporate policy independently of front office and trading operations. The third line of defence is the Deka Group's Internal Audit department, which also exercises its functions independently.

It is ensured that the requisite personnel resources are available to carry out the control functions, both in terms of the staff capacity needed to assess and monitor risks and in terms of the sufficient capability of the staff concerned. The systems and equipment provided for all control functions ensure that the ongoing processing, management and monitoring requirements arising from the nature and scope of the business carried out are met.

Further developments in risk management

During the year under review, the Deka Group refined parts of its risk management and control in terms of both its organisation and risk management concepts, taking due account of regulatory requirements.

In November 2018, the ECB published two guides setting out its expectations regarding banks' internal processes for ensuring capital (ICAAP) and liquidity (ILAAP) adequacy. Both guides are applicable beginning in 2019, and the Deka Group therefore began its planning and implementation work during the reporting year. One focal point of these activities was aligning the requirements with a normative perspective as part of the ICAAP and ILAAP. In this context, there are also plans to make methodological changes to the risk-bearing capacity concept for the economic perspective of the ICAAP during the first quarter of 2019. A revised definition of internal capital and of the overall management concept is planned in light of the requirement to apply a going concern approach for the ICAAP. Here, the non-inclusion of subordinated capital components will increase the utilisation of risk capacity.

Efforts towards the implementation of the expanded MaRisk requirements, which form the basis of regulation in Germany, continued during the reporting year. Among other things, this encompassed the requirements concerning the risk culture. Partly in view of the Guidelines on internal governance that took effect on 30 June 2018, Deka has adopted a Group-wide risk culture framework. This describes how the Deka Group understands the risk culture and risk culture process.

In the context of the data architecture and risk data quality management requirements and of the reporting based on this, DekaBank further expanded and supplemented its underlying systems and processes in the reporting year. For example, the quality checks conducted during risk data aggregation will be combined, documented and monitored in a single system in future. The same applies to the documentation of the underlying data flows, key taxonomies and related data governance. This will enable prompter, more direct monitoring of any irregularities, thereby allowing targeted, continuous improvement of the underlying systems. In addition, the reporting system itself was enhanced in 2018.

Alongside individual measures to facilitate the analysis of particular indicators, an approach was developed that integrates the economic and normative perspectives for the purposes of standard reporting. This also meets the requirements concerning the new design of the ICAAP/ILAAP.

Given the increased significance of non-financial risks, the MKR sharpened its approach in the reporting year. From the beginning of 2019, the MKR will discuss financial risks and current risk reporting on a monthly basis. Non-financial risks and methodological issues will be addressed quarterly. In addition to this, the responsibilities of the Compliance corporate centre were expanded with effect from 1 October 2018. They now include functions to monitor and minimise selected non-financial risks as well as the overall control of operational risks.

To meet the requirements of the ECB guide on internal models published in November 2018, DekaBank has initiated appropriate measures in relation to the market risk model. These will continue in 2019. The measures are in keeping with the findings of an on-site audit of the market risk model conducted in 2017 in the context of the supervisory review of internal models under Pillar 1 of the Basel capital regulations (targeted review of internal models – TRIM). The review aims to reduce the variability of model results and thereby increase confidence in internal models. It affects the internal rating models for credit risk (IRBA), internal market risk models (IMA) and internal models for estimating exposure to counterparty risk (IMM). In 2019, DekaBank will undergo an on-site audit under the IRB approach. TRIM audits concerning counterparty risk do not affect DekaBank.

The potential economic impact of changes to the Credit Risk Standardised Approach (CRSA) and the Internal Ratings Based Approach (IRBA) that are currently planned as part of the finalisation of Basel III (Basel IV) continues to be monitored. The same applies with regard to the Fundamental Review of the Trading Book (FRTB) and the scheduled introduction of the new Standardised Measurement Approach (SMA) to calculating operational risk capital, both of which could also potentially affect Pillar II of the Basel framework.

Model adjustments were made in the context of macroeconomic stress tests during the reporting year. Overall, these have only a moderate impact on the projected utilisation of risk capacity. Specifically, the proxy model for calculating credit risk was replaced by integration of the productive model, and the potential variance from plan was calculated more conservatively in the business risk.

Overall risk position of the Deka Group

See also: Opportunities report: pages 55 ff.

The risk position presented in the risk report relates to the Deka Group's risk position overall, and therefore corresponds to the definition used as the basis for presentation of the Deka Group's business development and profit performance in the economic report. The report focuses on risks that are relevant from the point of view of the Group. Opportunities that might be used to counteract an increase in risk are presented separately in the opportunities report.

Risk definitions, concentrations and measurement

The individual risk types for the purposes of risk monitoring and risk management are derived from the annual risk inventory. Risk types considered to be significant, which are backed by economic risk capital, include market price risk, counterparty risk, operational risk, liquidity risk and business risk. Liquidity risk is also classified as significant but is managed and monitored outside the risk-bearing capacity analysis.

A distinction is drawn between financial and non-financial risks, based on the context in which risks are incurred and/or arise. Financial risks are incurred consciously in direct connection with individual transactions in order to generate income. Non-financial risks, by contrast, are inherent in a particular business activity but are not incurred in order to achieve profit. Non-financial risks include, in particular, operational risk and business risk.

Counterparty risk

Counterparty risk is the risk of financial loss resulting from the deterioration in the creditworthiness of a borrower, issuer or other counterparty (migration risk) or when the counterparty is unable to fulfil its contractually-agreed obligations, or unable to fulfil them in a timely manner (default risk). Counterparty risk also includes the risk of changes in specific provisions: the risk that a specific provision will underestimate the loss. Country risk is also included in counterparty risk. There is a distinction between country risk in the narrow and broad senses. Country risk in the narrow sense equates to transfer risk, which results not from the business partner itself, but instead is due to that partner's location abroad. Country risk in the broad sense is the risk that countries or governments will be unable to (fully) meet their contractual obligations in respect of receivables.

In terms of volume limitation, the Deka Group makes a distinction in counterparty risk between position risk, advance performance risk and potential future exposure (PFE). Position risk comprises borrower and issuer risk, as well as replacement risk and open position risk. Borrower risk is the risk that outstanding loan payment obligations to the Deka Group will not be paid or will not be paid in a timely manner. Similarly, issuer risk is the risk of losses caused by default on the part of issuers of debt or equity securities, underlyings of derivative instruments, or fund units. Replacement risk is the risk that if a business partner were to default, a replacement transaction would have to be conducted at less favourable market conditions. Open position risk (performance disruption) results if a delay occurs in the performance of a contractually agreed obligation by a business partner. Advance performance risk represents the risk that a business partner will not pay the contractually agreed consideration after advance performance has been rendered by the Deka Group. Potential future exposure (PFE) risk comprises the risk arising from potential market price fluctuations in relation to repo loan transactions, synthetic lending transactions and other derivatives transactions.

Market price risk

Market price risk describes the potential financial loss from future market fluctuations over a fixed time horizon and hence includes interest rate risk (including credit spread risk), currency risk and share price risk. Option risks are included in the above risks.

General interest rate risks result from changes in currency-specific swap curves, with different fixed-rate periods having an effect as well. These risks also include volatility risk in interest rate derivatives and options (cap/floor and swaptions).

Credit spread risks depend on changes in the issuer-specific premiums on the reference curves. These premiums depend primarily on the creditworthiness of individual issuers or sectors. Premiums for individual issues (residual risks) are also relevant.

Share price risks (including real estate fund risks) are identified as risk factors via the individual shares, indices or funds and are influenced by risks from share or index volatility. The associated option risks or volatility risks are also taken into account here. Currency risks reflect changes in exchange rates.

The process for identifying and quantifying these risks does not differentiate between the trading book and banking book; the same procedures are applied for all DekaBank portfolios, irrespective of the portfolio type. In addition, market price risks are calculated taking into account guarantees that the Deka Group has provided for individual investment funds and are subject to a corresponding economic capital allocation.

Liquidity risk

In terms of liquidity risk, the Deka Group makes a distinction between insolvency risk (liquidity risk in the stricter sense), liquidity maturity transformation risk and market liquidity risk.

Insolvency risk describes the risk that the Deka Group will be unable to meet its current and future payment obligations in a timely manner because liabilities exceed the available liquid funds.

Liquidity maturity transformation risk describes the risk that arises from a change in DekaBank's own refinancing curve in the event of imbalances in the liquidity-related maturity structure.

Market liquidity risk is understood as the risk that transactions cannot be settled or closed out, or can only be settled or closed out at a loss, due to inadequate market depth or because of market disruptions.

Operational risk

Operational risk means the risk of loss caused by the inadequacy or failure of internal processes, people and systems or by external events, including legal risks.

Business risk

Business risk concerns adverse variances from plan that result from changes in customer behaviour, competitive conditions or the general economic and legal framework. The Deka Group considers all factors that have an unexpected negative impact on profit as a result of volume and margin changes, and are not attributable to any other type of risk, to be material.

Reputational risk

Reputational risk describes the danger that developments and loss events that have occurred in connection with other types of risk may have a negative impact on the external image of the Deka Group, thereby diminishing the trust that customers, business and sales partners, rating agencies or the media have in the Bank's competence. This can lead to additional losses, declining revenue, lower liquidity levels or a lower enterprise value. In view of this, reputational risks are not seen as a separate type of risk, but rather as a component of, or as factors that increase, business and liquidity risk.

Given this definition, the management of reputational risks depends on the context of the risk type involved. For instance, when conducting the self-assessment of operational risks, a systematic determination and qualitative assessment of reputational risks resulting from an OR loss event are also performed. Where counterparty risk is concerned, the Deka Group uses appropriate counterparty risk principles, a blacklist and appropriate assessment as part of the credit approval process. A sustainability filter is also applied in the context of counterparty and market price risks. Finally, in the case of business risk, the risk of lower commission due to the materialisation of reputational risks is taken into account. In addition to using these risk type-specific tools, the Deka Group quantifies the impact of reputational damage across all risk types as part of the macroeconomic stress tests. In terms of liquidity risk, which is managed separately, the negative effects of potential reputational damage on the Deka Group's liquidity position are taken into account as part of the stressed funding matrix.

Model risk

Model risks are not regarded as a separate risk type at the Deka Group, but are viewed in conjunction with the individual risk and valuation models. Model risks arising from errors during the implementation, use or application of valuation or risk models, or from the incorrect choice of parameters for these models, are treated as a sub-category of operational risk. Model risks are incorporated directly into the Deka Group's risk-bearing capacity by developing and assessing corresponding scenarios as part of the self-assessment process.

Model risk also describes the risk of potential losses arising as a result of the deliberate selection, specification, choice of parameters, calibration or use of models, and that as a consequence could lead to uncertainty in valuation or, where relevant, to their being insufficiently taken into account in risk-bearing capacity.

Model risks in relation to valuation models are directly recognised by creating appropriate provisions for models under liabilities. By contrast, model uncertainties arising from the specifications of risk models are viewed in conjunction with the respective risk type and specifically examined using detailed validation exercises. If necessary, a buffer is created for model uncertainties as part of the annual risk capital planning process; this reserved internal capital will consequently no longer be available for allocation.

Further types of risk

The Deka Group defines shareholding risk as the risk of financial loss due to impairment of the portfolio of equity investments, insofar as they are not consolidated in the balance sheet and therefore already included under other types of risk. Internal capital is set aside for shareholding risk. Currently, however, this risk has only a minor influence on the Group's risk-bearing capacity.

Pension risk comprises potential losses from pension benefits payable that are not already covered by the provisions recognised for pensions. If material, losses due to guarantee obligations from pension commitments are calculated using appropriate assumptions when determining market price risk or counterparty risk and taken into account as a deduction from internal capital.

Other non-financial risks identified during the risk inventory are covered by superordinate risk categories. These include, for instance, conduct risk and tax risk, which are dealt with especially within the scope of operational risk. Qualitative risk tolerance rules also exist for each of these risks.

Risk concentrations

Risk concentrations describe those risks arising primarily from an uneven distribution of business partner relationships or an uneven sensitivity of the portfolio in relation to major risk factors which could subsequently lead to significant economic losses for the Deka Group.

Risk concentrations can occur both within the major risk types (intra-risk concentrations) as well as across different significant types of risk (inter-risk concentrations). These are a focus of risk management and monitoring in terms of tools looking at specific types of risk as well as those that apply across risk types.

Division-specific risk profiles

The Deka Group's business activities are organised into five business divisions. Asset Management Securities, Asset Management Real Estate, Asset Management Services, Capital Markets and Financing. In principle, this structure has a diversifying effect on business activities and the resulting risks for the overall portfolio. However, it is also associated in part with the pooling of certain business activities, resulting in different risk profiles in the individual divisions.

Asset Management Securities business division

Because of its focus on the active management of securities funds and investment solutions and services, this division principally generates operational and business risks for the Deka Group. These may be exacerbated by reputational risks in connection with the "Deka" brand or other Deka Group brands. In addition, managed guarantee products create counterparty and market price risks for the Deka Group. The division also faces shareholding risks.

Asset Management Real Estate business division

As with Asset Management Securities, the principal operational and business risks in this business division arise from active fund management. To a small extent, market price and counterparty risks also arise for the division from real estate funds in the Group's own investment portfolio. The division also faces shareholding risks.

Asset Management Services business division

This business division, too, principally generates operational and business risks for the Deka Group. These result from the provision of banking services for asset management.

Counterparty and market price risks also arise to a small degree from the operations of S Broker, which is included in this division.

Capital Markets business division

Customer-led business activity in the Capital Markets business division gives rise in particular to counterparty and market price risks. These arise primarily from currency, securities lending and securities repurchase transactions, from trading in financial instruments with financial institutions, savings banks, funds and companies, and in relation to DekaBank's strategic investments. In relation to the division's liquidity investments, credit spread risks and, to a lesser extent, general interest rate risks, share price risks and currency risks arise in relation to the market price risk in the strategic investments unit. Operational and business risks also arise. As the central securities and collateral platform in the association, the Deka Group generates economies of scale and scope. This results especially in concentrations with increased gross risk in relation to individual major banks, market makers that act for the Deka Group and central counterparties. Risk concentrations also exist in relation to individual Landesbanks as association partners. The collateral in securities lending transactions can also give rise to risk concentrations in collateral, which are limited by the rules in the Collateral Policy.

Financing business division

The business activities of the Financing business division (essentially the financing of savings banks, infrastructure, and transport, as well as ECA-backed financing and the financing of commercial real estate) create corresponding focal points, primarily in counterparty risk. In accordance with the business model, this also leads to regional risk concentrations in Germany, as well sector-based risk concentrations in relation to the financial sector. Real estate financing usually involves individual loans with a different regional focus. The division also faces shareholding risks.

Treasury

The Treasury corporate centre's various functions, especially management of the liquidity reserve, give rise to credit and market price risks. Given the strategic focus, risk is concentrated on the public sector and domestic counterparties. Market price risk chiefly involves spread risks. Interest rate risks, currency risks and share price risks arise to a limited extent. Operational risks also exist to a limited extent.

Risk management instruments covering all risk types

The Deka Group uses a variety of tools to manage the risks and risk concentrations resulting from its business activities and thereby continuously ensure capital and liquidity adequacy. The Deka Group distinguishes here between tools that apply to all risk types at the level of strategic requirements and risk-specific tools for operational management, which are described in the sections covering the individual risks. The Deka Group essentially uses three tools for overall management and monitoring of the risks with the aim of ensuring capital adequacy: the risk inventory, risk and capital planning as well as risk-bearing capacity (including stress testing), and capital allocation. Key performance indicators are integrated into both the recovery plan and the remuneration system. Liquidity risk management, which aims to ensure the Deka Group can meet its payment obligations at all times, forms another management level to complement economic risk-bearing capacity. Like the latter, it is based on the results of the risk inventory and integrated with the recovery plan and remuneration system.

Risk inventory

The Deka Group determines and assesses its overall risk profile using a risk inventory that is performed on both a regular and an ad hoc basis. The central objective of the risk inventory process is to analyse, determine and assess the materiality of the individual risk types in a transparent manner, taking into account the risk drivers and risk concentrations resulting from the business model. The assessment has further implications for backing risks with capital, for the holding of liquidity, and for validation. In addition, the inclusion of the companies to be considered in the risk inventory is examined. The risk inventory is the starting point for the analysis of risk-bearing capacity and, together with the risk strategy, forms the basis for the design of further risk management tools. It is divided into a preliminary analysis, a review of the risk universe for relevance and materiality to the Deka Group and the individual business divisions, and preparation of the results in a report and risk directory. In addition, major risk issues for the Deka Group are discussed each month by the MKR.

Risk and capital planning

The risk-bearing capacity of the Deka Group is determined both in terms of the current situation and for the next three budget years. In economic risk and capital planning, the risk-bearing capacity is calculated for each budget year as part of medium-term business planning based on forecast business activity and associated risks as well as planned internal capital. Based on this, DekaBank’s Board of Management sets the risk appetite for operational activities and the allocation of capital to the individual risk types and business divisions. This process also allows potential risk concentrations to be effectively addressed at an early stage. Any adjustments needed during the year are undertaken when recommended by the MKR and adopted by a resolution of the Board of Management.

Risk-bearing capacity and capital allocation

As a basic principle, internal capital is used to determine the maximum level of risk that can be incurred (impacting the income statement), taking into account risk concentrations. Risk capacity is analysed monthly. In the course of the risk-bearing capacity analysis, the risk capacity (in the form of internal capital) and the current risk level are determined, compliance with the guidelines and limits is monitored and current results are compared to plan. The Deka Group’s total risk, as examined in the risk-bearing capacity analysis, includes as a minimum all material risk types with an impact on the income statement, and is determined by adding these together. Diversification effects between individual types of risk are not taken into account as part of this process. The total risk of the Deka Group is measured as an economic capital amount that is highly likely to be sufficient to cover the losses from all significant risk positions at any time within one year.

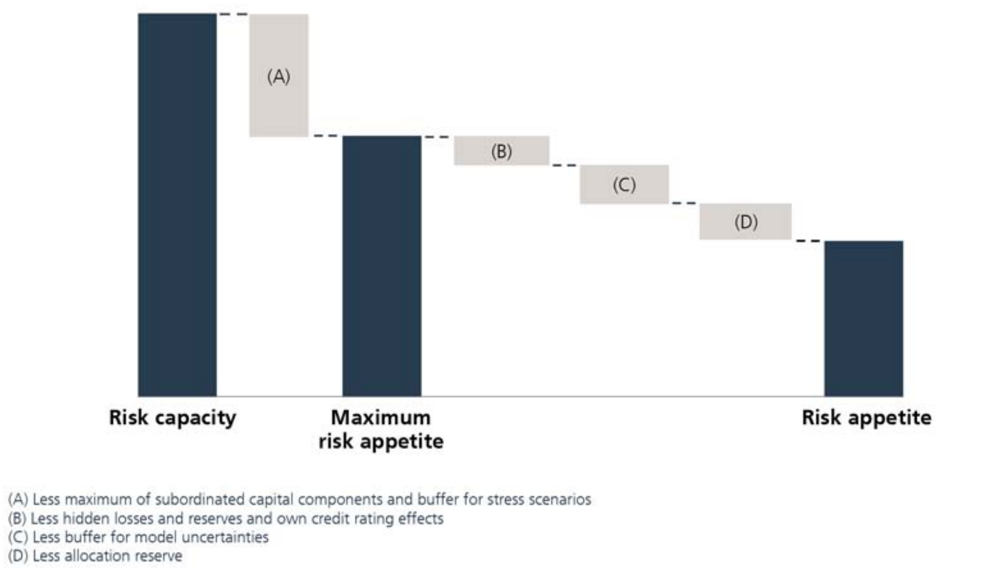
DekaBank uses the value-at-risk approach (VaR) in order to quantify individual risks on a uniform basis and to aggregate them as an indicator for overall risk. The calculation of VaR for a one-year holding period is made for internal management purposes with a confidence level of 99.9%. This level is derived from the business model with reference to an S&P rating at the level of a stand-alone credit profile of ”a–”.

The total risk of the Deka Group that is derived from the individual types of risk is compared to the Group’s internal capital available to offset losses. Internal capital, or risk capacity, consists mainly of equity capital in accordance with IFRS and earnings components and positions with a hybrid capital nature (subordinated capital), adjusted using amounts to correct for specific capital components, such as intangible assets or risks arising from pension obligations. This internal capital is available – in the sense of a formal total risk limit – to safeguard risk-bearing capacity.

In order to reflect extreme market developments and turbulence within the risk-bearing capacity analysis and ensure that risk-bearing capacity is maintained at all times, a capital buffer derived from the risk capacity is explicitly reserved for stress scenarios. This corresponds at a minimum to the level of subordinated capital components, including Additional Tier 1 capital. The maximum risk appetite, which is the result of risk capacity less the capital buffer for stress scenarios, represents the primary strategic management parameter.

Taking into account other deductions (for example, a buffer for model uncertainties in relation to the risk models used) as well as an allocation reserve, this results in the risk appetite set by the Board of Management, which serves as the primary operational control parameter for the allocation of risk capital. In addition to the Group level analysis, risk is also limited by business division (including the Treasury corporate centre) and risk type (including shareholding risk) in the form of allocated risk capital.

Risk capacity and risk appetite *(Fig. 18)*



The utilisation ratios for risk capacity, the maximum risk appetite and the allocated risk capital in the form of risk appetite may not exceed 100%. For the utilisation of the maximum risk appetite, a warning threshold of 90% has also been established.

The results of the risk-bearing capacity analysis and the utilisation levels for the specified allocations are determined monthly and reported to the Board of Management. The Risk and Credit Committee and the Administrative Board are informed on a quarterly basis.

Stress tests and scenario analyses
Economic risk-bearing capacity is regularly assessed by way of macroeconomic stress tests, which cover all types of risk and enable an estimate to be made of how risk capacity would be affected by extreme market developments. Specific scenario analyses are also carried out for all material risk types. Macroeconomic stress tests and risk type-specific scenario analyses enable action areas to be identified at an early stage as soon as crisis situations emerge.

In the stress tests performed across all risk types, extraordinary but nonetheless plausible scenarios are examined. These cover historical scenarios, such as the crisis on the financial markets, hypothetical stress situations, such as the default of important individual counterparties, and institution-specific stress situations. Reputational risks are also systematically included in the stress tests. Furthermore, the Deka Group also performs reverse stress tests, examining specific manifestations of scenarios that would lead to the risk capacity being reached in the specific context of the Deka Group's business model, taking into account the associated risk concentrations. When needed, the scenarios are supplemented with relevant ad hoc analyses.

The effects on risk-bearing capacity of the various all-risk stress scenarios are quantified for one year after the underlying date of the stress test. This includes both the scenario-specific determination of risk capacity and the overall risk position. These key figures are calculated in a two-step process. In step one, relevant risk drivers and risk factors are determined on the basis of macroeconomic and, where applicable, scenario-specific parameters. In step two, the figures are then calculated on this basis. The same risk exposures are used to determine the overall risk position as are used to evaluate current risks.

Calculations for risk type-specific scenarios also indicate the sensitivity of risk exposures in isolation with respect to different relevant risk drivers.

The results of the all-risk and risk type-specific stress tests are determined quarterly, assessed by the Stress Testing Committee and reported to the Board of Management, the Risk and Credit Committee, and the Administrative Board.

The regular annual reviews of the scenarios performed across all risk types were carried out in the fourth quarter of 2018. In general, it was found that the scenarios examined continue to provide an appropriate reflection of all risks relevant to the Deka Group. The stress scenarios were updated, fundamentally revising them and tightening them up in the light of current global economic developments. The description and choice of parameters for the hypothetical and institution-specific stress scenarios were adjusted accordingly.

Reporting

Appropriate and high-quality aggregation of risk data and reporting based on this provide the foundations for effectively monitoring and managing risk appetite within the framework of the risk strategy. Key instruments for risk reporting include the monthly reporting on the economic risk situation and on the key regulatory liquidity ratios, and the quarterly risk report in accordance with MaRisk, which provides the Board of Management and the Administrative Board with a comprehensive overview of risk-bearing capacity and the significant types of risk. The Board of Management also receives more extensive reports for individual risk types, which contain key information on the current risk situation.

Risk concentrations in relation to individual counterparties (cluster risks and analysis of shadow banking entities) are reported on monthly to the Board of Management and the key risk committees as part of the report on the economic risk situation. In addition, a detailed analysis of all individual counterparties classified as clusters and the associated segment concentrations in comparison to the guidelines set by the credit risk strategy is conducted on a quarterly basis as part of the quarterly risk report. If necessary, adjustments are made to the number and volume of the relevant counterparties.

Further overall reports also include quarterly reporting on macroeconomic stress tests, which examine key indicators material to the risk appetite under alternative scenario conditions. In this respect, stress tests perform a crucial early warning function.

Besides these overall reports, there are also corresponding reports for every type of operational limit that is set. These reports are used to monitor compliance with the respective guidelines on a daily basis. Any breach is immediately brought to the attention of the authorised decision maker – and in the event of material breaches, also the Board of Management.

Overall risk position in the 2018 financial year

During the reporting year, the models employed by the Deka Group for economic risk management continued to reflect the corporate and market situation in an appropriate and timely manner. After largely stable market developments with little fluctuation in the first half of the year, which was reflected in no overall change to total risk, market uncertainty and volatility rose significantly in the second half of the year. Growing economic worries, partly due to geopolitical tensions, also led to a noticeable widening of spreads.

The agreement reached on 14 November 2018 regarding the UK's exit from the European Union, which followed protracted negotiations, had no significant impact on business developments at the Deka Group in the short term. However, Brexit could in future adversely affect the stability of the financial markets and result in lower economic growth rates. Given that the British parliament rejected the Brexit agreement on 15 January 2019, there also remains the risk of a disorderly ("No Deal") Brexit.

The Deka Group has tasked a group of experts with examining the current and possible future impact on the Deka Group of the UK's exit from the EU. This includes fundamental legal questions such as the changes that may need to be made to established contracts with counterparties. The group is also systematically exploring possible long-term impacts on market infrastructure, such as the effect of moving clearing activities from LCH London to EUREX in Frankfurt. Full account of Brexit-related market movements and associated risks is also being taken in risk management, in particular as regards the modelling of stress scenarios. Further developments will therefore be closely watched.

Utilisation of risk capacity and of the maximum risk appetite remained at non-critical levels throughout the reporting period. The Deka Group also maintained ample liquidity throughout.

The Deka Group's total risk exposure (value-at-risk, confidence level 99.9%, holding period of one year) at the 2018 reporting date was €2,492m, an increase of €457m on the 2017 reporting date (€2,035m). The increase was predominantly attributable to substantial rises in counterparty and market price risk. Business and operational risk were also up year-on-year. Only shareholding risk recorded a slight decline.

Despite the increased risk level, utilisation of allocated risk capital was non-critical both at Deka Group level and in all business divisions. The risk appetite of €3,700m (unchanged since the end of 2017) was 67.4% utilised as at the 2018 reporting date (year-end 2017: 55.0%).

While total risk increased year-on-year, risk capacity changed only marginally at €5,920m (year-end 2017: €5,912m). There were positive effects especially from the increase in retained earnings through partial retention of the annual profit for 2017, the movement in the correction item for the own credit quality effect and a smaller deduction for risks on pension obligations. However, these were almost fully offset by negative effects from maturing subordinated liabilities, a reduction in the correction item for hidden liabilities/reserves from securities in the banking book and an increased deduction for deferred tax assets. Utilisation of risk capacity increased to 42.1% due to the rise in total risk (year-end 2017: 34.4%), but remained at a non-critical level. Utilisation of the maximum risk appetite increased to 56.4% with an unchanged capital buffer for stress scenarios (year-end 2017: 46.1%). The calculation of the maximum risk appetite does not incorporate subordinated capital (including AT1 capital and perpetuals).

The stress scenarios that are run on a regular basis across all risk types also confirmed that risk capacity was not fully utilised in any scenario as at 31 December. In the most commonly considered scenarios, risk capacity utilisation was considerably below the early warning threshold of 80%, both during the reporting period and at the reporting date. Exceptions were the scenarios involving a eurozone debt crisis and the collapse of systemically important banks. Even in these two scenarios, risk capacity utilisation remained below 100%.

Change in Deka Group risk over the course of the year *€m (Fig. 19)*

[1] The real estate fund risk has been included in the market price risk since 1 January 2018.

Counterparty risk

Strategic framework and responsibilities

The credit risk strategy stipulates the parameters for all Deka Group transactions that involve counterparty risk. It serves in particular as the foundation for the Group's counterparty risk principles for loans as defined by section 19 (1) of the KWG and describes the business divisions and segments that are the focus of lending activities – including the specific risk determinants and minimum standards for new business. Furthermore, the credit risk strategy serves to distinguish between the individual risk segments and governs the handling of intra-risk concentrations, cluster risks and exposures to shadow banking entities under the EBA guidelines. All lending decisions that deviate from the credit risk strategy are classified as significant and must be reported in the credit risk report in accordance with MaRisk.

The credit risk strategy applies to all organisational units of the Deka Group. The strategy is specified by the Board of Management, reviewed at least once a year and discussed with the Administrative Board. Counterparty risks are monitored and managed in accordance with standard principles, regardless of whether the risks stem from trading or non-trading transactions.

In the context of risk-bearing capacity, counterparty risks are limited by allocating risk capital (risk appetite) both overall and at business division level. For individual counterparties, risk is restricted using a limit system based on factors such as creditworthiness, collateral, duration and country and sector considerations. Management and monitoring of risk concentrations (cluster risks and risks from exposures to shadow banking entities) also takes place at individual counterparty level. In addition, strict lending standards apply depending on the risk segment. These concern, for instance, lending structure and adequate risk sharing by the borrower. In addition, a blacklist is used in line with the credit risk strategy to avoid undesirable lending business that could involve reputational risks or an increased level of risk, or which does not meet the high sustainability requirements.

In accordance with MaRisk, there must be a clear functional separation in the lending business between the "front office" and the "back office". The responsibilities performed by the "front office" particularly include monitoring risks at borrower and portfolio level, reviewing specific items of collateral, early risk identification (administrative office), managing troubled loans and non-performing loans and making decisions regarding loan-loss provisioning for major exposures. Responsibility for applying risk classification procedures, and for establishing, reviewing and monitoring those procedures is classified as a front office function, as is reporting.

Authority levels for lending decisions are based on the net total limit and the gross limit or gross amount. The approval of the Board of Management – and potentially the additional consent of the Risk and Credit Committee – may be necessary, depending on the amount and the rating limits.

The Management Committee for Assets and Liabilities (*Managementkomitee Aktiv-Passiv* – MKAP) and the Risk Management Committee (*Managementkomitee Risiko* – MKR) are responsible for strategically managing counterparty risks and their risk concentrations across all risk types. A number of sub-committees have been assigned to the MKR to deal with counterparty risk. The Rating Committee regularly analyses and assesses the internal rating procedures employed for measuring risk and, where relevant, their inclusion in the pooling system developed in joint projects with Rating Service Unit GmbH (RSU) and S-Rating und Risikosysteme GmbH (SR). The Monitoring Committee is responsible for regularly analysing and discussing matters in connection with the methods and procedures employed for early risk identification as well as for monitoring and managing exposures with increased counterparty risk (troubled loans and on the watch list). The duties of the Risk Provisioning Committee include regularly analysing and discussing matters in connection with the planning, monitoring and management of risk provisions for loan losses, and also monitoring and managing defaulted exposures (restructuring and liquidation cases) in the lending business as well as in the securities portfolios not recognised at fair value through profit or loss.

Responsibilities for the assessment and monitoring of country risks are consolidated in the Country Risk Committee. The committee discusses country ratings on both a regular and ad hoc basis. It also defines country limits, identifies countries to be excluded (blacklist for high-risk countries) and determines measures to reduce overruns of country limits as well as other risk-reducing measures.

Focus, structure and degree of risk associated with business activities

Counterparty risks are incurred both in the individual business divisions and the Treasury corporate centre.

In the Capital Markets business division, the currency, securities lending, repurchase and derivative transactions entered into give rise particularly to counterparty and issuer risks, as does trading in financial instruments in all asset classes. When supporting investment funds and savings banks with the provision and management of liquidity, the division consciously exposes itself to risk concentrations in relation to savings banks, selected capital market participants and central counterparties.

In the Treasury corporate centre, counterparty risks arise mainly from the management of Group-wide liquidity reserves. As a result of the business model, Treasury is exposed particularly to risk concentrations in respect of public authorities and, from a regional perspective, in respect of domestic counterparties.

In the Financing business division, counterparty risk arises from infrastructure, transport and export finance, and property finance. The Financing business division also includes business with domestic savings banks as well as financing of the domestic public sector. Due to the limited volume of financing in the division in relation to the Deka Group’s total loan volume, there are no risk concentrations in these areas. In terms of countries, risks are concentrated on Germany due to the Group’s close involvement in the savings banks association and its transactions with the domestic public sector. In addition, the Deka Group’s ownership structure and its function in the savings bank association lead to a sector concentration on financial institutions.

In the Asset Management Real Estate business division, counterparty risk is incurred only to a limited extent in connection with real estate fund units in the Deka Group’s own investment portfolio.

In the Asset Management Securities business division, counterparty risk for the Deka Group arises predominantly from contractually binding commitments made in connection with guarantee funds and pension products.

In the Asset Management Services business division, counterparty risk arises primarily from lending business with retail customers conducted by S Broker AG & Co. KG. The retail customer lending business of DekaBank Deutsche Girozentrale Luxembourg S.A. was fully wound down over the course of the year. Counterparty risk also arises from the proprietary investments of the two companies S Broker AG & Co. KG and DekaBank Deutsche Girozentrale Luxembourg S.A. No risk concentrations exist, as the volume of retail customer lending business in the Deka Group is small relative to overall lending volumes.

Management and limit-setting

The Deka Group uses different tools to manage its counterparty risk: overall analysis at the total portfolio level and a multi-level system of volume-based limits.

Portfolio model

The starting point for the strategic analysis of counterparty risk is the allocation of capital, which is derived from the Deka Group's risk and capital planning. It is the foundation for the limitation and monthly monitoring of counterparty risk at total portfolio level and at the level of individual business divisions, including the Treasury corporate centre. The allocation is quantified based on the Deka Group's credit portfolio model, which is used to determine the portfolio's risk of loss in the form of a credit value-at-risk (CVaR) metric for a one-year holding period and at a confidence level of 99.9%, in line with DekaBank's target rating. Risk concentrations are taken into account directly through this model: portfolios that have a strong concentration on individual groups of counterparties, regions or sectors involve a higher economic capital commitment than those that are more diversified. The individual risk ratios are reviewed on a monthly basis to provide a foundation for overall management decisions.

Operating management limits

The key instrument for daily operational management of counterparty risk is a system of fixed, complementary volume-based limits. In light of the concentration on specific groups of counterparties, regions and sectors that results from the Group's business model, the limitation of both unsecured volume (net limitation) and the total volume (gross limitation) plays a central role in this process. The amount of the limits is primarily oriented towards the internal rating of the corresponding counterparties. In order to limit concentration, additional targets have been set for the maximum permitted amount per counterparty (gross limit €3.5bn/net total limit €1.6bn). Particularly important counterparties from a business policy perspective (clusters) are also subject to additional reporting above a specific amount. Separate limits apply in the case of exposures to shadow banking entities. The Deka Group distinguishes between transparent shadow banking entities (principal approach) and less transparent shadow banking entities (fallback approach). Further minimum requirements for the quality of collateral received apply to particularly significant repo lending transactions. These requirements are contained in the collateral policy. Furthermore, liquidation risks associated with repo lending transactions are further limited by the application of supplementary limits in order to take into account potential fluctuations in the value of the underlying securities.

Loans that involve specific project, sustainability or reputational risks are not entered into. Detailed risk determinants and minimum standards have also been established for the individual financing categories.

The explicit limitation of country risks serves to effectively limit positions in countries with elevated risk. Only the risk position relating to Germany is excluded from this process of limit-setting.

In retail customer lending business, counterparty risks are limited by the provision of collateral.

Quantification of counterparty risk

Market prices are always used to determine gross counterparty risk. In the case of products for which there is no observable market value, the net present value is used. The outstanding receivable amount is used for advance performance risk and open items. The adjusted gross position is then calculated by deducting specific insolvency-proof collateral. The overall net position is arrived at by deducting additional collateral and positions that reduce risk, with valuation of collateral following the internal regulations that apply in each case.

In order to achieve consistency between the strategy system, management tools and risk reporting, the concepts of volume used in risk reporting – gross or net loan volume – are closely aligned with the metrics used for limit-setting, namely adjusted gross position and overall net position. Gross and net loan volumes referred to below relate to the adjusted figures.

The assessment of counterparty risks for individual borrowers includes the use of internal rating systems. Borrowers are assigned to an internal rating class with corresponding estimates of the probability of default (PD).

The internal rating systems currently used are tailored to different risk segments, including corporates, banks, governments, funds and specialised financing. The rating systems include conventional scorecard models and models in which the probability of default is estimated using simulated macro and micro scenarios for risk drivers and expected cash flows. The regulator has approved the rating systems for the foundation internal ratings-based approach (IRBA).

When measuring the transfer risk on payment obligations that are denominated in a foreign currency from the borrower's perspective, the borrower rating is influenced by the country rating.

All of the rating modules in use are calibrated to a one-year probability of default. The rating classes are uniformly assigned according to the probability of default based on the master scale of the German Savings Bank and Giro Association (*Deutsche Sparkassen- und Giroverband* – DSGV). This scale serves as a standard reference for a differentiated creditworthiness assessment. The DSGV master scale provides for a total of 21 rating classes for non-defaulting borrowers and three for defaulting borrowers.

Counterparty risks from a portfolio perspective are assessed with the help of an internally developed credit portfolio model. The portfolio model is largely based on a credit metrics approach. In addition to default risks, the risks arising from a change in ratings are also taken into consideration. The probability distribution for changes in the value of the loan portfolio is generated using a Monte Carlo simulation.

The CVaR and, for information purposes, the expected shortfall (ES) are key figures for management decisions and are both determined with a holding period of 250 trading days and a confidence level of 99.9%. Risk concentrations are taken into account by considering the dependency structure of risk factors. In particular, the modelling approach selected considers dependencies between crisis events. In addition to the CVaR from the credit portfolio model, the CVaR for certain guarantee funds and fund units in the Group's own investment portfolio are also taken into account, along with the expected shortfall (ES).

The standard risk costs incorporated into the calculation of the expected return on equity are based on an expected-loss approach and relate to the likelihood of default, the loss rate and the maturity of the transactions. The cost of equity is determined using risk amounts differentiated by individual transaction and corresponding sector and regional allocations. Risk concentrations are included for individual counterparties (clusters), regions and industries by taking into account the cost of equity in the structuring of loan terms.

Management and monitoring of counterparty risks

The Deka Group's counterparty risk, as determined in this way, is directly compared with allocated risk capital. Credit risks are thus monitored based on a redistribution of the CVaR to individual transactions and reaggregation to the business divisions.

Daily management and monitoring of counterparty risk uses a volume-based limitation of the net position and the adjusted gross position.

As a supplement to its volume-based limits, the Deka Group uses thresholds for risk concentrations in connection with individual counterparties, known as clusters. This entails further precautionary procedures for large exposures and monitoring routines for risk concentrations as appropriate. Thresholds for sectors are not meaningful due to the Deka Group's specific business model, and are thus not taken into account.

The Risk Control corporate centre monitors the limits using a centralised limit-monitoring system at both the borrower-unit level and the borrower level. A comprehensive and market-based early warning system ensures that the individual counterparties subject to limits are monitored so that, in the event of extraordinary developments, countermeasures can be taken at an early stage. At a portfolio level, an analysis of the most significant borrowers and sectors is also carried out, based on CVaR. Maximum country limits are derived from a limit matrix, which is calculated based on a foreign currency (FC) country rating and the gross domestic product. Individual country limits within the limit matrix are approved by the Country Risk Committee. The Risk Control corporate centre monitors compliance with the respective country limits. Overruns are reported immediately to the members of the Country Risk Committee and to the Capital Markets Credit Risk Management unit. This unit acts as the central administrative office for country limits. An analysis of the most significant countries or regions is also carried out from a portfolio perspective, based on CVaR.

In addition to requirements concerning the liquidity of the securities, the additional investment criteria for securities portfolios in the Treasury corporate centre include, in particular, stipulations regarding issuers, credit rating and portfolio diversification. Compliance with these rules is monitored daily by the Risk Management unit, which is independent of trading operations. Any breaches are reported immediately. In addition, reporting takes place monthly to the MKR and MKAP. This includes an analysis of the holdings in the liquidity reserve portfolios and the portfolio structure.

The Deka Group has issued extensive processing and valuation guidelines for collateral obtained in lending and trading transactions. The procedures for verifying valuation of collateral received in the course of lending business, including guarantees, sureties, charges on commercial and residential property, registered liens and the assignment of receivables, are applied on an annual basis. Valuation of collateral and of any discounts applied to it is primarily based on the creditworthiness of the party providing the guarantee, or in the case of asset collateral, on the market value, fair value or lending value of the financed property.

Management and monitoring activities also focus on financial collateral provided in the form of securities and obtained as part of repo lending transactions. These comprise by far the largest share of the collateral portfolio as compared to the lending business.

The Group's collateral policy defines the eligibility criteria for securities borrowed by counterparties or received as collateral in repo lending transactions. In addition, risk concentrations are restricted using category-specific concentration limits for equities and bonds, as well as a concentration limit (volume restriction) for each counterparty that applies across all categories.

The Capital Markets business division is responsible for compliance with the requirements of the collateral policy. It is supported operationally in this regard by the Capital Markets Collateral Management unit. A review independent of trading is performed daily by the Risk Management unit. Market- and counterparty-specific matters that could significantly affect the risk profile or profitability of the Capital Markets business division are analysed in the Risk Talk, which takes place every two weeks. In addition, an analysis of collateral is reported to the MKAP on a monthly basis.

Performance of stress tests

In addition to the macroeconomic stress tests performed across all risk types, additional sensitivity tests are conducted specifically for counterparty risk. Scenarios include, for example, a rating downgrade for public authorities and federal state banks as well as an increase in downgrade probabilities or loss ratios for certain collateral. The results of the stress tests are determined quarterly and reported to the Stress Testing Committee, the Board of Management, the Risk and Credit Committee and the Administrative Board. They therefore enable the Group to identify areas for action as early as possible if crisis situations start to unfold.

Default monitoring

The Monitoring Committee is operationally responsible for monitoring and managing troubled loans and on the watch list. This includes specifying early warning indicators and criteria to allocate exposures to different monitoring levels.

Operational responsibility for monitoring and managing restructuring and liquidation cases lies with the Risk Provisioning Committee. The latter is also responsible for regularly analysing and discussing matters in connection with planning, monitoring and managing loan loss provisions.

DekaBank determines loan loss provisions and provisions for off-balance sheet lending business in accordance with the expected credit loss model under IFRS 9. Details of this methodology can be found in the notes to the consolidated financial statements.

Current risk situation

The counterparty risk determined on the basis of the credit value at risk (CVaR), with a confidence level of 99.9% and a holding period of one year, increased significantly in the reporting year to €1,416m (year-end 2017: €1,115m). Risk capital allocated to counterparty risk stood at €1,905m (year-end 2017: €2,015m). Utilisation of this amount was 74.3% (year-end 2017: 55.3%). The level of risk capacity utilisation therefore remained non-critical. The main reason for the rise in the CVaR was the increase in exposures, which was primarily attributable to higher corporate bond holdings and a promissory note-based transaction to refinance a consumer loan portfolio in the strategic investments unit. Spread widening in the bond market – partly as a result of the termination of the ECB's bond purchase programme – also had an impact in the form of higher migration risks. The increased volume of specialised lending and a rise in the volume of guarantee funds also moderately increased risk. The updated parameters for migration matrices and loss ratios, which were used for the first time from the beginning of 2018, slightly offset the increase in risk.

The risk position of the cluster portfolio is assessed using a redistribution based on expected shortfall. This also resulted in an increase compared to the previous year, as the number of borrower units classed within counterparty clusters rose. Risk concentrations in the ten largest counterparty clusters grew slightly in terms of their absolute amount and share of the overall portfolio. However, risk concentration remained in line with the Deka Group's credit risk strategy.

Gross loan volume increased by €14.5bn from the end of 2017 (€136.8bn) to reach €151.3bn. A large part of the increase was attributable to the financial institutions risk segment, where higher deposits with Deutsche Bundesbank and the increased bond volume (much of which, albeit, involved fully secured transactions by major capital market counterparties) both had an effect. Another reason was the expansion of the repo lending volume with central counterparties. In addition, the higher bond volume led to a higher gross loan volume in the corporates risk segment. The funds risk segment was marked by higher repo volumes and a larger volume of issued loan collateral. Volume in the lending business also exceeded the prior-year figure. This was due to a variety of financing loans for infrastructure, transport, export and real estate, the vast majority of which were secured. In contrast, the reduction in the volume of German federal state-issued bonds reduced risks in the public sector Germany risk segment. The ship portfolio's share of gross loan volume decreased to 0.7% (year-end 2017: 0.9%), partly due to sales. Given the continuing difficult market environment, the ship financing portfolio is still being closely followed and monitored on an ongoing basis.

Gross loan volume *€m (Fig. 20)*

	31 Dec 2018	31 Dec 2017
Financial institutions	84,522	72,527
Savings banks	7,358	7,177
Corporates	12,792	12,260
Public sector International	2,726	2,710
Public sector Germany	7,541	11,255
Transport and export finance	6,192	5,193
Property risks	10,039	8,771
Funds (transactions and units)	16,347	14,502
Other	3,772	2,420
Total	**151,288**	**136,817**

The net loan volume increased by €16.6bn to €71.5bn at year-end 2018 (previous year: €54.9bn). This considerable rise reflected the effect of disclosing transactions with domestic public sector counterparties and counterparties bearing guarantor liability on a net basis for the first time. The rise in volume in the financial institutions risk segment, which was also visible after netting, was primarily due to higher deposits with Deutsche Bundesbank. By contrast, the growth in the volume of collateralised business did not have a material effect due to the deductions made when converting from gross to net loan volume. Here, the netting of lending transactions, particularly given their increase in the funds risk segment, and the even more extensive collateralisation of loans in the transport and export finance and property risk segments, meant that the rise in net loan volume was smaller than that in gross loan volume. Meanwhile, the increase in liquidation risks had the opposite effect.

Net loan volume *€m (Fig. 21)*

	31 Dec 2018	31 Dec 2017
Financial institutions	33,559	24,637
Savings banks	7,064	6,722
Corporates	6,900	6,396
Public sector International	1,469	1,771
Public sector Germany	7,108	2,331
Transport and export finance	820	670
Property risks	2,046	1,695
Funds (transactions and units)	8,810	8,306
Other	3,770	2,400
Total	**71,545**	**54,928**

A substantial portion of the rise in gross loan volume related to the eurozone, owing to the increased level of Bundesbank deposits, the higher repo volume with the central counterparty EUREX, the increase in repo transactions with counterparties in Germany and France, and the higher lending volume in Luxembourg. Gross loan volume in the eurozone rose to 71.8% of total gross loan volume from 70.9% at the end of 2017. The gross loan volume allocated to Germany increased by €6.7bn to €67.5bn. In the eurozone, €17.0bn of the gross loan volume was attributable to counterparties in Luxembourg. Counterparties in France accounted for 6.5% of the gross loan volume, and counterparties in Belgium accounted for 3.8%. At €21.5bn, gross loan volume in EU countries outside the eurozone was higher than at the end of 2017, primarily due to increased volumes of repo lending, bond trading and loans with counterparties in the UK. Due to the Brexit negotiations, however, the country and sovereign limit for the UK is being closely monitored. In the OECD countries outside the European Union, the increase was due in particular to a greater exposure to bonds issued by US counterparties and to secured aircraft and real estate financing in North America. There was also an increase in the volume attributable to financial institutions in Switzerland.

Gross loan volume by region *€m (Fig. 22)*

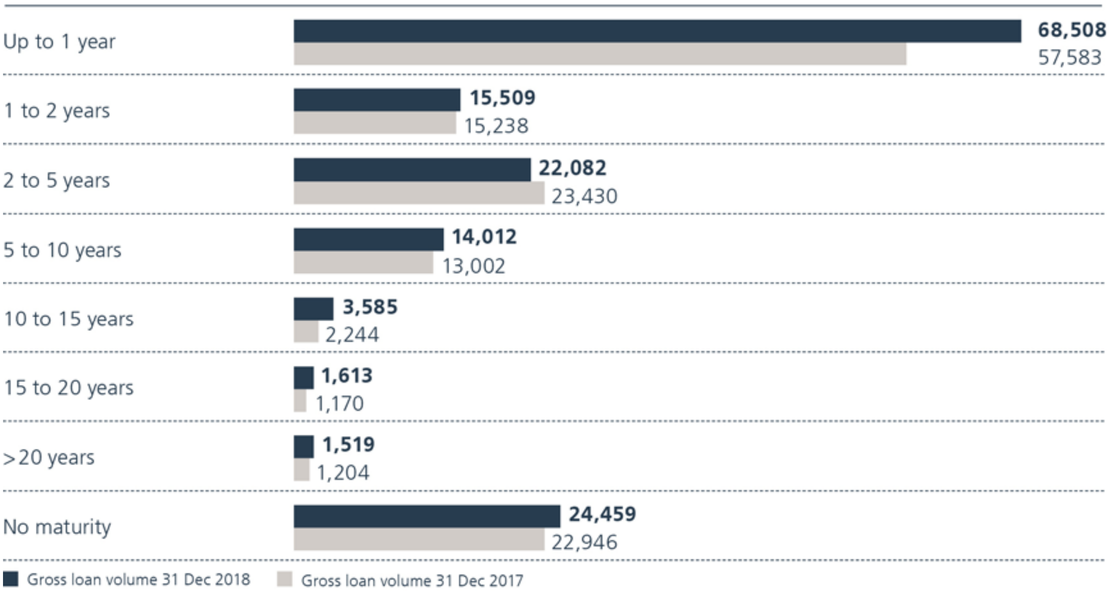
The gross loan volume attributable to borrowers in Italy declined from €1.3bn at the end of 2017 to €1.2bn. The country limit was also substantially reduced in the course of the year. Due to the collateralisation provided by repo lending transactions, the security provided for the bond portfolio using protection buyer CDS and the securing of loans through, for example, ECA guarantees, the net loan volume attributable to borrowers in Turkey, Italy, Spain, the UK and Russia was lower than the gross loan volume.

Gross loan volume by risk segment for selected countries as at 31 December 2018 *€m (Fig. 23)*

	Turkey	Spain	Italy	Great Britain	Russia
Financial institutions	0	1,925	304	15,352	0
Corporates	0	360	160	1,690	0
Public sector International	0	79	221	617	0
Transport and export finance	114	0	205	199	133
Energy and utility infrastructure	0	53	0	0	0
Property risks	0	1	250	2,213	0
Funds (transactions and units)	0	0	0	44	0
Other	0	41	14	123	0
Comprehensive income	**114**	**2,460**	**1,154**	**20,238**	**133**
Change vs. previous year					
Financial institutions	0	–242	–100	–436	0
Corporates	0	–49	50	–24	0
Public sector International	–5	–197	–20	533	0
Transport and export finance	–15	–14	–13	56	–83
Energy and utility infrastructure	0	–2	0	0	0
Property risks	0	–1	–52	102	0
Funds (transactions and units)	0	0	0	–16	0
Other	–14	–1	–25	98	0
Comprehensive income	**–34**	**–506**	**–161**	**311**	**–83**

The gross loan volume remained focused primarily on the short-term segment at the end of 2018. The proportion of transactions with a time to maturity of less than one year was 45.3% (year-end 2017: 42.1%). The proportion of maturities longer than ten years was 4.4%, compared with 3.4% at 31 December 2017. The average legal residual term of gross lending was 2.6 years (year-end 2017: 2.7 years).

Gross loan volume by maturity *€m (Fig. 24)*



There was no significant change in the level of risk concentration in the loan portfolio during the reporting year. As at 31 December 2018, 18.3% (year-end 2017: 18.4%) of total gross loan volume was attributable to borrower units with a gross limit of at least €2.5bn or an overall net limit of at least €1.0bn (counterparty clusters). The number of counterparty clusters rose by 7 to 26. The reason for this was again the change in the risk calculation for transactions with public sector counterparties, as a result of which higher net limits needed to be set. This did not lead to an increase in risk. Of the cluster portfolio, 24.3% related to counterparties in the German public sector, the savings banks and other alliance partners. A total of 15.9% of net loan volume related to counterparty clusters (year-end 2017: 9.4%).

The Deka Group also limits the shadow banking entity portfolio in accordance with EBA requirements. Shadow banking entities include, among others, money market funds, credit funds and inadequately regulated credit institutions. In addition to the overall limits imposed on shadow banking entities, limits are imposed based on the principal and fallback approaches. This does not affect the limits at the level of individual counterparties. As in the previous year, less than 3% of net loan volume as at 31 December 2018 related to shadow banking entities under the principal approach (limit utilisation of total net risk position: 93%) and less than 1% to shadow banking entities under the fallback approach (limit utilisation of total net risk position: 48%). The levels of utilisation are considered acceptable. This view is backed up by the shadow banking entities' average rating of A (principal approach) or AA- (fallback approach) on the DSGV master scale.

Over the past year, the average rating for the gross loan volume deteriorated by one notch to a rating of 3 on the DSGV master scale. The average probability of default as at 31 December 2018 was 15 bps (year-end 2017: 12 bps). The change was due, among other things, to new, largely ECA-backed export financing in Angola and Vietnam with relatively poor ratings. With regard to the net loan volume, a rating improvement by one notch to A– was achieved, partly as a result of the increase in volume with Deutsche Bundesbank and other public sector counterparties with good credit ratings due to the change in the risk calculation. The probability of default went down to 9 bps, compared with 11 bps at the end of 2017. This was a result of the slight improvement in ratings for large Deka funds. 87% of net loan volume remained in the same grouping (determined by rating class) as at the end of 2017. The target rating under the credit risk strategy was achieved for both the gross and net loan volumes.

Net loan volume by risk segment and rating *€m (Fig. 25)*

	Average PD in bps	Average rating 31 Dec 2018	31 Dec 2018	Average PD in bps	Average rating 31 Dec 2017	31 Dec 2017
Financial institutions	5	A+	33,559	7	A	24,637
Savings banks	1	AAA	7,064	1	AAA	6,722
Corporates	12	2	6,900	12	2	6,396
Public sector International	8	A	1,469	5	A+	1,771
Public sector Germany	1	AAA	7,108	1	AAA	2,331
Public infrastructure	16	3	984	19	3	675
Transport and export finance	176	9	820	193	9	670
Energy and utility infrastructure	55	6	2,052	59	6	1,606
Property risks	9	A-	2,046	10	A-	1,695
Retail portfolio	3	AA	733	3	AA	119
Funds (transactions and units)	10	A-	8,810	14	2	8,306
Comprehensive income	**9**	**A-**	**71,545**	**11**	**2**	**54,928**

Market price risk

Strategic framework and responsibilities

The Deka Group's market price risk strategy, based on the Group's overall risk strategy, stipulates parameters for risk management in all organisational units regarding all positions in the trading and banking book that are exposed to market price risk. It sets objectives, priorities and responsibilities for market price risk management and, together with the liquidity risk strategy, governs the business focus of trading activities (trading strategy).

Within the risk management organisation, the Board of Management decides the market price risk limits for the Group as a whole, as well as at the level of the business divisions, including the Treasury corporate centre. The relevant department heads are responsible, in consultation with the head of Risk Control, for reallocating existing limits below the level of the Capital Markets business division and Treasury where appropriate. The allocation of limits reflects both organisational structure and the distinction between the trading and the banking book.

The MKR and MKAP make recommendations with respect to the definition of the framework for the management of strategic market-price risk positions to the Board of Management, which then adopts resolutions accordingly. In its capacity as a sub-committee, the Risk Talk supports the MKR and the Board of Management in relation to the Capital Markets business division's operational processes for managing and monitoring market price risk. To do so, it conducts in-depth analysis on a range of issues relating to market and counterparty risks and makes recommendations and binding decisions on matters that might materially influence the Capital Markets business division's risk profile or profitability. These committees make an important contribution to communication between the departments responsible for the control and monitoring of market price risks.

Execution of transactions and recording exposures are the responsibility of the operating units. In terms of market price risks, they are solely responsible for the implementation of strategic guidelines and operational management within the prescribed risk limits.

Market price risks need to be considered in the Asset Management business divisions, in the Capital Markets business division and in the Treasury corporate centre. Market price risks in the Financing business division are passed on to the Treasury corporate centre.

The Deka Group's investment management companies are generally not subject to any market price risks beyond those associated with the investment funds. However, market price risks can arise for the Deka Group if products are provided with a guarantee. Market price risks from guarantee products are incorporated into the analysis of risk-bearing capacity and attributed to the Asset Management Securities business division.

Focus, structure and degree of risk associated with business activities

With respect to market price risk, the Deka Group's business model focuses primarily on spread risks. To conduct its business, the Group mainly uses established products and markets with adequate market liquidity and market depth due to their international acceptance. No business is conducted involving physical delivery of precious metals and goods. Open risk positions are entered into only within the allocated market price risk limits.

In its function as a securities and collateral platform, the Capital Markets business division offers a carefully coordinated, competitive range of capital market and credit products. Outside the strategic investments unit, proprietary trading not directly linked to customers takes place only for the purposes of managing risks from the customer business or for overall risk management purposes. The primary risks that result from these activities are credit spread risks, as well as interest rate, equity, option and currency risks. Whenever economically justified, risks are covered using hedging instruments. The rules for recognising hedging relationships in the balance sheet do not always correspond with the methods used for internal bank management purposes. It is therefore possible that differences may arise between the economic and accounting hedging relationships.

In the Collateral Trading & Currency unit's repo and securities lending business, there is a direct link with DekaBank's securities portfolios. Customer transactions have a significant influence on the Bank's liquidity base, which is managed centrally by the Treasury corporate centre. Collateralised financing is also conducted as part of customer business. Due to its business model, DekaBank has a surplus supply of securities and collateral that can be invested in customer business to minimise risk. To this end, traditional repo and reverse repo transactions, stock lending transactions and lending substitute transactions are carried out, which combine spots and derivatives.

In bond trading in the Trading & Structuring unit, positions are established in the bonds of public issuers, financial services providers and corporates, among others. The focus here is on market-making for customers. Therefore, long-term positions are generally not entered into. Nevertheless, risks may arise from entering into short-term positions in anticipation of customer orders.

In derivatives trading, the Trading & Structuring unit is responsible for pricing and risk management of linear interest rate derivatives, interest rate options, equity, fund and inflation derivatives, and other types of derivatives. Trading focuses on linear and non-linear interest rate derivatives as well as inflation derivatives, giving rise mainly to interest rate and share price risks as well as associated option risks. Share price risks and associated option risks from equity, fund and strategy derivatives also feature.

Strategic investments predominantly comprise positions for which the refinancing volume has resulted from DekaBank's customer-driven business and is not needed for lending operations. The key risks in this regard are interest rate and credit spread risks.

Management of the Deka Group liquidity reserve is centralised in the Treasury corporate centre. The investment focus of liquidity investments is currently on bonds issued by German federal states, German development banks, German run-off institutions, German *Pfandbriefe*, supranational institutions and investment-grade corporate bonds. These investments primarily give rise to credit spread risks, which are closely monitored and reduced, when needed, through disposals or via credit derivatives. Monitoring fund products provided with guarantees and managing market risk in the banking book involves further market price risks. In the latter case, risk management relates primarily to interest rate, basis and currency risks, with exchange-traded derivatives sometimes also being used.

Interest rate and currency risks that result from liquidity management in Treasury are managed using derivative instruments, whereas the market price risks arising from refinancing and equity-capital management are hedged using internal transactions where possible as well as using external and internal derivatives.

Management and limit-setting

Market price risk is monitored on a daily basis. The basis for this monitoring is a system of operational limits that is consistent with the Group's overall risk-bearing capacity. This system defines limits in line with the business model for the various portfolio levels and risk categories. It also takes into account the focal areas of the portfolio determined by the business model. In addition, limits are set based on operating metrics such as sensitivities. These are primarily used for operational management of the capital markets business in order to monitor adherence to the risk strategies on an ongoing basis. Stop-loss limits are another management tool for limiting losses. In the event that a limit is exceeded, the MKAP formulates recommendations for the Board of Management on mitigation measures, while the MKR is responsible, if required, for recommending measures in relation to risk appetite.

Value-at-Risk (VaR)

VaR is calculated with a confidence level of 99.9% and a holding period of one year when analysing risk-bearing capacity; when determining the utilisation of operating limits, DekaBank calculates VaR for a holding period of ten days and a confidence level of 99.0%.

The operating VaR therefore corresponds to the maximum loss on a position held over a period of ten trading days, with a probability of 99.0%.

VaR key ratios are determined on a daily basis for all relevant risk categories and portfolios and are compared with the associated portfolio-specific limits.

To determine VaR, a sensitivity-based Monte Carlo simulation is used across all portfolios. This simulation ensures that all market price risks are identified in an integrated manner. The selection of risk factors is closely based on business activities and on the focal areas of the portfolio determined by the business model. Issuer-specific curves for spread risk are of particular importance. Appropriate consideration is given to spread risks, using the relevant spread curves, and basis risk.

Sensitivity-based management metrics

The input parameters for this risk model are the sensitivity metrics delta, gamma and vega. These first and second ranking sensitivities express the price sensitivity of financial instruments to changes in underlying risk factors and are used to determine overall risk. They are also available as additional management metrics for risk assessment purposes.

Sensitivity analyses are defined as simple shifts in the different risk factors for interest rate, credit spread, share price and exchange rate movements. The sensitivity analyses are used to support the operational management of the risks from trading and treasury positions.

To calculate share price risk, each share is included as an individual risk factor and considered accordingly when determining risk. The specific interest rate risks (credit spread risks) are calculated on an integrated basis using the sensitivities of the underlying segment-specific or name-specific credit spread curves. There are also residual risks relating to individual issues.

The model ensures that all risk factors associated with the trading strategy are identified, including non-linear risks and credit spread risks. Daily risk measurement is performed for all types of market price risk, both in the trading book and the banking book. This guarantees a comprehensive view of all market price risks, while adequately taking into account concentration and diversification effects by including correlations across all portfolios and risk types.

Market price risks that result from granting guarantees are measured using an approach specifically developed for this purpose and geared towards risk-bearing capacity, which does not take into account diversification effects with regard to other market price risks.

Scenario considerations and stress analyses
The limit system is supplemented with regular market price risk-specific stress tests. Using these tests, the sensitivity of the portfolio is constantly tested with regard to a wide variety of trends in the various risk factors. Once again, the focus is on risks that are particularly relevant, using separate, portfolio-specific analyses.

Market price risk-specific stress tests take place at both overall portfolio level and for the banking book in isolation.

Market price risks are also an important component in the analysis of significant macroeconomic scenarios. The effects of this analysis, which covers all risk types, are investigated on a quarterly basis and serve as an early warning mechanism for the Bank regarding its risk-bearing capacity.

The main components of the portfolio are also addressed as part of this analysis by performing a detailed review of credit spread trends, particularly in the financial sector and among domestic public issuers.

Backtesting of VaR risk ratios and validation
Various steps are taken to test the quality of the VaR forecast, including regular backtesting for various portfolio levels. In this process, the daily results that are theoretically achieved assuming unchanged positions on the basis of the market developments observed on the following day are compared with the forecast value-at-risk figures for the previous day. In addition, dirty backtesting regarding the actual change in value is also carried out, taking trading activities into account. The backtesting findings are also used to enhance the risk model. The results are reported on a quarterly basis. Overall, the backtesting results confirm the suitability of the market price risk measurement at both the bank level and at the level of subordinate organisational units. In addition, the approximation error of the delta-gamma approximation is reviewed on a monthly basis by carrying out a full valuation of the portfolio.

Risk models are validated on both a regular and ad hoc basis, and the results play an important role in assessing whether the models are adequate. Accordingly, any requirements for further development that arise from the validation procedure are then integrated into the process for identifying and quantifying risks. Overall, the validation exercises carried out confirm that the market risk model is appropriate.

Current risk situation
In the context of risk-bearing capacity, market price risk at the Deka Group (value-at-risk, confidence level 99.9%, holding period of one year) as at the reporting date stood at €520m. The increase since the end of 2017 (€382m) was primarily attributable to a larger volume of guarantee products in conjunction with higher equity volatilities of late and a considerable fall in stock markets. An increase in exposures and higher spread volatilities in the Capital Markets business division also contributed significantly to the higher risk level. The increase in risk fell largely on the Capital Markets and Asset Management Securities business divisions, while only minor year-on-year changes were recorded in the other divisions and in the Treasury corporate centre.

With a confidence level of 99% and a holding period of ten days, market price risk (value-at-risk), excluding guarantee risks, stood at €50.6m as at the reporting date (year-end 2017: €43.8m). The increase mainly consisted of spread risk, particularly as a result of the above-mentioned increase in exposures and higher spread volatilities in the Capital Markets business division. Utilisation of the operational management limit at Deka Group level (excluding guarantees) stood at €71m. This represented a utilisation level of 72% and was therefore non-critical. Following the integration of real estate fund risk into market price risk at the beginning of the reporting year, the Asset Management Securities and Asset Management Real Estate business divisions are now also monitored as part of operational market price risk management.

Deka Group value-at-risk excluding guarantee risks[1] (confidence level 99%, holding period ten days) *€m (Fig. 26)*

	31 Dec 2018						
Category	**Asset Management Securities business division**	**Asset Management Real Estate business division**	**Asset Management Services business division**	**Capital Markets business division**	**Treasury**	**Deka-Group excluding guarantees**	Change in risk
Interest rate risk	0.1	0.3	2.4	41.6	19.3	51.5	28.8%
Interest rate – general	0.1	0.3	2.3	4.1	14.9	15.0	72.4%
Spread	0.0	0.0	1.5	40.1	11.4	48.0	20.9%
Share price risk	0.3	0.6	0.3	4.9	0.0	4.9	40.0%
Currency risk	0.0	0.1	0.1	0.9	2.6	3.2	– 61.9%
Total risk	**0.3**	**0.7**	**2.4**	**41.2**	**19.6**	**50.6**	**15.5%**

	31 Dec 2017			
Category	**Treasury and Capital Markets business division**	**Asset Management Services business division**	**Non-core business**	**Deka Group excluding guarantees**
Interest rate risk	39.1	2.6	4.0	40.0
Interest rate – general	7.8	2.6	1.3	8.7
Spread	38.1	1.6	3.7	39.7
Share price risk	3.7	0.3	0.0	3.5
Currency risk	8.8	0.2	0.5	8.4
Total risk	**43.0**	**2.5**	**3.9**	**43.8**

[1] Risk ratios for interest rate risk and total risk taking account of diversification. Includes issue-specific credit risk spread.

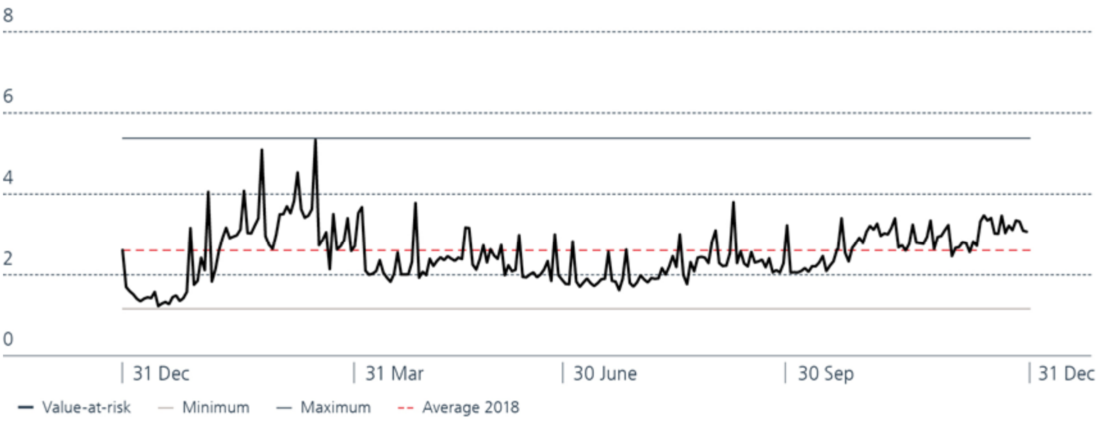
The VaR of spread risk rose significantly in the second half of the year. By year-end, it was €48.0m higher than the comparative figure for 2017 (€39.7m). There was a slight reduction in exposures in the liquidity reserve in the Treasury corporate centre. Against this, strategic investments in the Capital Markets business division increased and volatilities rose substantially in the fourth quarter. In line with the business model, risk concentration in terms of spread risk was mainly attributable to German, western European and US bonds issued by the public sector, financial institutions and corporates. Risk concentration for spread risk at the end of 2018 was consistent with the Deka Group's market price risk strategy.

The VaR for general interest rate risk (excluding risks on guarantee products) increased from €8.7m at year-end 2017 to €15.0m. This rise was mainly due to an increase in exposure to cross-currency swaps in the Treasury corporate centre, which was caused by a higher US dollar refinancing requirement accompanying increased business with foreign currency loans.

Value-at-risk – General interest rate risk and credit spread risk in the Capital Markets trading book over the course of 2018 *€m (Fig. 27)*

Share price risk rose compared with the year-end figure for 2017 (€3.5m) to €4.9m and remained insignificant. Share price risk in the Capital Markets business division trading book totalled €3.1m (year-end 2017: €2.6m).

Value-at-risk – Share price risk in the Capital Markets trading book over the course of 2018 *€m (Fig. 28)*



As in the previous year, currency risk resulted mostly from positions in British pounds and US dollars. It declined to €3.2m (year-end 2017: €8.4m). The change was attributable to a reduction in the open US dollar position in the Treasury corporate centre. Currency risk in the Capital Markets business division trading book stood at €0.8m (year-end 2017: €0.6m).

Value-at-risk – Currency risk in the Capital Markets trading book over the course of 2018 *€m (Fig. 29)*

Liquidity risk

Strategic framework and responsibilities

Liquidity risk is managed and monitored as an independent risk category within the framework of the Deka Group's risk strategy. The liquidity risk strategy applies to all organisational units of the Deka Group and sets out the responsibilities for liquidity risk management and monitoring. The strategy is specified by the Board of Management, reviewed at least once a year and discussed with the Administrative Board.

As liquidity risk in the narrow sense (insolvency risk) is not an immediate risk to the Group's profit that can be cushioned with equity capital, liquidity risk management forms an additional management level that complements the economic risk-bearing capacity analysis. The central objective of liquidity management is to prevent liquidity shortfalls and thus ensure that the overall solvency of the Deka Group is guaranteed on a continuous basis. Risks impacting the income statement arising from refinancing gaps (liquidity maturity transformation risk) are currently not material because the limits placed on liquidity balances in the funding matrix (FM) prohibit negative balances, meaning that maturity transformation is only possible to a very limited extent. In view of the ample levels of liquidity available to the Group overall, market liquidity risk is also not regarded as significant at present.

Within the risk management organisation, the Board of Management defines the Group's liquidity risk strategy, liquidity risk limits and early warning thresholds at Group level.

The Board of Management is supported by the MKR and MKAP when fulfilling its management responsibilities regarding liquidity risk monitoring. The two committees prepare decisions and make recommendations that are presented to the Board of Management for adoption. The Liquidity Emergency Crisis Committee is convened in the event of a liquidity emergency. It may decide all measures judged necessary to ensure the short-term solvency of the Group and may instruct all units of the Deka Group to implement these measures. The Board of Management, as a permanent member with a voting right, is the core of this crisis committee.

Liquidity positions are managed by the Treasury corporate centre. Liquidity management involves managing and monitoring short-term and structural liquidity, especially through funding matrices, and offsetting liquidity costs and benefits. At the same time, the Treasury corporate centre ensures that an adequate liquidity reserve of central-bank-eligible collateral is available. In addition, it is in charge of managing the Deka Group's liquidity reserve as well as controlling the level of liquidity ratios. Operational liquidity management across all maturities is also handled centrally by the Treasury corporate centre. This includes money market transactions on the interbank market with savings banks, the Bundesbank or the ECB, businesses, insurance companies and funds.

The liquidity position is analysed across the entire Group by the Risk Control corporate centre and monitored independently from the front office units in organisational and procedural terms.

Management and limit-setting

Funding matrices

The purpose of the funding matrix is to show expected future cash flows across the portfolio as at the reporting date. The liquidity requirement (liquidity gap) or liquidity surplus is determined for each maturity based on these flows. In addition, freely available financial resources, such as realisable assets in the form of securities, over-coverage in cover registers and other sources of funding, are identified as potential liquidity on an aggregated basis. The liquidity balance for each maturity band is determined from the sum of the cumulative liquidity gap and the cumulative liquidity potential. The balance is managed using a traffic light system comprised of early warning thresholds and limits. The liquidity balance must be positive in all monitored maturities.

The basis for the model is cash flows as indicated by legal maturities. This approach is based on the sum of all legal net cash flows per maturity band. Reconciliation between the amount from a legal perspective and expected cash flows is performed using modelling assumptions. Securities used for liquidity potential are allocated either to the liquidity buffer or to operational securities portfolios.

The liquidity buffer is used to cover possible stress-induced liquidity outflows from the banking book as well as stochastic liquidity outflows that cannot be influenced by the Deka Group or can only be influenced to a limited extent (stochastic liquidity position). As a component of the liquidity reserve, the liquidity buffer falls under the remit of the Treasury corporate centre. The minimum level required and currency composition of the liquidity buffer are determined by Risk Control on a quarterly basis. The results are reported to the MKR and MKAP. Treasury can independently propose a higher liquidity buffer above this level. The Board of Management sets the level of the liquidity buffer based on the MKAP's recommendation.

The operational securities portfolios comprise all freely available securities. These can be divided into securities that fall within the remit of the Capital Markets business division and portfolios that are allocated to the Treasury corporate centre as part of the liquidity reserve and which do not form part of the liquidity buffer.

As well as being used for normal business operations (going concern), funding matrices are also analysed under different stress scenarios. This ensures that even under stressed market conditions, an adequate liquidity reserve is maintained to cover any potential liquidity need.

The Deka Group primarily examines the "combined stress scenario" FM, which simulates the simultaneous occurrence of both the institution's own and market-wide stress factors. This FM fully implements MaRisk requirements. In addition, individual stress scenarios are examined separately in special FMs for which different modelling assumptions are used. Among other factors, market liquidity risks arising from a reduction in the market value of the securities in the liquidity potential are taken into account in the stress scenarios.

DekaBank has established a liquidity transfer pricing system (funds transfer pricing) for the source-specific internal allocation of liquidity costs, benefits and risks. The transfer prices calculated are taken into account in the management of risks and returns. The liquidity transfer pricing system is used to allocate economic costs on a source-specific basis as well as the costs for maintaining the liquidity buffer and complying with regulatory requirements (e.g. LCR). The use of a liquidity transfer pricing system for source-specific allocation (funds transfer pricing) allows liquidity to be proactively managed and efficiently allocated.

Liquidity ratios under the Capital Requirements Directive (CRR/CRD IV)

Liquidity risk is also kept under control by means of the Liquidity Coverage Ratio (LCR), which is a prescribed regulatory ratio. The LCR indicates the ratio of highly liquidity assets to net liquidity flows under stressed conditions.

Reporting

The aforementioned FMs used for management and risk monitoring purposes are prepared daily by Risk Control as part of its independent monitoring process. The corresponding early warning thresholds and limits for the liquidity balance are also monitored. The liquidity situation is reported to the MKR on a monthly basis. The Administrative Board is informed on a quarterly basis. Any overruns of the limits are reported immediately to the Board of Management. Moreover, the LCR is prepared daily in the reporting system of the Finance corporate centre and provided to monitoring units.

Current risk situation

The Deka Group continued to have ample liquidity throughout the reporting period. There were clear positive liquidity balances in all relevant maturity bands of the "combined stress scenario" funding matrix for periods of up to 20 years. This was also the case for the alternative stress scenarios. Limits and early warning thresholds were complied with throughout the 2018 financial year.

As at 31 December 2018, the accumulated liquidity balance of the Deka Group's "combined stress scenario" funding matrix in the short-term range (up to one week) stood at €8.7bn (year-end 2017: €6.4bn). In the maturity band of up to one month, the liquidity surplus totalled €11.4bn (year-end 2017: €7.0bn), and in the medium-term range (three months) it amounted to €15.2bn (year-end 2017: €12.6bn).

As in previous years, a substantial part of the Group's liquidity generation and provision was attributable to business with savings banks and funds. In relation to the net cash flows of €5.8bn on day 1, the Deka Group has a high liquidity potential (almost €13bn) that is readily convertible at short notice. The Group has access to a large portfolio of liquid securities, which are eligible as collateral for central bank borrowings, as well as to available surplus cover in the cover pool and corresponding repo transactions. The strict requirements concerning the liquidity potential ensure that the securities used for this purpose can generate liquidity even in a stressed market environment.

"Combined stress scenario" funding matrix of Deka Group as at 31 December 2018 *€m (Fig. 30)*

	D1	>D1-1M	>1M– 12M	>12M– 5Y	>5Y– 20Y	>20Y
Liquidity potential (accumulated)	12,917	12,602	2,593	63	192	192
Net cash flows from derivatives (accumulated)[1]	– 595	– 399	470	– 909	– 1,620	– 1,627
Net cash flows from other products (accumulated)	– 5,205	– 829	13,231	11,089	5,068	966
Liquidity balance (accumulated)	**7,118**	**11,373**	**16,294**	**10,244**	**3,640**	**– 469**
For information purposes:						
Net cash flows from derivatives by legal maturity (accumulated) [1]	– 595	– 672	– 576	– 1,956	– 2,534	– 1,627
Net cash flows from other products by legal maturity (accumulated)	– 5,330	– 8,428	– 16,417	– 2,469	– 362	284
Net cash flows by legal maturity (accumulated)	**– 5,925**	**– 9,100**	**– 16,994**	**– 4,425**	**– 2,896**	**– 1,343**

[1] Including lending substitute transactions and issued CLNs.

As at 31 December 2018, 64.0% (year-end 2017: 60.6%) of total refinancing related to repo transactions, overnight and time deposits and other money market products. The remainder of the refinancing concerned capital market products, primarily with longer maturity profiles. Structured issues from the Capital Markets business division made up 61% of total capital market issues. The refinancing profile for lending business was well balanced, given the maturity structure.

Money market refinancing remained broadly diversified across a range of investor groups. Most of the investors in money market refinancing are financial service providers such as clearing houses, stock exchanges and funds, or large banks and savings banks. Savings banks accounted for 12.3% of money market refinancing, while funds represented 24.3%.

Some 63.3% of total refinancing was obtained in Germany and other eurozone countries. Approximately 25% of total refinancing was accounted for by issues of bearer securities that cannot be attributed to any buyer country. The portion of refinancing accounted for by the UK, mainly consisting of the repo volumes traded with LCH.Clearnet, was reduced to 6.3%.

The regulatory requirements in relation to the Liquidity Coverage Ratio (LCR) were met throughout the period under review. As at year-end 2018, the Deka Group's LCR stood at 149.8% (year-end 2017: 152.5%). The average for the reporting year was 144.8% (previous year: 146.4%). The LCR fluctuated within a range from 136.6% to 152.0%. It was thus always substantially above the minimum limit of 100.0% applicable in 2018.

Operational risk

Strategic framework and responsibilities

The strategy laid down by the Deka Group to deal with operational risks (OR strategy) forms the basis for organisation of operational risk management. It defines the framework for the Group-wide establishment and operation of a standard system for identifying, assessing, monitoring and managing operational risks. The OR strategy applies to all organisational units of the Deka Group.

Roles and responsibilities

Due to the process-specific nature of operational risks (OR), the Deka Group pursues a decentralised approach to identifying, measuring and managing them, which contrasts with the approach taken for conventional financial risks. This approach to operational risks is based on coordinated collaboration between the units set out below.

The Board of Management has overall responsibility for the appropriate handling of operational risks in the Deka Group. In this respect, it is specifically responsible for defining and regularly reviewing the OR strategy, ensuring that required conditions for Group-wide implementation of the strategy are in place and adopting measures for OR management at Group level.

The Operational Risk unit is responsible for central components of operational risk management, especially the methodological approach, independent OR reporting, and provision of quality assurance and specialist support for local units implementing the management methods. The units risk modelling and model validation are responsible for designing and enhancing the model used to quantify operational risks and for independently validating it.

Risks are identified, measured and managed on a decentralised basis by various functions within the individual Group units. While the division heads are responsible for implementing the requirements specified in the OR strategy and the actual management of operational risks, OR managers are responsible for decentralised application of the relevant methods, particularly with regard to ensuring consistent risk assessments. The OR managers are supported by assessors, who, as process experts, identify and evaluate OR loss scenarios as part of a self-assessment process, and by loss documenters.

Cross-divisional functions

In addition to the methods for which the central OR Control unit is responsible, several specialised cross-divisional functions at Deka Group level play an important role in identifying, assessing and managing operational risks.

The Central Financial Crime Unit and the Operational Risk unit cooperate closely with representatives of the business divisions and corporate centres in the identification and evaluation of scenarios regarding criminal offences (e.g. employee fraud) as part of the annual Forum Fraud Prevention. As a contributor to the forum, the unit provides information on recorded loss events and fraud risks and adopts the resulting assessments for the OR database in the form of scenario analyses.

The Data Protection Officer informs and advises DekaBank's Board of Management, the senior management of Deka Group companies and the employees specifically involved in data processing with regard to their obligations under the General Data Protection Regulation (GDPR) and other data protection rules and regulations of the European Union and other jurisdictions. In the event of changes to legislation, the officer initiates changes to organisational structures, IT systems or business processes. The officer monitors compliance with all data protection requirements in the event of changes to IT systems or changes in structures and workflows and conducts regular control procedures. The Data Protection Officer reports directly to the Board of Management and the senior management of Deka Group companies at least once a year.

The BCM/ISM unit has a leading supportive role in defining and implementing Business Continuity Management (BCM) across the Deka Group. BCM encompasses all emergency planning measures to protect the Deka Group against losses as a result of business process interruptions during emergencies and crises, and thus also serves to minimise operational risks.

The Information Security Management unit advises the DekaBank Board of Management, the senior management of Deka Group companies and the units providing security in the first line of defence (e.g. IT, HR, facility management) on all issues relating to information security. The unit provides a catalogue of security measures, which, depending on requirements, provide an adequate level of protection for the Deka Group's information. It reviews compliance with these security measures on a regular basis. Defined procedures are used to identify and evaluate information security risks and make them transparent to risk owners. Implementation of risk-mitigation measures is followed up and incorporated into risk reporting.

Outsourcing management at the Deka Group is laid down in the outsourcing strategy and is based on a two-tier model, consisting of a central Outsourcing Management section and local outsourcing units (hybrid vendor management). The Deka Group's Central Outsourcing Management (ZAMD) section lays down overarching governance rules for outsourcing, assists with their implementation and checks compliance with requirements. ZAMD also acts as the link between the Board of Management and the senior management of Deka Group companies on the one hand, and the contacts responsible for outsourcing on the other.

Methods used

The Deka Group uses different methods for managing and controlling operational risks. Taken together, these methods, which are based on different approaches, provide a comprehensive view of both the current risk situation and expected risk trends.

The methods involve both a forward-looking (ex-ante) perspective, including self-assessment and scenario analysis, as well as a backward-looking (ex-post) perspective based on Group-wide loss documentation.

The self-assessment is based on detailed OR loss scenarios and is performed at least once a year. As well as describing and assessing risks with regard to their loss potential and the frequency with which they occur, the self-assessment process also identifies suitable measures to mitigate risk.

The scenario analysis serves as a detailed investigation and assessment of very rare OR loss events involving extremely large potential losses, which, due to their cross-unit nature and potentially high maximum loss potential, cannot be adequately identified via the self-assessment process. As part of this process, regularly updated risk factors related to both the Group's internal controls and its business environment are incorporated into the assessment of scenarios. These factors therefore increase the sensitivity of the scenarios to risk and help the Group to identify developments and determine management actions in a timely manner.

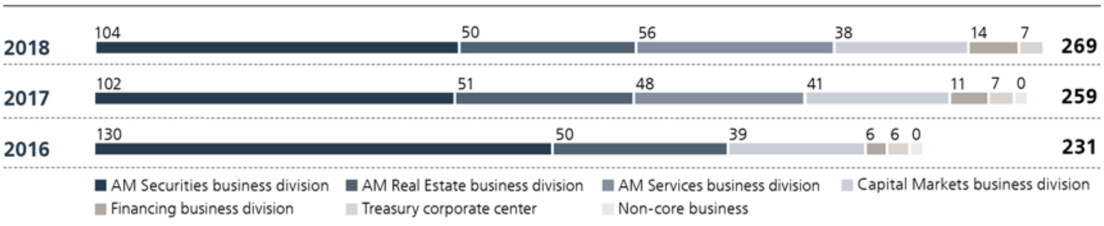
OR loss events are recorded in a structured manner with the help of a central loss database starting from a minimum gross limit of €5,000 at the Deka Group level. As well as providing a description of the loss, the database includes documentation that covers the causes of the loss and suitable measures to avoid similar cases in the future. Any expected mitigation of losses is only taken into account where the loss reduction is permissible under accounting rules. The findings of the loss documentation are used to validate the risk assessment contained in the self-assessments.

To determine the economic capital requirement for operational risks, the Deka Group uses an advanced measurement approach (AMA) that has been approved by regulatory authorities. This approach quantifies the Bank's operational risk based on a loss distribution approach, using methods set out in the approach itself and external loss data to supplement the data on internal losses. The value-at-risk figures thus identified are incorporated into both the regulatory capital and reserves requirement and the internal risk-bearing capacity analysis of the Deka Group.

Current risk situation

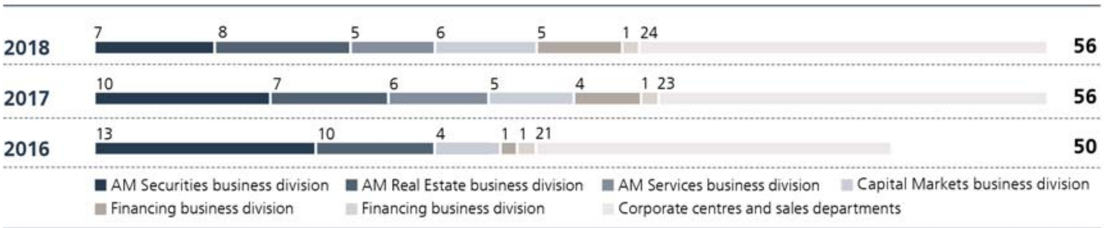
The VaR for operational risk (confidence level of 99.9%, holding period of one year) increased moderately from €259m at year-end 2017 to €269m. With almost no change in the amount of actual incurred losses, this increase in risk was triggered by the updated assessment of various risk scenarios. Firstly, the scenario analysis was fundamentally revised to comprehensively incorporate risks from interruptions to business processes. Secondly, the measures implemented to improve the transparency of valuation principles tended to result in more conservative estimates of the scale of losses and frequency of occurrence. The breakdown of VaR by business division (including the Treasury corporate centre), which is used for internal management purposes, revealed a slight shift towards the Financing and Asset Management Services business divisions, essentially reflecting the distribution of loss events in the reporting year. Risk capital allocated to operational risk stood at €335m (year-end 2017: €320m). Utilisation of this amount was 80.4%. Utilisation thus remains at a non-critical level.

Value-at-Risk *€m (Fig. 31)*



The OR loss potential identified in the Group-wide risk inventory remained unchanged year-on-year at €56m. During the year, increased risks in relation to computer sabotage, espionage and data manipulation in the Compliance corporate centre and a greater risk of legal changes in the Financing business division were balanced out in particular by a reduction in the frequency of occurrence estimated for personnel risks (which had temporarily been assessed from a very conservative standpoint) in the course of the strategic realignment at a subsidiary in the Asset Management Securities business division. In contrast to VaR, which is an upper limit for losses with a specific probability that the limit will not be exceeded, loss potential is an expected value that results from the estimated frequency of occurrence and scale of losses of all OR scenarios in the Deka Group.

Loss potential *€m (Fig. 32)*



Based on the Federal Ministry of Finance (BMF) circular on the tax treatment of cum/cum transactions of 17 July 2017, tax risks exist in connection with relief from withholding tax (*Kapitalertragsteuer*) on share transactions made around the dividend record date in the years 2013 to 2015. All matters are reported in the 2018 consolidated financial statements in accordance with DekaBank's interpretation of the relevant tax regulations and accounting standards.

In addition, DekaBank has performed a voluntary investigation to ascertain whether its involvement enabled third parties to conduct share trades around the dividend record date and make use of abusive tax structures or whether it was otherwise involved in such structures. The investigations concerning the matter have not given any indication that this was the case. Based on the findings currently available to it, DekaBank considers it unlikely that the tax authority will be able to make a successful claim in relation to these matters.

Compliance

The Deka Group's Compliance corporate centre, which reports directly to the Board of Management, performs the compliance functions required by supervisory law. It is designed to ensure, in a durable, effective and independent way on behalf of the Board of Management, that legal requirements and regulatory standards as well as the company's internal standards and requirements are adhered to in order to protect the Deka Group from financial loss. The Compliance corporate centre also carries out the compliance functions and the role of Money Laundering Officer for a large number of regulated subsidiaries in Germany, under service level agreements. Compliance duties for Luxembourg-based companies are performed by the local Compliance unit in Luxembourg. The Responsible Officer position is held by the head of the Compliance corporate centre for relevant units in Germany and Luxembourg. The international offices in London and New York have local Compliance Officers who have a reporting line to the Compliance corporate centre.

The Compliance corporate centre is responsible for monitoring compliance with statutory and regulatory requirements arising under capital markets and investment law pursuant to the German Securities Trading Act (*Wertpapierhandelsgesetz* – WpHG), the German Investment Code (*Kapitalanlagegesetzbuch* – KAGB) and relevant European rules. The corporate centre works to ensure that compliance requirements and regulations relating to capital market and real estate activities are adhered to.

In addition, the Compliance corporate centre fulfils requirements under the German Money Laundering Act (*Geldwäschegesetz* – GwG) and German Banking Act (*Kreditwesengesetz* – KWG), including ensuring that there are internal safeguards to prevent money laundering, terrorist financing, fraud and other criminal actions in accordance with section 25h (1) KWG and to prevent corruption and bribery by providing a central office within the Bank. The corporate centre is also responsible for monitoring compliance with financial sanctions and embargoes at national and international level in accordance with the requirements of section 7 of the German Foreign Trade Ordinance (*Außenwirtschaftsverordnung*) and the EU Blocking Regulation (EU) 2271/96 as amended.

In addition, the requirements of MaRisk (AT 4.4.2) are fulfilled by a compliance function which is responsible for identifying and limiting compliance risks, and advising the Board of Management and the specialist units, particularly in connection with the implementation of effective processes and procedures to ensure adherence to significant legal regulations and requirements related to compliance.

In carrying out its duties, the Compliance unit advises and trains the specialist units on an ongoing basis. It also carries out risk-based reviews regarding adherence to statutory and regulatory requirements related to compliance and to the overall compliance guidelines.

The Compliance unit performs a risk analysis and assesses the procedures and controls established by the business units to determine whether they are appropriate and effective. An additional risk analysis is prepared on the topics of money laundering, terrorist financing, other criminal actions and financial sanctions.

The Compliance Officer provides a written report on the activities of the organisational unit to the Board of Management on a regular basis, in accordance with legal requirements (at least once a year), and is also the point of contact for supervisory authorities and other governmental agencies. In addition, the chairman of the supervisory board has the right to demand the immediate provision of information from the Compliance Officer, with the involvement of senior management.

The ongoing implementation and integration of compliance requirements in day-to-day business is intended to contribute to the transparent adherence to compliance standards as well as to help reinforce trust among investors and the public and safeguard customer interests. The compliance regulations also protect employees; they help to maintain the Deka Group’s good reputation in the market and ensure that conflicts of interest are managed effectively.

Accounting-related internal control and risk management system

The Board of Management of the Deka Group has overall responsibility for the internal control and risk management system. The system is based on a Group-wide organisational and control structure. The Finance corporate centre is responsible for preparing and coordinating monthly, quarterly and annual financial statements. The units involved in the accounting process are appropriately staffed, in terms of both the number of personnel and their qualifications. Furthermore, a regular and cross-divisional exchange of information between the units makes an important contribution to minimising the risks associated with the preparation of financial statements.

In principle, risks exist in the accounting process as a result, for example, of inconsistent application of reporting and accounting standards, incorrect recognition of business transactions, and due to malfunctions and errors in the IT systems used for accounting purposes.

The Deka Group’s internal control system ensures proper accounting in accordance with applicable statutory and legal provisions. Its key features are the rigorous integration of control activities and procedures into processes, in particular by applying the dual control principle as well as risk-oriented segregation of duties in corporate centres. To this end, the Bank performs automated routine checks and, when required, manual control and reconciliation procedures. The implementation of these activities and the procedures to be followed are documented in specialist and implementation plans.

Additional checks – for example in order to substantiate balance sheet items – are carried out at an aggregated level by “sub-position managers”. These employees, who have in-depth product knowledge, are also responsible for regularly calculating results.

The accounting recognition of business transactions is governed centrally by a Group accounting policy. This policy describes key accounting requirements and documents the standard accounting processes that apply throughout the Group. This ensures, amongst other things, that the same business transaction is accounted for uniformly in different Deka Group units and companies in compliance with the applicable accounting standards. Specific work instructions are used to implement Group policy at operational level in individual specialist departments. These instructions also describe the control mechanisms to be followed. Guidelines and authorisation procedures have been developed for the central systems that generate accounting information as part of the preparation of financial statements. Compliance with these guidelines and concepts is regularly monitored by Internal Audit.

The Deka Group mainly uses standard software for accounting. The systems are safeguarded against unauthorised access by external parties and are comprehensively backed-up to protect against data loss. The internal control system is regularly reviewed by Internal Audit.

Business risk

The business risk strategy set by the Board of Management serves throughout the Group as the basis for monitoring and managing business risks and incorporating them into the Group's risk-bearing capacity analysis. A variety of complementary instruments are employed to identify, assess and manage business risks.

Key risk factors for the funds business are the planned and actual commission income and expenses and the size of the assets under management. Both assets under management and net commission income depend on customer behaviour and the market environment. Account is taken of fund price movements and unexpected net outflows when determining fund volatility. For banking activities, margins on commission business are taken into account as an additional risk factor. There are currently no business risks to be considered in the Treasury corporate centre.

In the year under review, the VaR for business risk increased moderately to €250m (year-end 2017: €234m). Against the risk-reducing impact of higher realised net commission income in the asset management divisions, volatilities for equity funds, real estate funds and other funds recently rose again. There was also higher expected net commission income, which is taken into account in business risk, in the Asset Management Securities business division. The change in the calculation of potential variance from plan had no significant impact on the level of business risk. Risk capital allocated to business risk was reduced from €400m at the end of 2017 to €365m. Utilisation was 68.5% and thus at a non-critical level.

Other risks

Shareholding risk

Equity investments (shareholdings) include all direct and indirect holdings of the Deka Group in other companies, regardless of their legal form. Equity investments held as credit substitute transactions fall under the credit risk strategy. In principle, the Deka Group pursues strategic interests when taking an equity interest. There is no intention to achieve short-term profit.

The basis for determining the shareholding risk position is the IFRS book value of the (unconsolidated) equity investment. The risk is measured on the basis of the volatility of a benchmark index from the equity market.

At the end of 2018, the VaR related to shareholding risk totalled €36m and was close to the previous year's level (year-end 2017: €37m). The risk capital allocated to shareholding risks remained unchanged at €60m, with utilisation of 60.4%.

Consolidated financial statements 2018.

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). They comprise the balance sheet, statement of profit or loss and other comprehensive income, statement of changes in equity, cash flow statement and the notes. Together with economic risk, the economic result – a central performance and management measure – forms the basis for risk/return management in the Deka Group and is, in principle, determined in accordance with the accounting and measurement rules set out in IFRS reporting standards.

Consolidated financial statements

Statement of profit or loss and other comprehensive income
for the period from 1 January to 31 December 2018

€m	Notes	2018	2017[3]	Change	
Interest income[1]		1,006.0	885.3	120.7	13.6%
Interest expenses		883.6	761.9	121.7	16.0%
Net interest income	[33]	**122.4**	**123.4**	–1.0	–0.8%
Risk provisions in the lending and securities business[2]	[18], [34], [47]	**22.4**	**–28.5**	50.9	178.6%
Net interest income after provisions		**144.8**	**94.9**	49.9	52.6%
Net income from the derecognition of financial assets measured at amortised cost		**4.8**	**N/A**	N/A	N/A
Commission income		2,400.6	2,310.8	89.8	3.9%
Commission expenses		1,182.7	1,109.0	73.7	6.6%
Net commission income	[35]	**1,217.9**	**1,201.8**	16.1	1.3%
Trading profit or loss	[36]	**210.8**	**132.8**	78.0	58.7%
Profit or loss on financial assets mandatorily measured at fair value	[37]	**–94.6**	**N/A**	N/A	N/A
Profit or loss on financial instruments designated at fair value	[38]	**52.7**	**84.7**	–32.0	–37.8%
Profit or loss from fair value hedges according to IAS 39	[39]	**–0.3**	**–0.6**	0.3	50.0%
Profit or loss on financial investments	[40]	**54.1**	**26.6**	27.5	103.4%
Administrative expenses	[41]	**1,038.5**	**1,039.8**	–1.3	–0.1%
Other operating profit	[42]	**–34.8**	**–19.9**	–14.9	–74.9%
Total of profit or loss before tax		**516.9**	**480.5**	36.4	7.6%
Income taxes	[43]	**178.1**	**155.7**	22.4	14.4%
Interest expenses for atypical silent capital contributions	[65]	**53.0**	**60.6**	–7.6	–12.5%
Total of profit or loss		**285.8**	**264.2**	21.6	8.2%
Thereof:					
Attributable to non-controlling interests		–	–	–	n/a
Attributable to the shareholders of DekaBank		285.8	264.2	21.6	8.2%
Changes not recognised in profit or loss					
Items reclassified to profit or loss					
Change in reserve for financial assets measured at fair value through other comprehensive income		–106.7	28.5	–135.2	(< –300%)
Change in cash flow hedges valuation reserve		3.4	25.7	–22.3	–86.8%
Change in currency translation reserve		0.1	–1.9	2.0	105.3%
Deferred taxes on items reclassified to profit or loss		32.7	–8.8	41.5	(> 300%)
Items not reclassified to profit or loss					
Revaluation gains/losses on defined benefit pension obligations		–30.7	15.4	–46.1	–299.4%
Change in valuation reserve for own credit risk of financial liabilities designated at fair value		3.8	N/A	N/A	N/A
Revaluation reserve investments accounted for using the equity method		0.0	–2.1	2.1	100.0%
Deferred taxes on items not reclassified to profit or loss		8.5	–1.6	10.1	(> 300%)
Other comprehensive income		**–88.9**	**55.2**	–144.1	–261.1%
Comprehensive income for the period under IFRS		**196.9**	**319.4**	–122.5	–38.4%
Thereof:					
Attributable to non-controlling interests		–	–	–	n/a
Attributable to the shareholders of DekaBank		196.9	319.4	–122.5	–38.4%

[1] In total, interest income of €602.3m (previous year: €564.0m) were recorded in relation to financial assets and liabilities that are not recognised at fair value through profit or loss.

[2] From 2018 including risk provisions in the securities business, which was disclosed under net financial income in the year 2017. Previous year's figures have not been adjusted.

[3] Previous year's figures were adjusted (see also note [36] "Trading profit or loss" and note [43] "Income taxes").

Statement of financial position as at 31 December 2018

€m	Notes	31 Dec 2018	31 Dec 2017[1]	Change	
Assets					
Cash reserves	[44]	**15,302.5**	**10,039.6**	5,262.9	52.4%
Due from banks	[17], [45]	**23,972.6**	**26,396.4**	–2,423.8	–9.2%
(net after risk provisions amounting to)	[18], [47]	(0.2)	(0.3)	–0.1	–33.3%
Due from customers	[17], [46]	**24,419.9**	**20,650.5**	3,769.4	18.3%
(net after risk provisions amounting to)	[18], [47]	(84.0)	(143.5)	–59.5	–41.5%
Financial assets at fair value	[19], [48]	**25,045.4**	**31,985.4**	–6,940.0	–21.7%
a) Trading portfolio		14,669.8	12,472.7	2,197.1	17.6%
b) Financial assets mandatorily measured at fair value		10,375.6	N/A	N/A	N/A
c) Financial assets designated at fair value		–	19,512.7	–19,512.7	–100.0%
(of which deposited as collateral)	[77]	(5,355.7)	(4,880.4)	475.3	9.7%
Positive market values of derivative hedging instruments	[11], [20], [48]	**13.5**	**20.4**	–6.9	–33.8%
Financial investments	[21], [50]	**10,795.0**	**3,790.7**	7,004.3	184.8%
a) Financial assets measured at amortised cost		5,026.9	N/A	N/A	N/A
b) Financial assets measured at fair value through other comprehensive income		5,751.7	N/A	N/A	N/A
c) Loans and receivables		N/A	875.3	N/A	N/A
d) Available-for-sale financial assets		N/A	48.2	N/A	N/A
e) Held-to-maturity investments		N/A	2,851.2	N/A	N/A
f) Shares in equity-accounted companies		16.4	16.0	0.4	2.5%
(net after risk provisions amounting to)	[18], [47]	(5.9)	(43.2)	–37.3	–86.3%
(of which deposited as collateral)	[77]	(2,727.7)	(1,398.5)	1,329.2	95.0%
Intangible assets	[22], [51]	**187.6**	**194.7**	–7.1	–3.6%
Property, plant and equipment	[23], [52]	**25.6**	**27.4**	–1.8	–6.6%
Current income tax assets	[25], [53]	**195.2**	**186.2**	9.0	4.8%
Deferred income tax assets	[25], [53]	**202.5**	**183.2**	19.3	10.5%
Other assets	[24], [54]	**283.8**	**300.6**	–16.8	–5.6%
Total assets		**100,443.6**	**93,775.1**	6,668.5	7.1%
Liabilities					
Due to banks	[26], [55]	**22,949.8**	**19,237.8**	3,712.0	19.3%
Due to customers	[26], [56]	**25,723.2**	**26,660.9**	–937.7	–3.5%
Securitised liabilities	[26], [57]	**14,790.7**	**14,234.8**	555.9	3.9%
Financial liabilities at fair value	[19], [58]	**29,306.9**	**25,982.7**	3,324.2	12.8%
a) Trading portfolio		27,827.8	23,750.7	4,077.1	17.2%
b) Financial liabilities designated at fair value		1,479.1	2,232.1	–753.0	–33.7%
Negative market values of derivative hedging instruments	[11], [20], [59]	**39.3**	**12.0**	27.3	227.5%
Provisions	[27], [28], [60], [61]	**348.4**	**322.9**	25.5	7.9%
Current income tax liabilities	[25], [62]	**62.2**	**21.7**	40.5	186.6%
Deferred income tax liabilities	[25], [62]	**33.6**	**147.4**	–113.8	–77.2%
Other liabilities	[29], [63]	**820.1**	**831.1**	–11.0	–1.3%
Subordinated capital	[30], [64]	**899.4**	**927.1**	–27.7	–3.0%
Atypical silent capital contributions	[31], [65]	**52.4**	**52.4**	–	0.0%
Equity	[32], [66]	**5,417.6**	**5,344.3**	73.3	1.4%
a) Subscribed capital		191.7	191.7	–	0.0%
b) Additional capital components		473.6	473.6	–	0.0%
c) Capital reserve		190.3	190.3	–	0.0%
d) Retained earnings		4,614.1	4,494.1	120.0	2.7%
e) Revaluation reserve		–115.4	–77.6	–37.8	–48.7%
f) Currency translation reserve		0.0	–0.1	0.1	100.0%
g) Accumulated profit/loss (consolidated profit)		63.3	72.3	–9.0	–12.4%
h) Minority interest		–	–	–	n/a
Total liabilities		**100,443.6**	**93,775.1**	6,668.5	7.1%

[1] Previous year's figures have been adjusted (see also note [43] "Income taxes").

Statement of changes in equity for the period from 1 January to 31 December 2018

€m	Subscribed capital	Additional capital components	Capital reserve	Retained earnings[1]	Consolidated profit/loss[1]	Provisions for pensions[3]	Cash flow hedges
Equity as at 1 Janary 2017	**191.7**	**473.6**	**190.3**	**4,293.0**	**70.7**	**–169.5**	**–29.1**
Adjustments[1]	–	–	–	28.6	–	–	–
Equity as at 1 Janary 2017 after adjustments	**191.7**	**473.6**	**190.3**	**4,321.6**	**70.7**	**–169.5**	**–29.1**
Total of profit or loss	–	–	–	–	264.2	–	–
Other comprehensive income	–	–	–	–	–	15.4	25.7
Comprehensive income for the period under IFRS	**–**	**–**	**–**	**–**	**264.2**	**15.4**	**25.7**
Changes in the scope of consolidation and other changes[2]	–	–	–	–19.4	–	–	–
Allocation to reserves from retained earnings	–	–	–	191.9	–191.9	–	–
Distribution	–	–	–	–	–70.7	–	–
Equity as at 31 December 2017 (IAS 39)	**191.7**	**473.6**	**190.3**	**4,494.1**	**72.3**	**–154.1**	**–3.4**
IFRS 9 initial application effect	–	–	–	–83.1	–	–	–
Equity as at 1 January 2018 (IFRS 9)	**191.7**	**473.6**	**190.3**	**4,411.0**	**72.3**	**–154.1**	**–3.4**
Total of profit or loss	–	–	–	–	285.8	–	–
Other comprehensive income	–	–	–	–	–	–30.7	3.4
Comprehensive income for the period under IFRS	**–**	**–**	**–**	**–**	**285.8**	**–30.7**	**3.4**
Changes in the scope of consolidation and other changes[2]	–	–	–	–19.4	–	–	–
Allocation to reserves from retained earnings	–	–	–	222.5	–222.5	–	–
Distribution	–	–	–	–	–72.3	–	–
Equity as at 31 December 2018	**191.7**	**473.6**	**190.3**	**4,614.1**	**63.3**	**–184.8**	**–**

[1] Prior-year figures have been adjusted (see note [43] "Income taxes")
[2] Comprises the payment of interest (after tax) of the Additional Tier 1 bond, which is classified as equity capital under IFRS.
[3] Revaluation gains/losses on defined benefit obligations

Revaluation reserve					Currency translation reserve	Total before minority interest	Minority interest	Equity
Financial instruments available for sale	Equity-accounted companies	Financial assets measured at fair value through other comprehensive income	Own credit risk of financial liabilities designated at fair value	Deferred taxes				
5.1	−4.5	N/A	N/A	63.3	1.8	5,086.4	–	5,086.4
–	–	N/A	N/A	–	–	28.6	–	28.6
5.1	−4.5	N/A	N/A	63.3	1.8	5,115.0	–	5,115.0
–	–	N/A	N/A	–	–	264.2	–	264.2
28.5	−2.1	N/A	N/A	−10.4	−1.9	55.2	–	55.2
28.5	−2.1	N/A	N/A	−10.4	−1.9	319.4	–	319.4
–	–	N/A	N/A	–	–	−19.4	–	−19.4
–	–	N/A	N/A	–	–	–	–	–
–	–	N/A	N/A	–	–	−70.7	–	−70.7
33.6	−6.6	N/A	N/A	52.9	−0.1	5,344.3	–	5,344.3
−33.6	–	135.4	−12.6	−38.0	–	−31.9	–	−31.9
–	−6.6	135.4	−12.6	14.9	−0.1	5,312.4	–	5,312.4
–	–	–	–	–	–	285.8	–	285.8
–	0.0	−106.7	3.8	41.2	0.1	−88.9	–	−88.9
–	–	−106.7	3.8	41.2	0.1	196.9	–	196.9
–	–	–	–	–	–	−19.4	–	−19.4
–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	−72.3	–	−72.3
–	−6.6	28.7	−8.8	56.1	0.0	5,417.6	–	5,417.6

Statement of cash flows for the period from 1 January to 31 December 2018

€m	31 Dec 2018	31 Dec 2017
Total of profit or loss[1]	**285.8**	**264.2**
Non-cash items in net income and adjustments to reconcile net profit with cash flow from operating activities		
+/– Write-downs and write-backs		
on receivables and financial investments	–14.6	5.9
on intangible assets and property, plant and equipment	18.0	19.2
+/– Allocation to/reversal of provisions	92.5	71.4
+/– Profit or loss from fair value hedges according to IAS 39	0.3	0.6
+/– Other non-cash items[1]	–187.8	–182.9
+/– Profit or loss on the disposal of financial investments and property, plant and equipment	0.0	–4.7
+/– Other adjustments	332.7	202.8
= Sub-total	526.9	376.5
Change to assets and liabilities arising from operating activities		
+/– Due from banks	2,438.8	–5,788.9
+/– Due from customers	–4,241.5	2,159.1
+/– Financial assets at fair value	1,595.8	714.1
+/– Financial investments	813.1	–266.7
+/– Other assets arising from operating activities	–116.8	–9.9
+/– Due to banks	3,729.5	1,895.0
+/– Due to customers	–923.4	3,279.6
+/– Securitised liabilities	556.6	3,164.9
+/– Financial liabilities at fair value	1,357.8	1,909.3
+/– Other liabilities arising from operating activities	–14.4	–5.0
+ Interest paid	457.7	960.7
+ Dividends received	14.3	20.9
– Interest paid	–454.8	–936.9
– Income tax payments	–214.4	–161.2
Cash flow from operating activities	**5,525.2**	**7,311.5**
+ Proceeds from the disposal or redemption of		
financial investments classified as held to maturity	N/A	–
equity investments	0.4	17.1
intangible assets	–	0.2
– Disbursements for the purchase of		
financial investments classified as held to maturity	N/A	–578.7
intangible assets	–6.9	–11.7
property, plant and equipment	–2.3	–14.8
+ Proceeds from the sale of shares in affiliated, non-consolidated companies	0.2	–
– Disbursements for the acquisition of shares in affiliated, non-consolidated companies	–	–
+ Dividends received	2.4	2.2
+/– Changes in scope of consolidation and other changes	–	–
Cash flow from investing activities	**–6.2**	**–585.7**
+ Proceeds from issue of new equity capital	–	–
– Payments to company owners and minority interests	–155.5	–124.5
– Dividends paid	–72.3	–70.7
+ Inflow of funds from subordinated capital	–	–
– Outflow of funds from subordinated capital	–28.4	–178.6
+/– Changes in scope of consolidation and other changes	–	–
Cash flow from financing activities	**–256.2**	**–373.8**
= Changes to cash and cash equivalents	5,262.9	6,352.0
+/– Other effects	–	–
+ Cash and cash equivalents at the start of the period	10,039.6	3,687.6
Cash and cash equivalents at the end of the period	**15,302.5**	**10,039.6**

[1] Prior-year figures have been adjusted (see note [43] "Income taxes").

The statement of cash flows shows the change in the Deka Group's cash balance during the financial year. The item cash and cash equivalents corresponds to the balance sheet item cash reserves (see note [44]).

Cash flow from operating activities was determined using the indirect method. In other words, the total of profit or loss was adjusted to eliminate non-cash items such as measurement results and additions to provisions. The item other adjustments mainly includes the reclassification of interest and dividends received as cash and interest and income tax payments made during the financial year which have to be reported separately in accordance with IAS 7.

Cash flow from investing activities shows the proceeds and disbursements relating to items whose purpose relates in principle to long-term investment or use.

Financing activities include equity as well as cash flows from atypical silent capital contributions and from subordinated capital. The table below provides an overview of movements in financing liabilities.

		Cash changes	Non-cash changes			
€m	**2017**		**Acquisition**	**Exchange rate movements**	**Fair value changes**	**2018**
Subordinated liabilities	899.7	−0.7	–	–	0.4	899.4
Typical silent capital contributions	27.4	−27.7	–	–	0.3	–
Total subordinated capital	**927.1**	**−28.4**	**–**	**–**	**0.7**	**899.4**
Atypical silent capital contributions	52.4	–	–	–	–	52.4

The statement of cash flows is of minor importance for banks as it does not provide any information about the actual liquidity position. For details of Deka Group's liquidity risk management, please see the risk report.

Notes

Accounting standards

1 Accounting principles

The consolidated financial statements of DekaBank Deutsche Girozentrale have been prepared in accordance with International Financial Reporting Standards (IFRS). The applicable IFRSs are those published by the International Accounting Standards Board (IASB) and adopted by the European Union (EU) into European law at the time the financial statements are prepared. Account is also taken of the national regulations contained in the German Commercial Code (*Handelsgesetzbuch* – HGB) under section 315e of the HGB. The management report was prepared in accordance with section 315 of the HGB.

The consolidated financial statements, which are reported in euros, comprise the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows and the notes. All amounts are rounded in accordance with standard commercial practice. This may result in small discrepancies in the calculation of totals within tables.

2 Accounting rules applied for the first time and to be applied in future

During the year under review, the following changes to existing accounting standards were applied for the first time with a material impact on the consolidated financial statements. A number of other standards and interpretations were also adopted. These, however, are not expected to have a material impact on the consolidated financial statements.

IFRS 9

IFRS 9 "Financial Instruments" has been applied in the Deka Group on a retrospective basis as from 1 January 2018. IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement" and contains new regulations governing the classification and measurement of financial instruments, the impairment of financial assets and the recognition of hedging relationships. The Deka Group has exercised the option not to apply the IFRS 9 rules for hedging relationships as at 1 January 2018 and to continue applying the rules under IAS 39 instead. Comparative information in the Notes is disclosed unchanged in accordance with the IAS 39 structure. The effects on the consolidated financial statements are disclosed in note [3] "Effects of applying IFRS 9".

IFRS 15

IFRS 15 "Revenue from Contracts with Customers" has also been applied on a modified retrospective basis as from 1 January 2018. The new standard replaces the previous rules on revenue recognition (IAS 18 "Revenue", IAS 11 "Construction Contracts" and the associated interpretations). The new standard provides a five-step model to be used to determine the amount and timing of revenue recognition. IFRS 15 is in principle applicable to all customer agreements for the sale of goods or provision of services. Disclosures in the notes are also required, depending on the circumstances of the Deka Group. The effects resulting from initial adoption of the new standard are set out in note [16] "Revenue from contracts with customers" and note [35] "Net commission income".

New standards and interpretations and amendments to existing standards and interpretations published by the IASB and IFRIC which do not have to be applied until subsequent financial years were not applied early. Changes relevant to the Deka Group are presented below.

Standards adopted into European law but not yet applied

IFRS 16

The new IFRS 16 was published in January 2016 and governs how leases should be accounted for. IFRS 16 will replace IAS 17 "Leases", as well as the associated interpretations IFRIC 4, SIC-15 and SIC-27. Application of the new standard is mandatory for financial years beginning on or after 1 January 2019.

The standard requires lessees to follow a new approach when presenting leasing contracts in the financial statements. Under IAS 17, the key factor in determining how a lessee should present a lease in its financial statements is whether or not substantially all the risks and rewards of ownership of the leased item have been transferred to the lessee. In future, accounting treatment by the lessee will no longer distinguish between finance and operating leases. Under IFRS 16, leases are recognised in the lessee's balance sheet as a lease liability and a right-of-use asset at the time at which the underlying asset is made available to the Group.

Lease liabilities are recognised at the present value of future lease payments. Discounting is based on the interest rate implicit in the lease, if this can be determined; otherwise, discounting is based on the lessee's incremental borrowing rate. At the commencement of the lease, the right-of-use asset essentially corresponds to the lease liability. Recognition of the right-of-use asset must take into account directly attributable initial costs and lease payments made prior to the provision of the underlying asset; any lease incentives received must be deducted.

During the term of the lease, the lease liability is calculated as at each reporting date by discounting the outstanding lease payments, and the resulting interest expense is recognised in profit or loss. For the purposes of subsequent measurement within the Deka Group, the right-of-use asset is measured at amortised cost and is depreciated, through profit or loss, over the shorter of the useful life or the contractual lease term.

In the case of short-term leases or leases of low-value assets, the lessee can opt not to recognise the right-of-use asset and the corresponding lease liability on the balance sheet. Lease payments for these contracts are recognised as expenses on a straight-line basis over the lease term as a general rule.

The accounting requirements for lessors remain largely unchanged, in particular in terms of the ongoing requirement to classify leases.

Leases at the Deka Group and their future recognition

The Deka Group is applying IFRS 16 for the first time on a modified retrospective basis as from 1 January 2019 in accordance with the transitional provisions set out in IFRS 16.C5 (b), i.e. comparative figures for the previous year will not be adjusted and any effect resulting from initial adoption will be reported in retained earnings.

In accordance with the transitional provisions, the Deka Group will refrain from reassessing whether existing agreements constitute leases and will apply the new provisions of IFRS 16 to existing operating leases. Lease payments will be divided into their lease and non-lease components (usage-based ancillary costs or service charges). As at the reporting date of 31 December 2018, the Deka Group had rental and lease agreements for office properties, motor vehicles, plant and equipment and machinery (e.g. printers). The rental agreements for office properties are generally concluded for fixed terms of five to ten years. The lease term for motor vehicles is three to four years, while plant and equipment and machinery are leased for five years on average.

The incremental borrowing rate used at the time of initial adoption is between 0.39% and 1.28%, depending on the lease term.

The right-of-use assets are shown in the balance sheet under property, plant and equipment and the lease liabilities are shown under other liabilities.

In the opening balance sheet as at 1 January 2019, property, plant and equipment will increase by around €188m, with around €182m of this amount attributable to office properties as a result of the capitalisation of right-of-use assets. The total amount of other liabilities will show a corresponding increase, with lease liabilities amounting to around €194m being reported for the first time, while other liabilities from leasing incentives received will fall by around €6m. There will be no effect on the Deka Group's retained earnings.

Furthermore, the Deka Group will make use of the following simplifications when applying IFRS 16 for the first time:

- The simplification rules for short-term leases will be applied to leases that have a remaining life of less than twelve months at the time of initial adoption.
- Initial direct costs will not be included in the measurement of right-of-use assets.
- The accounting provisions of IFRS 16 will not be applied to leases involving low-value assets.
- A uniform discount rate will be applied to portfolios with similar leasing arrangements.
- The term of a lease featuring renewal or termination options will be determined retrospectively.

IFRS 9
In October 2017, the IASB published amendments to IFRS 9 "Financial Instruments: Prepayment Features with Negative Compensation". This merely concerns the extension of an existing exception to the standard rule. Under the amended exception, a financial asset with an early repayment option may now be measured either at amortised cost or at fair value through other comprehensive income where the party terminating the contract receives a reasonable compensation payment in the course of effecting repayment. Application of the new rules is mandatory for financial years beginning on or after 1 January 2019. Voluntary early adoption is permitted. The amendments have no material effect on the consolidated financial statements.

IFRIC 23
The IASB published IFRIC interpretation 23, "Uncertainty over Income Tax Treatments", in June 2017. IFRIC 23 concerns the recognition and measurement of tax risk exposures. Under this interpretation, tax risks should be provided for in the accounts if it is probable that the tax authorities will not accept a particular tax treatment. This approach disregards the likelihood of discovery by the tax authorities (discovery risk). Tax risks may be measured either at the most likely amount or at the expected value, whichever method best reflects the existing risk. Application of IFRIC 23 will be mandatory in financial years beginning on or after 1 January 2019. Voluntary early adoption is permitted. The amendments have no effect on the consolidated financial statements.

IAS 28
In October 2017, the IASB also published "Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)". Under the amended rules, long-term interests that, in substance, form part of the net investment in an entity accounted for using the equity method are to be recognised and measured in accordance with IFRS 9. Any impairment charges to such interests will thus also be calculated in accordance with the rules under IFRS 9. The rule under IAS 28.38, whereby losses are not recognised in excess of the carrying value of an interest accounted for under the equity method, has not been changed. Application of the new rules is mandatory for financial years beginning on or after 1 January 2019. Voluntary early adoption is permitted. The amendments have no material effect on the consolidated financial statements.

Standards and interpretations not yet adopted into European law

Annual Improvements
In December 2017, the IASB published amendments to four standards as part of its Annual Improvements Project for 2015-2017. Application of the new rules is mandatory for financial years beginning on or after 1 January 2019. The amendments affect the recognition and measurement of transactions. Voluntary early adoption is permitted. With the exception of the amendments to IAS 12 (see note [43] "Income taxes"), the amendments will not have any material impact on the consolidated financial statements.

IFRS 3
In October 2018, the IASB published amendments to IFRS 3 "Business Combinations". The amendments relate to the definition of a business and include clearer guidance on how to distinguish a business from a group of assets when applying IFRS 3. The amended definition is to be applied to acquisition transactions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020. Application of the new rules is mandatory for financial years beginning on or after 1 January 2019. Voluntary early adoption is permitted. The amendments are currently being evaluated.

IAS 1 and IAS 8
In October 2018, the IASB issued amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". The amendment clarifies the definition of "material" and aligns the definition used in the Conceptual Framework and the standards themselves. The definition is supplemented by explanatory paragraphs in IAS 1. The previous definition of "material" in IAS 8 is replaced by a reference to IAS 1. Application of the new rules is mandatory for financial years beginning on or after 1 January 2020. Voluntary early adoption is permitted. The amendments are currently being evaluated.

3 Effects of applying IFRS 9

This note sets out the changes in accounting policy that result from IFRS 9 and the material effects on the Deka Group arising on first application.

Classification and measurement of financial assets and liabilities
In contrast to IAS 39, the new classification rules under IFRS 9 provide for a classification model for assets that is based on the underlying business model and contractual cash flows.

The business model reflects how financial assets are managed in order to generate cash flows.

For classification purposes in accordance with IFRS 9, the Deka Group makes a distinction between the following business models:

"Held to collect":	Financial assets are held with the aim of collecting the contractual cash flows.
"Held to collect and sell":	Financial assets are held with the aim of both collecting the contractual cash flows and selling the financial assets.
"Residual":	This business model is used for financial assets that cannot be classified as either "held to collect" or "held to collect and sell".

Allocation to a particular business model is based on groups of financial assets (portfolios). The division between business models is based on the actual circumstances at the time of assessment. The factors taken into account include the following:

- the Group-wide business and risk strategy;
- the way in which the performance of the business model in the individual business divisions (and the financial assets held in these divisions) is evaluated and reported to the key management personnel of the Deka Group;
- the frequency, volume and timing of sales in previous periods, the reasons for those sales and expectations regarding future sales activity.

In this respect, it is ultimately the key management personnel of the Deka Group who are responsible for defining the individual business models.

Sales from "Held to collect portfolios" are not considered detrimental to the "Held to collect" business model if they are executed for specific reasons or are infrequent or insignificant (both individually and in the aggregate). Within the Deka Group, checks to ensure that sales from "Held to collect portfolios" are not considered detrimental are performed for each portfolio group. Both qualitative criteria and quantitative thresholds (both portfolio-based and results-based) have been defined for this purpose.

Where a financial asset is allocated to the "held to collect" or "held to collect and to sell" business model, it is necessary to check at initial recognition whether the SPPI (cash flow) condition is met, in order to determine its measurement category under IFRS 9. In determining whether the contractual cash flows relate exclusively to repayments of principal and interest, the contractual terms are to be analysed at the time of initial recognition at the level of the individual financial asset. In particular, this involves analysing contractual provisions that can change the timing or amount of contractual cash flows, such as contract renewal and termination options, variable or conditional interest payment agreements and agreements with rights of recourse to certain assets (known as "non-recourse financing").

For the SPPI condition to be met, all contractual cash flows from the financial assets must solely represent payments of principal and interest, where the interest essentially represents consideration for the time value of money and the credit risk. In addition, basic lending arrangements can also include fees for other credit risks (such as liquidity risk), as well as costs associated with holding the financial asset for a specified period of time (such as service fees or administrative costs).

If the cash flow condition is met, the asset is measured at amortised cost if classified in the "held to collect" business model, or at fair value through other comprehensive income if classified in the "held to collect and sell" business model. Financial assets that are held for trading or classified in the "residual" business model are measured at fair value through profit or loss.

Explanation of the individual IFRS 9 measurement categories

Assets measured at cost (AC)
Financial assets are allocated to this category if they belong to a portfolio with a "held to collect" business model and their cash flows solely comprise payments of principal and interest.

Financial assets in this category are measured initially at fair value. In subsequent periods, they are measured at amortised cost using the effective interest method. Interest income, impairments and currency translation effects are recognised in profit or loss. Impairment losses are calculated using the expected credit loss model under IFRS 9.

In the Deka Group, loans and securities are usually allocated to this category, provided that they are not purchased with the intent to resell or are held for liquidity management purposes and meet the SPPI condition.

Assets measured at fair value through other comprehensive income (FVOCI)
Financial assets are allocated to this category if they belong to a portfolio with a "held to collect and sell" business model and their cash flows solely comprise payments of principal and interest.

Assets in this category are measured at fair value on both initial and subsequent measurement. Changes in value are generally recognised in other comprehensive income (OCI) until the asset is either derecognised or reclassified. Interest income, impairments and currency translation effects, on the other hand, are recognised in profit or loss. Impairments are determined in accordance with the expected credit loss model under IFRS 9, in the same way as for financial assets measured at amortised cost. On derecognition or reclassification, the cumulative gain or loss recognised in other comprehensive income (OCI) is reclassified to profit or loss.

In the Deka Group, securities (debt instruments) held for liquidity management purposes are classified in this category.

In addition, where an equity instrument is not held for trading, an irrevocable election may be made at initial recognition to measure it at fair value through other comprehensive income. This option is currently not exercised in the Deka Group. Equity instruments are thus always measured at fair value through profit or loss. Equity instruments that are held for trading must generally be measured at fair value.

Assets measured at fair value through profit or loss (FVPL)
Financial assets held for trading are classified in this category.

Financial assets are also classified in this category if they are not held for trading but also do not fall under the "held to collect" or "held to collect and sell" business models.

In addition, financial assets not held for trading are also measured at fair value through profit or loss if they are held within the "held to collect" or "held to collect and sell" business model but do not meet the SPPI condition.

It is also possible to assign financial assets (excluding debt instruments) irrevocably to this category upon acquisition if doing so eliminates or significantly reduces a measurement or recognition inconsistency (an "accounting mismatch"). The Deka Group does not currently make use of this option under IFRS 9.

Such assets are measured at fair value through profit and loss both on initial recognition and in subsequent periods.

In the Deka Group, all derivatives, units in investment funds and equity instruments are normally allocated to this category.

Liabilities measured at fair value through profit or loss (LFV)
Within this category, a distinction is made between financial liabilities in the trading portfolio and those which are irrevocably designated at fair value (provided that certain conditions are met) upon acquisition (fair value option). Financial liabilities in this category are generally measured at fair value through profit or loss.

Financial liabilities are classified as part of the trading portfolio if they were issued or entered into primarily with a view to redemption in the short term.

Liabilities designated at fair value arise through the exercise of the fair value option under IFRS 9. Financial liabilities are designated at fair value if they are managed as a unit on a fair value basis in accordance with the Bank's documented risk management strategy. Both the risk and the results thereof are determined on the basis of fair values and reported to the Board of Management. Exercising the fair value option results in this case in the harmonisation of economic management with the presentation of the financial position and financial performance. In addition, the fair value option is exercised for financial liabilities in order to avoid the potential obligation to separate embedded derivatives and to eliminate or significantly reduce measurement or recognition inconsistencies (accounting mismatches).

Changes in the fair value of designated liabilities that result from changes in own credit risk are not to be recognised in profit or loss, but should instead be recognised in other comprehensive income (OCI). However, this will not be the case if a measurement or recognition inconsistency would be created or enlarged as a result. Upon disposal, the cumulative changes in value recognised in other comprehensive income (OCI) cannot be reclassified to profit or loss (known as "recycling"). By contrast, reclassification from other comprehensive income (OCI) to retained earnings is possible. This means that effects from the Deka Group's own credit risk are generally not recognised in profit or loss.

The Bank calculates the change in value arising from changes in creditworthiness – irrespective of whether this is recognised in profit or loss or in other comprehensive income – as the difference between the result based on full fair value measurement and the result from measurement based on swap rates for the relevant issue currency, plus the spread which applied at the time of sale in the market for similar liabilities. The valuation result arising from changes in creditworthiness during the reporting period is calculated as the movement in this difference relative to the nominal value as at the reporting date. This calculation method takes into account all relevant available data for determining the change in value of the designated financial instruments arising from changes in creditworthiness and is therefore appropriate.

Liabilities measured at cost (LAC)
This category comprises those financial liabilities, including securitised liabilities, that are not measured at fair value through profit or loss. They are carried at amortised cost.

Reconciliation of classification (measurement categories under IAS 39 and IFRS 9)
The tables below reconcile the carrying values (net of provisions) at 31 December 2017 of the measurement categories under IAS 39 to the corresponding carrying values (net of provisions) under IFRS 9. A distinction is made between changes in carrying values that are due to the measurement category (reclassification) under IAS 39 and those that are due to a change in the measurement basis (remeasurement) upon switching to IFRS 9.

€m	Carrying value under IAS 39 31 Dec 2017	Reclassi-fication	Re-measurement	Carrying value under IFRS 9 1 Jan 2018
Financial assets measured at amortised cost (AC)[1]				
Cash reserves	10,039.6	–	–	10,039.6
Due from banks	26,396.4	–	0.1	26,396.5
thereof: remeasurement of risk provisions	–	–	0.1	–
Due from customers	20,650.5	–472.2	–18.1	20,160.2
thereof: remeasurement of risk provisions	–	–	–18.1	–
Transfer to "financial assets mandatorily measured at fair value through profit or loss" (FVPL)	–	–472.2	–	–
Financial investments	3,726.5	–386.1	0.9	3,341.3
Transfer from "financial assets held-to-maturity" (HtM)	–	2,851.2	1.7	–
thereof: remeasurement of risk provisions	–	–	1.7	–
Transfer to "financial assets measured at amortised cost" (AC)	–	–2,851.2	–0.8	–
thereof: remeasurement of risk provisions	–	–	–0.8	–
Transfer to "financial assets mandatorily measured at fair value through profit or loss" (FVPL)	–	–386.1	–	–
thereof: remeasurement of risk provisions	–	–	–	–
Total	**60,813.0**	**–858.3**	**–17.1**	**59,937.6**
Financial assets measured at fair value through profit or loss (FVPL)				
Financial assets at fair value	31,985.4	–7,411.3	–29.4	24,544.7
Trading portfolio (FVPL)	12,472.7	488.4	–	12,961.1
Transfer from "financial assets designated at fair value"	–	488.4	–	–
Financial assets mandatorily measured at fair value through profit or loss (FVPL)	–	11,613.0	–29.4	11,583.6
Transfer from "loans and receivables" (LaR)	–	858.3	–29.4	–
thereof: remeasurement due to reclassification	–	–	–29.4	–
Transfer from "financial assets available for sale" (AfS)	–	48.2	–	–
Transfer from "financial assets designated at fair value"(DaFV)	–	10,706.5	–	–
Financial assets designated as at fair value through profit or loss (DaFV)	19,512.7	–19,512.7	–	–
Transfer to trading portfolio (FVPL)	–	–488.4	–	–
Transfer to "financial assets measured at fair value through other comprehensive income" (FVOCI)	–	–8,317.8	–	–
Transfer to "financial assets mandatorily measured at fair value through profit or loss" (FVPL)	–	–10,706.5	–	–
Positive market values of derivative hedging instruments	20.4	–	–	20.4
Total	**32,005.8**	**–7,411.3**	**–29.4**	**24,565.1**
Financial assets measured at fair value through other comprehensive income (FVOCI)[2]				
Financial investments	48.2	8,269.6	–	8,317.8
Transfer from "financial assets designated at fair value" (DaFV)	–	8,317.8	–	–
Transfer to "financial assets mandatorily measured at fair value through profit or loss" (FVPL)	–	–48.2	–	–
Total	**48.2**	**8,269.6**	**–**	**8,317.8**

[1] Financial assets measured at amortised cost include the IAS 39 measurement categories "loans and receivables" (LaR) and "held-to-maturity investments" (HtM).
[2] Financial assets measured at fair value through other comprehensive income include the IAS 39 measurement category "available for sale" (AfS).

€m	Carrying value under IAS 39 31 Dec 2017	Reclassi-fication	Re-measurement	Carrying value under IFRS 9 1 Jan 2018
Financial liabilities measured at amortised cost (LAC)				
Due to banks	19,237.8	–	–	19,237.8
Due to customers	26,660.9	–	–	26,660.9
Securitised liabilities	14,234.8	–	–	14,234.8
Subordinated capital	927.1	–	–	927.1
Total	**61,060.6**	**–**	**–**	**61,060.6**
Financial liabilities measured at fair value through profit or loss (LFV)				
Financial liabilities at fair value	25,982.7	–	–	25,982.7
Negative market values of derivative hedging instruments	12.0	–	–	12.0
Total	**25,994.7**	**–**	**–**	**25,994.7**

The transition to IFRS 9 gives rise to an initial application effect of €–29.4m as at 1 January 2018 due to the reclassification of financial instruments. An initial adoption effect of €–17.6m (thereof €–0.5m for off-balance sheet commitments) arises due to the change in risk provisions. These initial adoption effects have been duly recognised directly in equity, specifically under retained earnings. They give rise to a change in balance-sheet equity of €–47.0m (before tax) and €–31.9m (after tax).

Financial assets valued at €19,512.7m that were designated at fair value under IAS 39 had to be reclassified upon the adoption of IFRS 9. This reclassification was mainly due to the requirement to allocate assets to a business model. Under IFRS 9, it is also no longer possible to designate a financial instrument at fair value on the grounds that its performance is managed on a fair value basis.

Securities held for liquidity management purposes have been classified in the "held to collect and sell" business model under IFRS 9 and are therefore measured at fair value through other comprehensive income. The fair value option had been exercised in respect of such securities under IAS 39; this option no longer applies following the adoption of IFRS 9. The table below shows the fair value of such securities that were still held in the portfolio as at 31 December 2018 and the net income from changes in their fair value, which was reported in profit or loss under IAS 39 but is now reported in other comprehensive income (OCI).

€m	Fair value 31 Dec 2018	Net income from change in fair value 2018
Reclassification of financial assets		
from the subcategory "Designated at Fair Value" (IAS 39) to the category "Assets measured at fair value through other comprehensive income" (IFRS 9)	4,482.8	–44.8

Impairment of financial assets

A further significant innovation of IFRS 9 is the switch to the expected credit loss model for determining provisions, in place of the incurred loss model used under IAS 39. IFRS 9 requires a provision equal to the amount of the expected losses to be recognised for all financial instruments within its sphere of application. These rules apply to instruments measured at amortised cost or at fair value through other comprehensive income, as well as loan commitments and financial guarantees.

Tiered concept

Under the expected credit loss model, financial instruments have to be allocated to one of three "stages" depending on their credit quality in order to calculate the risk provisions for loan losses. The stage to which an asset is allocated affects the size of the risk provisions to be set up for that asset.

IFRS distinguishes between the following three stages:

Stage 1: Loss allowances are recognised in the amount of the expected loss for the next twelve months, unless the risk of default has significantly increased.
Stage 2: Loss allowances are recognised in the amount of the expected loss over the entire remaining life of the financial instrument if the risk of default has increased significantly.
Stage 3: Loss allowances are recognised based on the recoverable cash flows on the assumption that a loss event has already occurred.

Financial instruments that fall within the scope of IFRS 9 and are not already impaired upon initial recognition are allocated to stage 1 and risk provisions are recognised in profit or loss in the amount of the expected loss for the next twelve months. If the default risk has significantly increased since the financial instrument was acquired, it is allocated to stage 2 and the lifetime expected credit loss is recognised in profit or loss. If indications exist that creditworthiness is impaired, the instrument is to be transferred to stage 3 and the expected loss for the remaining lifetime of the instrument is recognised in profit or loss.

Within the Deka Group, significant increases in default risk since the addition of a financial instrument are assessed on the basis of quantitative and qualitative criteria, as well as based on the assessments performed by the units and committees responsible for early risk identification. A significant risk increase is assumed where the credit rating has dropped by a specified amount relative to the initial rating on the first balance sheet date, or where the exposure has been classified as requiring intensive support. A loan is classified as requiring intensive support, in particular, in cases involving non-compliance with contractual agreements providing concrete indications of an acute threat to debt servicing capabilities in the long term, as well as in the event of certain rating downgrades or repayment deferrals if the circumstances of the individual case call for intensive support.

In addition, for financial instruments where payment is more than 30 days overdue, a check is also made as to whether the presumption of a significant increase in default risk can be rebutted. This involves an analysis of the individual case, which is submitted to the Monitoring Committee so that a decision can be made. If the assumption of a significant increase in default risk cannot be refuted, these transactions are also assigned to stage 2.

For securities measured at fair value through other comprehensive income (FVOCI), the Deka Group makes use of the relief provided under the standard, whereby a test for significant risk increase may be dispensed with for instruments with a low risk of default. Such securities exclusively comprise securities held in the liquidity reserve, which must satisfy strict requirements as to credit quality and liquidity. These securities generally have at least an investment grade rating.

If there is objective evidence that a loss event has already occurred, the financial instrument should be allocated to stage 3. Indications of impaired creditworthiness are:

- significant financial difficulty of the issuer or debtor,
- an actual breach of contract, such as a default or past-due event,
- concessions granted by the lender to the debtor for economic or contractual reasons in connection with the debtor's financial difficulties that the creditor would not otherwise consider,
- a high probability that the borrower will enter bankruptcy or other financial reorganisation,
- the disappearance of an active market for the financial asset because of financial difficulties and
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

In the Deka Group, the definition of default applied for the purposes of allocation to stage 3 is based on the regulatory definition of default. Accordingly, financial assets are deemed to have defaulted if:

- it is considered unlikely that a debtor will settle its liability in full without recourse to the realisation of collateral, or
- a material liability of the debtor is more than 90 days past due.

Transfers back from stage 2 to stage 1 or from stage 3 to stage 2 or 1 are made if the indicators of a significant increase in default risk or impaired creditworthiness no longer apply on the reporting date.

If the contractual cash flows of a financial asset have been renegotiated or otherwise modified and that financial asset has not been derecognised, the stage allocation is still reviewed on the basis of the initial rating of the original asset on the first balance sheet date and is compared against the current default risk of the adjusted asset.

The derecognition of a financial instrument already assigned to stage 3 is effected by utilising the risk provisions. A financial instrument is derecognised upon its disposal (in particular due to waivers or sales of receivables) or if there is every likelihood that no further payments will be made. If there is insufficient risk provisioning for a financial instrument, it is written down directly in profit or loss (direct write-down). Receivables that have been written down can still, however, be subject to enforcement measures.

A simplified impairment model is used for trade receivables. The simplified model must always be used where the financial asset does not contain a significant financing component; otherwise, its use is optional. Unlike under the general impairment model, provisions under the simplified impairment model are always measured at the amount of the lifetime expected credit loss. The three-stage classification is not applied.

Separate provisions also apply to financial assets that already show indications of an impaired credit rating upon initial recognition. For these financial assets, risk provisions are not set up at the time of initial recognition, but rather in subsequent periods in the amount of the change in lifetime expected losses. When determining the expected credit losses, the expected cash flows are discounted using the credit risk-adjusted effective interest rate.

In stages 1 and 2 of the impairment model, interest income is recognised on the basis of the gross carrying value – i.e. the amortised carrying value before risk provisions. If the asset is transferred to Stage 3, interest income is recognised in subsequent periods on the basis of the net carrying value – i.e. the gross carrying value less risk provisions.

Determining the ECL (Expected Credit Loss)

Under IFRS 9, the ECL is determined in different ways for the different stages of the impairment model. The ECL for stages 1 and 2 is determined on the basis of the probability of default (PD), the loss given default (LGD) and the exposure at default (EAD).

At stage 1, risk provisions are set up in the amount of the 12-month ECL. This corresponds to the expected net present value loss over the remaining life of the instrument resulting from a default event that is expected to occur within the twelve months following the reporting date, weighted by the probability of this default. The current gross carrying value as at the reporting date is thus multiplied by the customer's 12-month probability of default and by the expected loss given default.

12-Month ECL = 12-month probability of default (PD) x loss given default (LGD) x gross carrying value EAD

In the Deka Group, a debtor's default risk is measured by the probability of default (PD). The probability of default refers to all transactions entered into with this debtor. It is defined as the average probability that a debtor in a risk class to which it is assigned by means of a rating will default within a period of twelve months. The loss given default (LGD) is defined as the level of economic loss as a percentage of the exposure at the time of default. The EAD corresponds to the gross carrying value on the reporting date when calculating the ECL for stage 1.

For financial assets in stage 2, a provision is made in the amount of the present value of the lifetime expected credit loss, i.e. the total expected credit losses from all potential default events over the remaining lifetime of the financial asset. For each time period, the exposure at default is multiplied by the relevant probability of default and the amortised loss given default and then discounted to the reporting date; the results are then added together.

$$\mathrm{ECL} := \sum_{\mathrm{i} \geq \mathrm{Stichtag}} \mathrm{EAD_i} \cdot \mathrm{PD_i} \cdot \mathrm{LGD_i} \cdot \mathrm{DF_i}$$

ECL = expected credit loss at calculation date
EAD_i = exposure at time i
PD_i = marginal probability of default during the period from i to i+1
LGD_i = loss given default at time i
DF_i = discount factor from time i to the reporting date
i = start of the i+1th time period (i=0 represents the start of the first time period)

The probabilities of default for calculating the ECL at stage 2 are derived from long-term rating histories. The LGD used to calculate the ECL at stage 2 is adjusted as at each potential time of default using models for collateral values over time. The EAD is applied over the remaining life on the basis of the future cash flows associated with the financial instrument.

At stage 3, risk provisions are determined using probability-weighted cash flows in at least three scenarios. The expected cash flows are estimated on a case-by-case basis, taking into account going concern or gone concern assumptions. The amount of the ECL is the difference between the gross carrying value under IFRS 9 and the probability-weighted present value of the expected cash flows, discounted at the effective interest rate.

The ECL is calculated using prospective information, including macroeconomic factors. Macroeconomic forecasts are produced based on the process used by the Macro Research department for the purposes of preparing the official research opinion (baseline scenario) of the Deka Group using a large volume of external information. The statements relate to the analysis and forecasting of fundamental economic data and financial market indicators. The baseline scenario represents the most probable event and is supplemented by a positive and a negative scenario, including information on their respective probability of occurrence (probabilities of occurrence as at 31 December 2018: baseline scenario = 70%, negative scenario = 25% and positive scenario = 5%) to cover a wide range of possible macroeconomic developments. The forecast horizon is three years and the forecast covers those countries in which the Deka Group is primarily active. Eight predefined macroeconomic factors are taken into account for each country and scenario over the forecast period (e.g. unemployment rate, interest rates, GDP growth, oil prices, etc.).

External sources of information include, for example, economic data and forecasts published by government and monetary authorities and by supranational organisations such as the OECD and International Monetary Fund.

The modules and processes employed in the Deka Group allow the PD and LGD to be determined in a manner that is consistent with IFRS 9 while taking account of all of the available and reliable information, including economic aspects.

Reconciliation of loss allowances (provisions under IAS 39 and IFRS 9)

The table below reconciles the risk provisions under IAS 39 and the provisions under IAS 37 as at 31 December 2017 to the opening risk provision balances under IFRS 9 as at 1 January 2018. The effects on loss allowances of changes in measurement category are shown separately.

The total effect of implementing the IFRS-9 impairment model is €–17.6m. This amount was recognised directly in equity in retained earnings as at the date of adoption.

€m	IAS 39 Risk provisions/ IAS 37 Provisions 31 Dec 2017	Effects due to new measurement category	Effects due to change in impairment model	IFRS 9 Provisions 1 Jan 2018			
				Total	Stage 1	Stage 2	Stage 3
Risk provisions							
Financial assets measured at amortised cost (AC)							
from loans and advances to banks (loans and receivables – LaR)	0.3	–	–0.1	0.2	0.2	0.0	–
from loans and advances to customers (loans and receivables – LaR)[1]	143.5	–39.2	18.1	122.4	8.0	19.0	95.4
from financial assets (held-to-maturity investments – HtM)	40.4	–	–1.7	38.7	0.9	1.2	36.6
from financial assets (loans and receivables – LaR)[1]	2.8	–0.1	0.8	3.5	0.3	3.2	–
Financial assets measured at fair value through other comprehensive income (FVOCI)							
from financial assets (assets designated at fair value – DaFV)	–	1.0	–	1.0	1.0	–	–
Total risk provisions	**187.0**	**–38.3**	**17.1**	**165.8**	**10.4**	**23.4**	**132.0**
Other provisions for credit risk							
Off-balance sheet commitments[2]	1.6	–	0.5	2.1	1.7	0.1	0.3
Total other provisions for credit risks	**1.6**	**–**	**0.5**	**2.1**	**1.7**	**0.1**	**0.3**
Total risk provisions and other provisions for credit risik	**188.6**	**–38.3**	**17.6**	**167.9**	**12.1**	**23.5**	**132.3**

[1] The effect due to new measurement category results from the transfer of these items to the category "Financial assets mandatorily measured at fair value".
[2] Within the off-balance sheet commitments, €0.1m was reclassified from provisions for credit risks to other provisions.

Hedge accounting

While IFRS 9 also contains new rules for hedge accounting, their application is not mandatory until further notice. Please refer to note [11] "Hedge accounting" for information on hedge accounting. During the reporting year, the amendments made, as a result of IFRS 9, to IFRS 7 "Financial Instruments: Disclosures" relating to the disclosures on hedge accounting in the notes were implemented for the first time.

Segment reporting

4 Segmentation by operating business divisions

Segment reporting under IFRS 8 is based on the management approach. Segment information is presented in line with internal reporting as submitted to the Chief Operation Decision Maker on a regular basis for decision-making, resource allocation and performance assessment purposes. The Deka Group's management reporting is based on IFRS.

As total profit before tax is of limited suitability for the internal management of the business divisions, the economic result has been defined as the key management indicator. Due to the requirements of IFRS 8, the economic result has also been included in external reporting as material segment information.

In addition to the total of profit or loss before tax, the economic result includes changes in the revaluation reserve (before tax) as well as the interest- and currency-related valuation result from financial instruments recognised at amortised cost. This allows economic hedges that do not meet the criteria for hedge accounting under IAS 39 to be fully reflected for internal management purposes. The economic result also includes the interest expense on Additional Tier 1 bonds, which is reported directly within equity, as well as effects relevant for management. The latter relate to a provision for potential charges where the probability of such charges arising in the future is assessed as possible, and which are taken into account within corporate management activities as a result of the use of the economic result for management purposes, but which may not yet be reported under IFRS because they are not sufficiently substantiated. The measurement and reporting differences versus the IFRS consolidated financial statements are shown in the reconciliation to consolidated profit before tax in the "reconciliation" column.

Another key indicator for the operating segments, in addition to the economic result, is total customer assets. Total customer assets primarily comprise the income-relevant assets of the mutual and special funds (including ETFs) in the Asset Management Securities and Asset Management Real Estate divisions, as well as certificates issued by the Deka Group. Other components are the volume of direct investments in cooperation partner funds, the cooperation partner, third party fund and liquidity portions of fund-based asset management as well as advisory/management mandates and master funds. Total customer assets also include fund units of €1.7bn held as part of the proprietary portfolio (previous year: €1.6bn). These mainly relate to start-up financing for investment funds.

Based on the definition of section 19 (1) of the German Banking Act (*Kreditwesengesetz* – KWG), gross loan volume includes additional risk exposures such as, among other things, underlying risks from equity derivative transactions and transactions for the purposes of covering guarantee payments on guarantee funds, as well as the volume of off-balance sheet counterparty risks.

The following segments are essentially based on the business divisional structure of the Deka Group, as also used in internal reporting. The segments are defined by the different products and services of the Deka Group.

Asset Management Securities

The Asset Management Securities reporting segment focuses on the active management of securities funds as well as investment solutions and services for private investors and institutional customers. In addition, passive investment solutions are also offered. In addition to investment funds and structured investment concepts, the product range also includes products from selected international cooperation partners. The Deka Group's investment funds cover all major asset classes, sometimes in conjunction with guarantee, discount and bonus structures. The offering for private retirement pensions encompasses fund-based *Riester* and *Rürup* products. The segment also comprises advisory, management and asset management mandates for institutional customers. In addition, the segment includes business involving listed ETFs. The range of services offered by the segment furthermore includes asset servicing and Master KVG activities, which institutional customers can use to pool their assets under management in a single investment company.

Asset Management Real Estate

The Asset Management Real Estate reporting segment focuses on providing property investment products for private and institutional investors. The product range includes open-ended mutual property funds, special property funds and credit funds that invest in property, infrastructure and transport loans, and property advice for institutional investors. In addition to fund management, fund risk management and development of property-related products, the segment also covers the purchase and sale of real estate and the management of such assets, including all other property-related services (property management).

Asset Management Services

The Asset Management Services reporting segment focuses on providing banking services for asset management. The services range from managing custody accounts for customers to custodial services for investment funds. The segment also provides digital support for the securities business of the savings banks, especially through the provision of multi-channel solutions.

Capital Markets

The Capital Markets reporting segment is the central product, solution and infrastructure provider and service provider in the Deka Group's customer-focused capital markets business. The segment focuses on the generation of customer-driven business in the triangle of savings banks, the Deka Group and selected counterparties and business partners, which include external asset managers, banks, insurance companies and pension funds. In this environment, the Capital Markets segment offers a carefully coordinated, competitive range of capital market and credit products. The Capital Markets reporting segment is also responsible for the Deka Group's strategic investments. Strategic investments comprise the securities in the proprietary portfolio that are not held for liquidity management purposes. As the winding-down of activities in the former Non-Core Business segment has largely been completed, all remaining portfolios were transferred to the Capital Markets division as at 1 January 2018. The objective of winding down these activities while safeguarding assets remains in place.

Financing

Since the reorganisation of the divisional structure as at 1 January 2017, the Financing reporting segment has been made up of real estate financing and specialist financing, including financing of the savings banks. Lending is taken onto our own statement of financial position via the banking book, as well as being packaged as an investment product for other banks or institutional investors via club deals or syndications. Priority is given to placements within the *Sparkassen-Finanzgruppe*. The specialist financing business concentrates on selected segments, such as infrastructure financing, ship and aircraft financing, financing covered by ECAs, public sector financing and savings bank financing. Specialised financing positions concluded before the credit risk strategy was changed in 2010 have been pooled in a legacy portfolio, which continues to be wound down while safeguarding assets. Real estate lending relates mainly to commercial real estate and is focused on marketable properties in the office, retail, shopping, hotel and logistics segments in liquid markets in Europe and North America.

Other

The Other segment primarily comprises income and expenses that are not attributable to the reportable segments. These essentially comprise overheads, actuarial gains and losses resulting from the measurement of pension obligations, and a general provision for potential losses that are not directly allocable to any operating segment. Since 2016, the income and expenses of the Treasury function have been allocated to the other segments on a source-specific basis, and are therefore shown in the presentation of the economic result of the respective segments.

Reconciliation of segment results to the IFRS result
In principle, income and expenses are allocated on a source-specific basis to the relevant segment. Segment expenditure comprises direct expenses plus expenses allocated on the basis of cost and service accounting.

During the financial year, the reporting and measurement differences between internal reporting and the total profit or loss before tax under IFRS amounted to €–65.1m (previous year: –31.6m) and mainly resulted from the circumstances referred to below.

The result not recognised in profit or loss amounted to €75.2m in the reporting period (previous year: €–98.2m). Of this total, €68.6m (previous year: €25.2m) was attributable to interest- and currency-related valuation results relating to financial instruments recognised at amortised cost. The result not recognised in profit or loss also includes the total interest expense (including accrued interest) of €–28.4m on the AT1 bonds (previous year: €–28.4m). Distributions made were recorded directly in equity, in accordance with IAS 32. In addition, a general provision to cover potential risks that could materialise in the coming months was recognised for the first time in the 2012 financial year. In 2018, the provision for these effects in the management accounts amounted to €–170.0m (previous year: €–205.0m). The effect on the economic result in 2018 was €35.0m (previous year: €–95.0m) and is disclosed under Other.

The change of €–130.3m in the revaluation reserve before tax (previous year: €67.5m) was also included in the economic result. Of this, €–30.7m (previous year: €15.4m) was attributable to the change in the revaluation reserve for provisions for pensions.

The other amounts shown in the reconciliation column concern differences in presentation between management reporting and the consolidated financial statements. Of these, €87.5m (previous year: €61.4m) relates to internal transactions that are reported in the economic result. The majority of these are included within net interest income, while the corresponding offsetting income effects are reported under net financial income. There are also reporting differences in net financial income and other operating profit from the different allocation of income effects from the repurchases of own issues. The reconciliation column for the previous year also includes the movement of €10.7m in risk provisions for securities (part of net financial income in the previous year) as well as net income of €13.1m on disposals of assets measured at amortised cost (part of net interest income in the previous year).

	Asset Management Securities		Asset Management Real Estate		Asset Management Services		Capital Markets[7]	
				Economic result				
€m	2018	2017	2018	2017	2018	2017	2018	2017
Net interest income[1]	7.2	16.0	3.7	4.8	5.3	4.2	45.3	39.2
Risk provisions in the lending and securities business[2]	–	–	–	–	–0.1	–	8.3	11.8
Net commission income	649.4	716.1	303.1	240.4	181.8	161.7	56.3	51.2
Net financial income[1, 2, 3]	–7.7	26.9	–4.5	–0.2	–4.5	–0.1	215.2	292.5
Other operating profit[4]	–7.6	–8.8	1.6	1.9	–0.4	–2.1	5.0	2.3
Total income without contributions to earnings from Treasury function	**641.3**	**750.2**	**303.8**	**246.9**	**182.1**	**163.7**	**330.1**	**397.0**
Administrative expenses (including depreciation and amortisation)	389.9	389.7	137.3	133.0	170.0	165.4	172.1	166.3
Restructuring expenses[4]	3.9	3.8	–	–	6.0	1.6	–	–
Total expenses before allocation of Treasury function	**393.8**	**393.5**	**137.3**	**133.0**	**176.1**	**167.0**	**172.1**	**166.3**
(Economic) result before tax excluding Treasury function	**247.5**	**356.7**	**166.5**	**113.9**	**6.0**	**–3.3**	**158.1**	**230.7**
Treasury function	–17.1	–11.3	–3.8	–2.9	–1.9	–1.6	–73.1	–23.9
(Economic) result before tax	**230.5**	**345.4**	**162.7**	**111.0**	**4.1**	**–4.8**	**85.0**	**206.8**
Cost/income ratio[5]	0.61	0.52	0.45	0.54	0.93	1.01	0.53	0.43
Total risk (value-at-risk)[6]	618	494	89	79	110	110	945	692
Total customer assets	217,337	230,991	38,099	34,345	–	–	20,443	17,552
Gross loan volume	6,830	6,545	213	35	618	675	91,582	84,074

1) Net income of €+4.8m (previous year: €+13.1m) from the disposal of assets recognised at amortised cost is included in net financial income for the first time in the year 2018. This was disclosed under net interest income in the previous year. For better comparability, prior-year economic result figures have been reclassified and adjusted accordingly.

2) This includes for the first time the change of €+7.9m in risk provisions for securities under IFRS 9 categories AC and FVOCI (previous year: €+10.7). This was disclosed under net financial income in the year 2017. For better comparability, prior-year economic result figures have been reclassified and adjusted accordingly.

3) This includes the result from assets held for trading (trading book portfolio), the result from non-trading assets (banking book portfolio), the result from other financial investments as well as the result from repurchased own issues.

4) Restructuring expenses are disclosed in the Group fianancial statements under Other operating profit.

5) Calculation of the cost/income ratio does not take into account the restructuring expenses or risk provisions in the lending and securities business. Previous year's figures were adjusted for better comparability.

6) Value-at-risk for economic risk capacity with confidence level of 99.9% and holding period of one year. Due to the diversification within market price risk the risk for the Deka Group are not cumulative.

7) Previous year's figures were adjusted due to the transfer of portfolios of the former Non-core business segment to the Capital Markets segment.

8) No cost/income ratio is presented for the segment Other because as this is deemed of limited economic informative value.

9) This includes effects relevant for management purposes of €+35.0m (previous year: €–95.0m) related to a provision for potential losses. This is additional information provided on a voluntary basis and does not form part of the IFRS notes.

Financing		Other[8]		Deka Group		Reconciliation		Deka Group	
		Economic result						Total profit or loss before tax (IFRS)	
2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
126.4	113.3	–6.5	–35.0	181.5	142.5	–59.1	–19.1	122.4	123.4
14.7	–29.7	–0.4	0.1	22.4	–17.8	–	–10.7	22.4	–28.5
29.6	34.3	–2.1	–1.1	1,218.0	1,202.7	–0.1	–0.9	1,217.9	1,201.8
–15.2	–8.5	–52.5[9]	–151.8[9]	130.8	158.8	96.7	84.7	227.5	243.5
1.7	14.6	–44.0	0.3	–43.7	8.0	27.6	–22.5	–16.1	–14.5
157.1	**123.9**	**–105.5**	**–187.5**	**1,509.0**	**1,494.1**	**65.1**	**31.6**	**1,574.1**	**1,525.7**
54.7	56.6	114.5	128.9	1,038.5	1,039.8	–	–	1,038.5	1,039.8
–	–	8.8	–	18.7	5.4	–	–	18.7	5.4
54.7	**56.6**	**123.2**	**128.9**	**1,057.2**	**1,045.2**	**–**	**–**	**1,057.2**	**1,045.2**
102.4	**67.4**	**–228.7**	**–316.4**	**451.8**	**448.9**	**65.1**	**31.6**	**516.9**	**480.5**
–35.0	–16.9	130.9	56.5	–	–	–	–	–	–
67.4	**50.5**	**–97.8**	**–259.9**	**451.8**	**448.9**	**65.1**	**31.6**	**516.9**	**480.5**
0.38	0.37	–	–	0.70	0.69				
581	462	237	246	2,492	2,035				
–	–	–	–	275,878	282,888				
24,004	21,577	28,042	23,911	151,288	136,817				

5 Segmentation by geographical markets

Income from corporate activities by geographical markets is presented below. Allocation to a segment is carried out on the basis of the location of the branch or Group company.

	Germany		Luxembourg		Other		Total Group	
€m	2018	2017	2018	2017	2018	2017	2018	2017
Income	1,438.4	1,221.0	133.7	283.0	2.0	21.7	1,574.1	1,525.7
Total profit before tax	472.6	355.4	43.6	106.0	0.7	19.1	516.9	480.5
Long-term segment assets[1)]	202.0	209.2	11.1	12.8	0.1	0.1	213.2	222.1

[1)] Long-term segment assets excluding financial instruments and deferred income tax assets

Accounting policies

6 General information

The accounting policies described were applied in a uniform and consistent manner to the reporting periods presented, with the exception of the new accounting standards in connection with IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers", which were applied for the first time in the 2018 reporting year.

Due to the transition methods chosen for both IFRS 9 and IFRS 15 (no retrospective restatement for earlier reporting periods), comparative information has generally not been restated. For a description of the new accounting policies, please refer to note [2] "Accounting standards applied for the first time and to be applied in future" and note [3] "Effects of applying IFRS 9".

In addition, the Deka Group has applied corresponding amendments to IFRS 7 "Financial Instruments: Disclosures". The amendments only apply to disclosures in the notes for the current reporting period and not to comparative information.

Income and expenses are recognised on an accruals basis. They are recorded and reported in the period to which they may be assigned in economic terms. Premiums and discounts are accrued in accordance with the effective interest rate method and reported in the same way as accrued interest within the balance sheet item in which the underlying financial instrument is reported.

Estimates and assessments required as part of accounting and measurement under IFRS are carried out in accordance with the relevant standards on a best estimate basis and are continually re-evaluated. They are based on empirical values and other factors, including expectations regarding future events that appear reasonable under the given circumstances. Where discretionary management decisions have a material impact on items or scenarios, these are explained in detail in the notes to the relevant items.

Estimation uncertainties may arise in particular for the situations listed below:

- the classification of financial assets (see note [3] "Effects of applying IFRS 9");
- risk provisions in the lending and securities business and provisions for off-balance sheet commitments (see note [3] "Effects of applying IFRS 9");
- the fair value measurement of financial instruments (see note [68] "Fair value disclosures");
- the recognition of pension obligations (see note [27] "Provisions for pensions and similar obligations" and note [60] "Provisions for pensions and similar obligations");
- the impairment test for goodwill (see note [51] "Intangible assets");
- the recognition of other provisions and other liabilities (see note [28] "Other provisions" and note [76] "Contingent and other liabilities").

In accordance with IFRS 7 "Financial Instruments: Disclosures", disclosures about the nature and extent of risks arising from financial instruments, which also form part of the notes to the consolidated financial statements, are, with the exception of the information on default risk (see note [47] "Risk provisions in the lending and securities business") and the breakdown by remaining maturity (see note [72] "Breakdown by remaining maturity"), presented in the risk report as a part of the Group management report.

7 Consolidation principles

Subsidiaries are companies that are controlled by DekaBank, either directly or indirectly. Assessment of whether DekaBank, as the parent company, is able to exert control over an entity, and hence whether that entity must be consolidated, is carried out by considering the following three criteria, all of which must be fulfilled:

- DekaBank has power over the entity, directly or indirectly, by means of voting rights or other contractual rights and hence has the current ability to direct the entity's relevant activities.
- DekaBank is exposed, or has rights, to variable returns from its involvement with the entity.
- DekaBank is currently able to use its power over the entity to affect these variable returns.

If DekaBank holds more than half of the relevant voting rights of an entity, either directly or indirectly, and these voting rights currently enable it to direct the relevant activities of that entity, then control is assumed. Potential voting rights are also taken into account when determining whether the relationship involves control, provided such voting rights are deemed to be substantial.

Under certain circumstances it is possible for control over another company to exist even when the Group does not hold the majority of the relevant voting rights, for instance, by virtue of one or more contractual arrangements or statutory provisions. In assessing whether or not an entity must be consolidated, it is therefore necessary to take account of all the facts and circumstances involved. This includes considering the purpose and the relevant activities of the entity concerned. This is particularly true in the case of structured entities designed such that voting rights or comparable contractual rights are not the dominant factor in determining who controls the entity.

For this reason, the Deka Group also includes structured entities (investment funds, loan financing operations and securitisation companies) when considering which entities must be consolidated.

In assessing whether or not control exists, it is also necessary to verify, where appropriate, whether a principal-agent relationship exists. This is where power over the entity is held by an additional contractual party (agent) which exercises it on behalf of a principal, such that the principal has *de facto* control.

The Deka Group has power over investment funds it sets up and administers, which it exercises as an agent for all investors in these investment funds. As part of the start-up financing process, DekaBank holds units in the Group's own investment funds in order to make liquidity available to them. In such cases, control may arise if a significant proportion of the variable returns flow to DekaBank as an investor in the investment fund.

An entity is consolidated from the point in time at which the Group obtains control through the relevant majority voting rights or other contractual agreements, and ceases to be consolidated when there is no longer any potential for it to be subject to the Group's control. Subsidiaries are not consolidated if they are of minor significance for the presentation of the Group's financial position and financial performance.

DekaBank reviews its consolidation decisions at the end of every financial year, as well as on other occasions if required. The requirement for the Group to consolidate an entity is reviewed if voting rights or other decision-making rights arise as a result of contractual agreements or changes in financing, ownership or capital structures.

Changes in the percentage ownership of a subsidiary that do not result in a loss of control should be regarded as transactions between shareholders and recognised within retained earnings accordingly.

If the Deka Group loses control of a subsidiary, the subsidiary's assets and liabilities, and the carrying value of any non-controlling interests in the subsidiary that may exist, are derecognised. Any consideration received and any shares in the subsidiary that are retained are recognised at fair value. If a difference arises as a result of this accounting treatment, and this difference is attributable to the parent company, it is presented as a profit or loss within consolidated profit or loss. Other changes in equity with no impact on profit or loss recorded in previous periods are transferred to consolidated net profit or, if required by other IFRSs, to retained earnings.

An associated company is a company over which DekaBank exercises a significant influence. As a rule, significant influence is presumed if DekaBank holds between 20.0% and 50.0% of the voting rights, either directly or indirectly. Potential voting rights – either currently exercisable or convertible – are also taken into account in assessing whether significant influence exists.

Where less than 20.0% of the voting rights are held, the assessment of whether or not significant influence exists includes other factors, such as whether the Deka Group has the option to be represented on the management or supervisory boards of the relevant company, or whether there are significant transactions between the Deka Group and the relevant company. Where such rights are held by other companies, it is possible that DekaBank may be unable to exercise significant influence, even if it holds more than 20.0% of the voting rights.

The only type of joint arrangements, as defined in IRFS 11, that exist at the Deka Group take the form of joint ventures. Joint ventures are defined as arrangements where the parties exercise joint control through voting rights held by each of them in equal proportion. Joint ventures and associates are included in the consolidated financial statements using the equity method, unless they are of minor significance for the presentation of the financial position and financial performance of the Group. Where a company valued under the equity method uses different accounting policies, appropriate adjustments are made in line with IFRS rules for consolidated financial statements by means of a separate calculation.

Subsidiaries are consolidated using the acquisition method, whereby all assets and liabilities of the subsidiary are recognised at fair value from the date of acquisition or the date the Group obtains a controlling interest. Any positive difference between the acquisition price and the fair value of the assets and liabilities acquired is reported under intangible assets as goodwill. Goodwill is tested for impairment at least once a year, or more frequently if there are indications of a possible decrease in value. If it is established that goodwill is impaired, the goodwill is written down to the lower value (see note [51] "Intangible assets"). Where third parties hold minority interests in the equity or earnings of subsidiaries of the Bank, these are reported separately as minority interests under equity and as profit attributable to non-controlling interests in the statement of profit or loss and other comprehensive income. Where third parties hold immaterial minority interests in investment funds and partnerships, and those third parties have a right to return their holdings at any time, the minority interests constitute debt capital from the Group's perspective and are thus reported under other liabilities.

Intra-Group receivables and liabilities are eliminated on consolidation, as are expenses, income and intercompany profits or losses arising from intra-Group financial and services transactions.

DekaBank's consolidated financial statements have been prepared in accordance with standard accounting policies throughout the Group.

Subsidiaries (affiliated companies and structured entities) included in the consolidated financial statements, subsidiaries (affiliated companies and structured entities) not included in the consolidated financial statements on grounds of immateriality, joint ventures, and associates are shown in the List of Shareholdings (see note [83]).

8 Scope of consolidation

The changes in the 2018 reporting year result from the inclusion of Deka Real Estate International GmbH, Frankfurt am Main, in the scope of consolidation for the first time. The subsidiary commenced business operations in the Deka Group with effect from 30 November 2018.

Three structured entities over which DekaBank can exert control in accordance with IFRS 10 were also included in the scope of consolidation for the first time as at 1 November 2018. The purpose of the structured entities Treasury One UG (haftungsbeschränkt) & Co. KG, Hamburg, Treasury Two Shipping Limited, Majuro (Marshall Islands) and Treasury Three Shipping Limited, Majuro (Marshall Islands) lies in the ownership and management of ships.

For detailed information on the composition of the Group, please see note [81] "Information on holdings in subsidiaries" or the List of Shareholdings (see note [83]).

9 Financial instruments

All financial assets and liabilities, including all derivative financial instruments, are recognised in the statement of financial position in accordance with IFRS 9. Spot purchases and sales (regular way contracts) are recognised on the settlement date. Valuation effects from spot purchases and sales which have a settlement date after the reporting date are recognised in profit or loss and reported under other assets or other liabilities.

Financial assets are derecognised if the contractual rights arising from the asset lapse or have been transferred to parties outside of the Group, such that the risks and rewards have been substantially transferred. Financial liabilities are derecognised when the principal has been repaid in full.

Financial instruments are measured at fair value at the date of acquisition. The subsequent measurement of financial assets and liabilities is governed by the categories to which they are allocated at the date of acquisition, in line with IFRS 9.

The corresponding IFRS 9 measurement categories and their implications for the recognition and measurement of financial instruments are presented in note [3] "Effects of applying IFRS 9".

10 Fair value measurement of financial instruments

Fair value is deemed to be the amount that would be received on the sale of an asset or paid for the transfer of a liability in an arm's length transaction between market participants at the measurement date.

The fair value of financial instruments is determined on the basis of market prices or observable market data as at the reporting date and by using generally recognised valuation models.

Where no prices are available on an active market, valuation models are used that are considered appropriate for the financial instruments in question. Observable market data is always used as the basis where available. However, the availability of observable stock market prices, valid prices or market data varies depending on the financial instrument and can change over time. Furthermore, the valuation models are periodically readjusted and validated as required. Depending on the financial instrument and market situation, it may be necessary to include assumptions and estimates made by the Bank in the valuation. The Bank is also responsible for selecting suitable modelling techniques and appropriate parameters and assumptions. The assumptions underlying financial valuation models can have a considerable effect on the fair value determined. Where there are no prices from active markets, the fair value is therefore deemed to be the model value as at the reporting date, which reflects a realistic estimate of how the market would be likely to value the financial instrument.

Where bid and ask prices are available for assets and liabilities, the provisions of IFRS 13 state that the price to be used to determine the fair value is that which best reflects the fair value within the bid-ask spread, with the use of mid-market pricing being an acceptable valuation convention. DekaBank generally measures financial instruments at mid-market prices. For illiquid financial instruments assigned to level three of the fair value hierarchy, bid-ask adjustments are taken into account.

Furthermore, the Bank takes credit valuation adjustments (CVAs) or debit valuation adjustments (DVAs) into consideration when measuring OTC derivatives in order to allow for its own credit risk or that of counterparties, unless these are already included elsewhere in the valuation model. If netting agreements exist for counterparties, the calculation is performed based on the net exposure at counterparty level. In other cases, the calculation is performed on the basis of the individual exposures. The Deka Group takes a funding valuation adjustment (FVA) into account, which represents the implicit market refinancing costs for uncollateralised derivative positions. The maturity structure of funding is thus considered to be an important component of fair value for uncollateralised derivatives.

11 Hedge accounting

The Deka Group enters into derivatives both for trading purposes and hedging purposes. Please refer to the risk report for a description of the overall risk management strategy. In accordance with the provisions set out in IFRS 9, derivatives are generally classified as held for trading and are measured at fair value, with the valuation result and the current result being reported under "Trading profit or loss". Derivatives entered into for hedging purposes can be treated, together with qualifying underlying transactions, as a hedge accounting item (hedge accounting) under certain conditions. With the first-time application of IFRS 9, the IASB has provided the option of applying the previous provisions of IAS 39 Hedge Accounting until further notice, instead of the new provisions on hedge accounting under IFRS 9. The Deka Group has made use of this option. With the mandatory application of IFRS 9 as at 1 January 2018, the Deka Group will therefore continue to apply the hedge accounting provisions set out in IAS 39 for the time being.

In the banking book, in line with its strategic orientation, the Deka Group mainly executes transactions involving interest-related products for which a significant part of the change in market value in the currency of issue results from the interest component. General interest rate risks and any currency risks associated with interest rate risk positions are systematically hedged against market fluctuations. In particular, interest rate swaps, cross-currency swaps, futures, caps, floors, collars, swaptions and forward rate agreements are used to manage this risk.

General interest rate risks result from changes in currency-specific swap curves and their volatility. The fixed interest rate on a position may deviate from the relevant market interest rate due to future market developments, resulting in changes in the value of the financial product. For example, the value of a purchased fixed-rate bond decreases when the market interest rate rises.

Changes in the risk profile of the banking book are monitored as part of the management process using sensitivity ratios and are hedged in accordance with the targeted interest rate position. The hedging instruments used to manage the interest rate risk are adjusted to reflect changes in the risk. If possible, interest rate risks relating to asset and liability items are offset against each other directly. Interest rate hedges that are no longer required are cancelled. The interest rate hedging of newly added exposures from fixed-interest positions is generally based on matching maturities. In general, the Deka Group strives to ensure consistency in parameters such as maturity and repayment structure. The risk of interest-rate induced market price changes for fixed-interest asset items is offset by concluding what are known as payer swaps (the Deka Group pays fixed interest and receives variable interest). In cases involving fixed-rate items on the liabilities side, this risk is hedged using what are known as receiver swaps (the Deka Group pays variable interest and receives fixed interest).

Fair value hedges for interest rate risks

In order to be able to reflect dynamic risk management on the balance sheet by way of approximation, the Deka Group selectively sets up hedges on the face of the balance sheet. The main objective pursued by setting up and cancelling hedge accounting relationships is to largely avoid the inconsistent interest-driven measurement of balance sheet assets and liabilities.

In order to achieve this objective, there is no need to designate all risk positions as hedge accounting relationships, as some of these transactions offset each other with regard to the measurement of interest rate risk. The portion of the transactions to be designated is determined as part of a dynamic process. The hedge accounting relationships set up within the Deka Group are exclusively micro fair value hedges of swap curve risk.

Hedge accounting relationships have to be documented individually at the time they are established. The main items documented are the identification of the hedged item and the hedge, as well as the type of risk hedged. IAS 39 additionally requires proof of an effective hedge. The effectiveness of the hedging relationship must be determined for each hedge both at the start and during the term of the hedge.

For fair value hedges, changes in the value of the underlying transaction that are attributable to the hedged risk are included in the "Profit or loss from fair value hedges according to IAS 39" along with the offsetting change in the fair value of the hedge. The hedged interest component of the underlying transactions is calculated, for this purpose, as the change in fair value of the underlying transaction due to a change in the currency-specific 3-month-based swap curves. The credit spread at the time the hedge is established is kept constant over the entire hedge term (constant credit spread method). The hedged interest rate risk (swap curve) – where appropriate together with the gains or losses from currency translation in cases involving foreign currency transactions – generally accounts for the bulk of the change in the value of the underlying transactions due to market price risk.

There is a close economic relationship within the meaning of IFRS 9 between the designated hedged items and the hedging transactions, as the swap rate is both an important component in the pricing of the originally valued hedged items and the underlying of the hedging transactions with matching maturities.

Since the hedging transactions are not associated with a basis risk, within the meaning of IFRS 9, that could be systematically counteracted by rebalancing the hedge ratio, one unit of a designated interest fair value hedge generally also hedges one unit of a hedged item.

The derivatives used in fair value hedges are shown on the balance sheet under "Positive market values of derivative hedging instruments" or "Negative market values of derivative hedging instruments". The underlying transactions hedged using fair value hedges are shown in the same balance sheet item as non-hedged transactions. Within the context of fair value hedges, medium and long-term lending, securities and issuing transactions are designated as underlying transactions within the Deka Group. The financial assets designated as hedged items are allocated to the "held to collect" and "held to collect and sell" business models.

In principle, the retrospective effectiveness of the fair value hedges is monitored on a daily basis using regression analysis. A hedge is deemed to be effective retrospectively if, throughout the entire term of the hedge to date, the ratio of changes in value of the underlying and hedge transaction is between 0.80 and 1.25. If a hedge is no longer effective, it is cancelled. The prospective effectiveness assessment is performed using the critical term match method.

Expected ineffectiveness in interest fair value hedges mainly results from the difference in the discounting of hedged items and hedges. This arises because, unlike the underlying transactions, the derivative hedging transactions secured using cash collateral are measured on the basis of OIS curves (changes in the tenor basis spread between the currency-specific 3-month-based swap curve used for discounting the underlying transaction and the OIS curve used for discounting the hedging transaction result in hedge ineffectiveness). Other reasons for the expected ineffectiveness lie in the differences in the amount of the coupon for underlying and hedging transactions and in any fair value of the reference interest component of the variable sides of the derivative hedging transactions on the reporting date. Other than the foreseeable inefficiencies above, there were no hedge inefficiencies during the reporting period.

Risks extending beyond the swap curve risk, such as currency risk, credit spread risk or basis spread risk, are also managed by the Deka Group, but the opposing risk positions are not shown in the balance sheet using hedge accounting. Derivative financial instruments that are used for this economic hedging are treated in the same way as derivatives held for trading purposes and are to be reported under financial assets or financial liabilities at fair value. In the Deka Group, the current result from the economic hedging transactions is shown in the item "Net interest income", like the current result from the hedging derivatives. The valuation result from economic hedging derivatives, on the other hand, is disclosed under "Trading profit or loss".

Note [39], note [49], note [59] and note [73] contain detailed quantitative disclosures on fair value hedges for interest rate risks.

Cash flow hedge for currency risks

The Deka Group ceased to apply the rules on cash flow hedge accounting as from the first half of 2018.

12 Structured products

Structured products are financial instruments composed of a host contract and one or more derivative financial instruments (embedded derivatives), whereby the embedded derivatives constitute an integral part of the contract and cannot be traded separately. If the host contract is a financial asset under IFRS 9, the embedded derivative must be accounted for together with the host contract under IFRS 9. The assessment of the contractual cash flow characteristics criterion of a structured financial asset is applied accordingly to the entire financial asset, including the embedded derivative.

Embedded derivatives whose host contract is not a financial asset under IFRS 9 must be separated from the host contract subject to the following conditions and accounted for as standalone derivatives:

- the structured financial instrument is not already measured at fair value through profit or loss;
- the economic characteristics and risks of the embedded derivative do not show any close relationship with the economic characteristics and risks of the host contract, and
- the contractual standards of the embedded derivatives, if they were treated as independent financial instruments, would meet the criteria for a derivative.

There were no host contracts subject to separation at the reporting date.

13 Currency translation

Currency translation in the Deka Group is carried out in accordance with IAS 21. All monetary foreign currency items and pending spot foreign-exchange transactions are converted using the mean spot rate as at the reporting date. Realised and unrealised gains and losses from currency translation are included in "Trading profit or loss" in the income statement to bring the gains and losses from currency translation into line with the amounts recognised resulting from the related currency-specific transactions (derivatives) that hedge these monetary assets and liabilities.

Non-monetary items are converted in accordance with their applicable valuation standard: Non-monetary items valued at amortised cost are converted at the rate applicable at the time of initial recognition (historical rate). Non-monetary items carried at fair value are converted at the year-end closing rate in the same way as monetary items.

Realised expenses and income are translated at the spot rate that applies at the time they are realised.

The financial statements of foreign subsidiaries prepared in a foreign currency are converted using the modified closing rate method. All assets and liabilities are converted at the rate prevailing on the reporting date. The items in the statement of profit or loss and other comprehensive income are converted using the arithmetic mean of the month-end exchange rates during the reporting year. With the exception of the revaluation reserve (converted using the rate prevailing on the reporting date) and the total profit or loss for the year (from the statement of profit or loss and other comprehensive income), equity is converted on the basis of historical exchange rates at the time of acquisition by the Group. The resulting translation differences are posted under equity in the currency translation reserve.

14 Genuine repurchase agreements and securities lending transactions

The Deka Group engages in both genuine securities repurchase agreements and securities lending transactions.

Genuine repurchase agreements are contracts transferring securities in return for consideration, in which it is agreed at the same time that the securities must subsequently be transferred back to the pledgor in return for payment of a sum agreed in advance. The pledgor continues to account for the transferred securities in the previous measurement category, as the principal risks and rewards of ownership are not transferred. A liability for the pledgor or a receivable for the pledgee is accounted for in the amount of the cash sum received or paid, respectively. Provided the IAS 32 netting criteria are met, receivables and liabilities from genuine repurchase agreements are offset against one another and recorded on the balance sheet on a net basis under assets due from banks or customers, or liabilities due to banks or customers.

The term “securities lending” means transactions where securities are transferred by the lender to the borrower with the obligation that the borrower, upon expiry of the agreed time, will transfer back securities of the same type, quality and quantity and will pay a consideration for the term of the loan. The securities loaned are treated for accounting purposes in the same way as genuine repurchase agreements. Collateral must generally be provided for securities lending transactions. Cash collateral is reported on the lender’s balance sheet as a liability and in the balance sheet of the borrower as a receivable. Collateral provided by the borrower in the form of securities continues to be carried in the accounts of the borrower.

Lending and repurchase agreements are carried out under the conditions usual for the market. Transactions are either subject to the clearing conditions of the respective central counterparty, or are conducted using the standard German or international framework agreements. The securities transferred may in principle be resold or re-pledged by the recipient, provided no contractual agreement or regulation exists that would prevent this. In the event of the sale of borrowed securities or collateral, the resulting short position is reported under financial liabilities at fair value.

Income and expenses from repurchase agreements and securities lending transactions in the trading book are reported under trading profit or loss, while income and expenses from banking book portfolios are reported under net interest income.

Forward repos constitute forward contracts as per IFRS 9 and are treated as derivatives from the trading date until the settlement date. Changes in the fair value of forward repos are recognised accordingly in trading profit or loss.

15 Lease accounting

The decisive factor for the classification and consequently the accounting treatment of leases is not the legal title to the leased item but primarily the economic content of the lease agreement: if substantially all the risks and rewards associated with the legal ownership of the leased item are transferred to the lessee, the transaction will be classified as a finance lease. All other cases are deemed to be operating leases.

The Deka Group as lessee

The rental and lease agreements concluded by the Deka Group as lessee are operating leases. The property, plant and equipment to which the operating leases relate are accordingly not reported on the balance sheet. The rental and lease instalments payable by the Deka Group are recorded as administrative expenses. Lease payments made in advance are recognised as prepayments and disclosed under other assets, in order to ensure a correct cut-off between accounting periods.

The Deka Group as lessor

As at the reporting date, there are no leases in place where companies in the Deka Group act as lessor.

16 Revenue from contracts with customers

In the Deka Group, revenue from contracts with customers was recognised for the first time in the 2018 reporting year in accordance with the provisions of IFRS 15. Revenue is generally realised when the performance obligation is deemed to have been fulfilled. A performance obligation is normally considered to have been fulfilled when the service has been rendered or the service agreement has been concluded.

If a service has already been rendered for which payment has not yet been made, a contract asset is recognised in the balance sheet. Conversely, a contract liability has to be recognised if the customer has already made the payment or if the Bank has an unconditional right to payment before the service has been rendered.

In the Deka Group, a receivable is recognised as and when the service is provided, as this is the point at which consideration becomes unconditional and the only thing standing in the way of performance is the period of time until the payment falls due. Fees and commission that arise over time in Asset Management are generally settled on a monthly or quarterly basis, meaning that the uncertainty with regard to the variable consideration is resolved at the end of each month or quarter. Contract assets and receivables are generally subject to the impairment provisions set out in IFRS 9.

As at the balance sheet date of 31 December 2018, the Deka Group had no contractual assets, contractual liabilities or receivables from contracts with customers in its portfolio.

In the Deka Group, there are no material contracts with customers in which the Deka Group is involved in the provision of services as an agent. As a rule, there are no contracts with more than one performance obligation either.

The contracts concluded with customers within the Deka Group do not contain any significant financing components, as the period between the provision of the service and payment does not generally exceed twelve months.

Costs incurred in initiating a contract are recognised as an immediate expense because the amortisation period does not exceed one year.

In the Deka Group, fees and commission falling within the scope of IFRS 15 arise, in particular, in connection with the asset management of investment funds and in connection with capital market and lending business activities. These are reported under net commission income (see note [35] "Net commission income").

17 Receivables

The items due from banks and due from customers principally include loans granted, non-negotiable bearer and registered bonds, demand deposits, call money and time deposits. Paid cash sums and cash collateral from genuine securities repurchase agreements or securities lending transactions are also reported as receivables. Receivables are generally assigned to the IFRS 9 measurement category "Assets measured at cost" if they meet the necessary classification criteria (see note [3] "Effects of applying IFRS 9"). Receivables assigned to this category are reported on the balance sheet at amortised cost less any risk provisions for loan losses. Income from interest payments and the sale of receivables is reported in net interest income, apart from interest payments in respect of receivables held for trading purposes (for portfolios in the trading book) which are reported in trading profit or loss. The measurement rules set out in note [11] "Hedge accounting" apply to receivables that are subject to fair value hedges.

18 Risk provisions in the lending and securities business

IFRS 9 requires a provision equal to the amount of the expected losses to be recognised for all financial assets within its sphere of application (expected loss model). Explanations of the tiered concept and the calculation of the expected credit loss can be found in note [3] "Effects of applying IFRS 9".

19 Financial assets and financial liabilities at fair value

This item includes all assets and liabilities measured at fair value through profit or loss. These include the following sub-categories: trading portfolio, financial assets mandatorily measured at fair value and financial assets and liabilities designated at fair value. Information on the classification and measurement methods under IFRS 9 can be found in note [3] "Effects of applying IFRS 9".

20 Positive and negative market values of derivative hedging instruments

This item comprises hedging derivatives as defined in IAS 39 (hedge accounting), with positive market values recorded as assets and negative market values recorded as liabilities on the balance sheet.

Hedging derivatives are measured at fair value using accepted valuation models based on observable measurement parameters. The valuation results for fair value hedges under hedge accounting rules are recorded through profit or loss under the item profit or loss from fair value hedges in accordance with IAS 39.

21 Financial investments

Financial investments mainly comprise negotiable bonds and other fixed-interest securities as well as shares and other non-fixed-interest securities. The "Financial investments" item comprises both financial instruments measured at amortised cost and financial instruments measured at fair value through other comprehensive income.

Income from bonds, including unwound premiums and discounts, as well as dividend income are recognised in net interest income. Realised gains and losses are recorded in profit or loss on financial investments. Valuation results from assets recognised at fair value in other comprehensive income are reported in Other comprehensive income after deferred taxes have been taken into account.

In accordance with IFRS 9, risk provisions are set up for all securities allocated to financial investments (see note [3] "Effects of applying IFRS 9"). Risk provisions for securities measured at amortised cost are reported as a deduction under financial investments. By contrast, risk provisions for securities measured at fair value in other comprehensive income are recognised in "Other comprehensive income".

Shares in associated companies and joint ventures accounted for using the equity method are also reported under financial investments. These are recognised in the consolidated balance sheet at historical cost at the date of establishment or when significant influence was acquired. In subsequent years, the equity value shown in the balance sheet is adjusted by the proportionate changes in equity of the associated company. The Group's share of the annual profit of the associate is reported in profit or loss on financial investments. Gains and losses on transactions with companies valued under the equity method are eliminated pro rata, based on the percentage shareholding, as part of the elimination of intercompany profits or losses. In the event of downstream delivery, i.e. if an asset ceases to be fully consolidated, the adjustment is carried out against the carrying value of the equity investment under the equity method.

If there are indications of an impairment to a holding in a company valued in accordance with the equity method, an impairment test is performed and, if necessary, the carrying value of the holding is written down. Impairment losses are reversed if the reasons for impairment no longer apply. In such a case, the carrying value is written back up to the recoverable amount, but capped at the amount of the carrying value that would have been applicable had the impairment losses not occurred in the previous periods. Impairment write-downs and write-backs are recognised through profit or loss under profit or loss on financial investments.

22 Intangible assets

Intangible assets comprise goodwill acquired in business combinations, software that has been purchased or developed in-house, and other intangible assets.

Goodwill arises on the acquisition of subsidiaries if the cost of acquisition exceeds the Group's share of the acquired entity's net assets. Goodwill is recognised at cost at the date of acquisition and is not subject to regular amortisation. In subsequent years, it is valued at cost less all accumulated impairment losses. Goodwill is subject to an impairment test each year, or more frequently if there are indications of a possible loss of value. For the purposes of impairment testing, goodwill is allocated to a cash-generating unit. If an impairment is identified during the test, the goodwill is written down.

Other intangible assets acquired as part of the business combination are amortised on a straight-line basis over their expected useful lives. Where there are signs that the expected benefit is no longer in evidence, the asset is written down.

Intangible assets acquired in return for consideration are stated at amortised cost. Software developed in-house is capitalised at cost where it meets the recognition criteria under IAS 38. The capitalised costs primarily include personnel expenses and expenses for external services. Software developed in-house or purchased is, in principle, amortised over four years on a straight-line basis. Where there are signs that the expected benefit is no longer in evidence, the asset is written down.

Scheduled amortisation and impairment losses on intangible assets are recorded under administrative expenses in the statement of profit or loss and other comprehensive income.

23 Property, plant and equipment

In addition to plant and equipment, the property, plant and equipment line item includes technical equipment and machinery. Property, plant and equipment are stated at amortised cost. Subsequent expenditure on property, plant and equipment is capitalised if an increase in the future potential benefit can be assumed. All other subsequent expenditure is recorded as an expense.

Items of property, plant and equipment are depreciated on a straight-line basis over the following periods in accordance with their estimated useful economic lives:

	Useful life in years
Plant and equipment	2 – 15
Technical equipment and machines	2 – 10

For materiality reasons, capital assets coming under section 6 (2) of the German Income Tax Act (*Einkommensteuergesetz* – EStG) are written off in the year of acquisition in accordance with tax regulations.

Impairment losses in excess of amortised cost are immediately recognised as write-downs. Scheduled depreciation and write-downs for impairment are recorded under administrative expenses, while gains and losses on the disposal of property, plant and equipment are recorded as other operating profit.

24 Other assets

This balance sheet item includes assets which, when considered separately, are of minor importance and cannot be allocated to any other line item on the balance sheet. Receivables are measured at amortised cost. Positive valuation effects from regular way financial instruments measured at fair value with settlement dates after the reporting date are also reported under other assets.

25 Income taxes

As DekaBank is treated for tax purposes as an atypical silent partnership, DekaBank only incurs corporation tax to the extent that taxable income is not allocated to atypical silent partners. Taking into account the Bank's existing own shares in subscribed capital (acquired in the first half of 2011), the proportion of taxable income attributable to atypical silent partners is 45.6%. This results in a combined tax rate of 24.68% for the companies in the DekaBank fiscal group. However, in return for the allocation of the tax base, atypical silent partners are entitled to reclaim from Deka Bank the corporation tax expense attributable to them (45.6% of 15.0% corporation tax plus solidarity surcharge thereon, in total 7.22%). This means that DekaBank pays the atypical silent partners an amount equal to the tax expense and effectively bears this part of the tax expense, as well. Thus, in order to achieve better comparability, the portion of the corporation tax expense attributable to the atypical silent partners is also reported as tax expense. The applicable combined tax rate (trade tax plus corporation tax and solidarity surcharge) therefore totals 31.90%.

Current income tax assets or liabilities are calculated at the current tax rates expected for payments to or refunds from the tax authorities.

Deferred income tax assets and liabilities are recognised for temporary differences between the carrying amounts of assets and liabilities on the IFRS balance sheet and the tax balance sheet. They are calculated based on the tax rate projected for the date they will be reversed. Deferred tax liabilities are posted for temporary differences where a tax charge will arise on reversal. If tax savings are projected when temporary differences are reversed and it is probable they will be utilised, deferred tax assets are recorded.

Actual income tax assets and liabilities and deferred tax assets and liabilities are stated net in each case, without discounting. Deferred taxes on temporary differences that have arisen with no effect on profit or loss are recorded in the revaluation reserve such that they also have no impact on profit or loss.

For tax loss carry-forwards, deferred tax assets are recorded if it is probable that they will be utilised. Loss carry-forwards in Germany can be carried forward for an unlimited period. Foreign loss carry-forwards that cannot be carried forward for an unlimited period are disclosed according to their date of expiry. Deferred tax assets arising from temporary differences and loss carry-forwards are tested for impairment at each reporting date.

26 Liabilities

The accounting treatment of financial liabilities in accordance with IFRS 9 is described in greater detail in note [3] "Effects of applying IFRS 9". The valuation guidelines described in note [11] "Hedge accounting" apply to liabilities which have been designated as hedges in the context of hedge accounting.

27 Provisions for pensions and similar commitments

The Deka Group offers employees various types of retirement pension benefits. These include both defined contribution plans and defined benefit plans.

For defined contribution plans, a set amount is paid to an external provider (these include Sparkassen Pensionskasse, BVV and direct pension insurance policies). In accordance with IAS 19, the Deka Group does not recognise any provisions for such commitments.

For defined benefit plans, the extent of the obligation is calculated by independent actuaries. In these cases, at each closing date the present value of the pension entitlements earned (defined benefit obligation) is determined using the projected unit credit method and compared with the fair value of the plan assets. If the calculation results in a potential asset, recognition of the asset is restricted to the present value of any economic benefit. The net interest expense (income) on the net liability (net asset) arising from defined benefit obligations to be recognised in profit or loss in the current reporting period is determined by applying the actuarial interest rate that was used to measure defined benefit obligations at the beginning of the period. Expected changes in the net liability (net asset) occurring during the year as a result of contribution and benefit payments are taken into account. Revaluations of the net liability (net asset) are recognised directly in other comprehensive income (OCI). The revaluation includes actuarial gains and losses, income from plan assets (excluding interest) and the effect of any asset ceiling (excluding interest).

As well as final salary plans and general contribution schemes, the defined benefit obligations of the Deka Group include unit-linked defined contribution plans. The final salary plans and general contribution schemes involve both individual commitments for members of the Board of Management and executive staff, and collective commitments for the general workforce. These guarantee lifelong retirement, survivors' and disability pensions. Under the unit-linked defined contribution pension commitments, contributions are made by both employer and employee and are invested mainly in the Deka Group's investment funds. When benefits become due, the employee is entitled either to a contractually agreed minimum benefit or to the market value of the underlying investment fund units, if higher.

Plan assets were created for the company retirement pensions of the Deka Group in the form of a contractual trust arrangement (CTA). These are held by a legally independent trustee – Deka Trust e.V. The plan assets for the unit-linked defined contribution plans consist primarily of fund assets allocated to each individual employee and other assets to cover the biometric risks arising from benefits becoming due early and the subsequent financing risk. In addition, commitments under final salary plans and general contribution schemes were funded through the creation of ring-fenced plan assets using a CTA. This section of the plan assets is invested in a special fund with an investment strategy based on integrated asset-liability assessment.

Commitments similar to pensions include commitments in relation to early retirement, transitional payments and obligations to pay other allowances. These are also valued actuarially and a provision is created in the amount of the present value of the commitment. When accounting for commitments similar to pensions, in principle no actuarial profits or losses arise and the provision shown in the financial statements therefore corresponds to the present value of the commitment. Furthermore, employees of the Deka Group also have the option of paying into working hours accounts. These accounts are maintained in money and, like the defined benefit plans, are covered by plan assets in Deka Trust e.V. The amount carried in the statement of financial position is the difference between the extent of the commitments and the fair value of the plan assets.

28 Other provisions

Provisions for uncertain liabilities to third parties and imminent losses from pending transactions are recognised on a best estimate basis in the amount of the expected liability. Risks and uncertainties are taken into account when determining these provisions, as well as all relevant knowledge relating to the liability. If the interest effect has a material impact, long-term provisions are discounted using a market rate appropriate to the residual term and stated at the present value of the liability. A pre-tax discount rate is used that reflects current market expectations relating to the interest effect and the risks specific to the liability. Allocations and reversals are carried out via the line item in the statement of profit or loss and other comprehensive income that corresponds to the provision in terms of content. Provisions for creditworthiness risks in off-balance sheet lending business are charged to provisions for loan losses and reversed in the same line item.

29 Other liabilities

Other liabilities include liabilities and accruals which are not individually material and cannot be allocated to any other line item on the balance sheet. They are measured at amortised cost or at their settlement amount.

30 Subordinated capital

Subordinated capital comprises subordinated liabilities, profit-participation instruments and typical silent capital contributions. In the event that DekaBank becomes insolvent or is liquidated, subordinated capital may only be repaid after all non-subordinated creditors have been repaid. In accordance with the provisions of IAS 32, subordinated capital must be recognised as debt because of the contractual termination right associated with it, regardless of the likelihood that this right will be exercised. Subordinated capital is in principle shown at amortised cost. For subordinated liabilities that are hedged against interest rate risks by a fair value hedge as set out under IAS 39, changes in fair value attributable to interest rate risks must also be taken into consideration.

31 Atypical silent capital contributions

Atypical silent capital contributions are shown on the balance sheet as equity under German commercial law. Under IAS 32, however, atypical silent capital contributions must be treated as debt, since atypical silent partners have a contractual termination right.

Atypical silent capital contributions are stated on the balance sheet at nominal value. The dividend distribution on subscribed capital is used as the basis for calculating the distribution to atypical silent partners. There is also an entitlement to reclaim amounts in respect of taxation. The distribution is disclosed as a separate line item – interest expenses for atypical silent capital contributions – below the total of profit or loss before tax. The amount that may be drawn in respect of tax is disclosed as a component of the tax expense (see note [25] "Income taxes").

32 Equity

Subscribed capital is the capital paid in by shareholders in accordance with the Bank's statutes. Capital reserves include premiums from the issue of shares in the company in accordance with the provisions of the Bank's statutes.

The sub-heading additional capital components comprises Additional Tier 1 bonds issued by the Bank. In accordance with the provisions of IAS 32, Additional Tier 1 bonds are recognised on the balance sheet as equity capital, since they have no maturity date, payments of interest can be totally or partially at the discretion of the issuer and the creditor has no cancellation entitlement.

Reserves from retained earnings are broken down into statutory reserves, reserves required under the Bank's statutes and other reserves from retained earnings. Other reserves from retained earnings include retained profits from previous years. In addition, the effects of applying IFRS for the first time are also shown in other reserves from retained earnings, with the exception of valuation effects for financial assets measured at fair value through other comprehensive income.

Revaluations of net liabilities (net assets) arising from defined benefit obligations, including the associated deferred taxes, are shown within the revaluation reserve. Revaluations consist mainly of actuarial gains and losses, and income from plan assets (excluding interest).

The effects of fair value measurement, recognised in other comprehensive income, on financial instruments assigned to the "financial assets measured at fair value through other comprehensive income" category are also recognised in the revaluation reserve, after taking account of the applicable deferred taxes. Gains or losses are not recorded through profit or loss until the asset is sold or written down due to impairment.

The revaluation reserve also includes creditworthiness-related fair value changes to the financial obligations designated at fair value that result from the Group's own credit risk.

Differences arising on the conversion of the financial statements of foreign subsidiaries prepared in a foreign currency are posted to the currency translation reserve.

Minority interests, if any, are disclosed as a separate sub-item under equity.

Notes to the statement of profit or loss and other comprehensive income

33 Net interest income

In addition to interest income and expenses, this item includes the pro-rata unwinding of premiums and discounts on financial instruments. Net interest income from items in the trading book and the associated refinancing expenses are not included as they are reported in trading profit or loss. In accordance with IAS 32, silent capital contributions are classified as debt and the payments to typical silent partners are reported in interest expenses.

€m	2018	2017	Change
Interest income from			
Financial assets measured at amortised cost	**577.1**	**N/A**	N/A
thereof: lending and money market transactions	501.8	N/A	N/A
thereof: fixed-interest securities	75.3	N/A	N/A
Financial assets measured at fair value through other comprehensive income	**25.2**	**N/A**	N/A
thereof: money market transactions	–	N/A	N/A
thereof: fixed-interest securities	25.2	N/A	N/A
thereof: current income from non-fixed-interest securities	–	N/A	N/A
Financial assets measured at fair value through profit or loss	**289.6**	**N/A**	N/A
Trading portfolio			
thereof: lending and money market transactions	18.2	N/A	N/A
thereof: interest rate derivatives (economic hedges)	156.3	N/A	N/A
thereof: hedge derivatives (hedge accounting)	44.1	N/A	N/A
Financial assets mandatorily measured at fair value through profit or loss			
thereof: lending and money market transactions	17.7	N/A	N/A
thereof: fixed-interest securities	36.6	N/A	N/A
thereof: current income from shares and other non-fixed-interest securities	14.3	N/A	N/A
thereof: current income from equity investments	2.4	N/A	N/A
Financial assets designated at fair value			
thereof: lending and money market transactions	–	N/A	N/A
thereof: fixed-interest securities	–	N/A	N/A
Negative interest from liabilities	114.1	N/A	N/A
Total interest income	**1,006.0**	**N/A**	N/A
Interest expenses for			
Financial liabilities measured at amortised cost	**319.4**	**N/A**	N/A
thereof: lending and money market transactions	185.0	N/A	N/A
thereof: securitised liabilities	98.3	N/A	N/A
thereof: subordinated liabilities	36.1	N/A	N/A
Financial liabilities measured at fair value through profit or loss	**468.3**	**N/A**	N/A
Trading portfolio			
thereof: lending and money market transactions	3.6	N/A	N/A
thereof: interest rate derivatives (economic hedges)	342.5	N/A	N/A
thereof: hedge derivatives (hedge accounting)	55.8	N/A	N/A
Financial liabilities designated at fair value			
thereof: lending and money market transactions	53.8	N/A	N/A
thereof: securitised liabilities	12.6	N/A	N/A
thereof: subordinated liabilities	–	N/A	N/A
Negative interest on money-market transactions and fixed-interest securities	95.9	N/A	N/A
Total interest expenses	**883.6**	**N/A**	N/A
Net interest income	**122.4**	**N/A**	N/A

€m	2018	2017	Change
Interest income from			
Lending and money market transactions	N/A	435.9	N/A
Interest rate derivatives (economic hedges)	N/A	149.0	N/A
Fixed-interest securities and debt register claims	N/A	142.4	N/A
Hedging derivatives (hedge accounting)	N/A	58.8	N/A
Negative interest from liabilities	N/A	76.3	N/A
Current income from			
Shares and other non fixed-interest securities	N/A	20.9	N/A
Equity investments and shares in affiliated companies	N/A	2.0	N/A
Total interest income	**N/A**	**885.3**	N/A
Interest expenses for			
Interest rate derivatives (economic hedges)	N/A	276.2	N/A
Liabilities	N/A	255.5	N/A
Securitised liabilities	N/A	77.0	N/A
Hedging derivatives (hedge accounting)	N/A	28.7	N/A
Subordinated liabilities and profit participation capital	N/A	35.7	N/A
Typical silent capital contributions	N/A	2.9	N/A
Negative interest on money-market transactions and fixed-interest securities	N/A	85.9	N/A
Total interest expenses	**N/A**	**761.9**	N/A
Net interest income	**N/A**	**123.4**	N/A

34 Risk provisions in the lending and securities business

Risk provisions in the lending and securities business are recognised in the statement of profit or loss and other comprehensive income as follows:

€m	2018	2017	Change
Allocations to risk provisions	–10.8	–68.0	57.2
Reversals of risk provisions	20.7	38.0	–17.3
Direct write-downs on receivables	–	–0.1	0.1
Income on written-down receivables	4.6	1.6	3.0
Net income from modifications in the lending business (stage 3)	–	N/A	N/A
Risk provisions in the lending business	**14.5**	**–28.5**	43.0
Allocations to risk provisions	–2.9	N/A	N/A
Reversals of risk provisions	10.8	N/A	N/A
Direct write-downs on securities	–	N/A	N/A
Profit or loss from modifications of securities (stage 3)	–	N/A	N/A
Risk provisions in the securities business	**7.9**	**N/A**	N/A
Risk provisions in the lending and securities business	**22.4**	**–28.5**	50.9

Following the application of IFRS 9, movements in provisions for securities that are measured under IFRS 9 either at amortised cost or at fair value through other comprehensive income are now disclosed in this line item, instead of under Profit or loss on financial investments.

35 Net commission income

Net commission income by type of service is as follows:

€m	2018	2017	Change
Commission income from			
Investment fund business	2,191.6	2,093.5	98.1
Securities business	155.1	145.1	10.0
Lending business	31.2	50.8	– 19.6
Other	22.7	21.4	1.3
Total commission income	**2,400.6**	**2,310.8**	89.8
Commission expenses for			
Investment fund business	1,112.2	1,049.3	62.9
Securities business	63.7	38.7	25.0
Lending business	2.7	16.8	– 14.1
Other	4.1	4.2	– 0.1
Total commission expenses	**1,182.7**	**1,109.0**	73.7
Net commission income	**1,217.9**	**1,201.8**	16.1

As part of its activities as an asset manager, the Deka Group receives commission from contracts with customers which varies according to product category (e.g. mutual or special funds) and asset category (e.g. shares, bonds or real estate). The income is calculated and collected as described in the corresponding sales prospectuses and investment conditions of the investment funds concerned. The main types of income are explained in more detail below.

Commission income from investment fund business arises in the Asset Management Securities and Asset Management Real Estate business divisions.

In the Asset Management Securities business division, the Deka Group generates income from management and administrative activities and from the asset management of fund-based products. For this service, the Deka Group receives (asset) management fees, sales commission, performance-related remuneration and income from lump-sum cost allowances. Additional commission income arises in the investment fund business as a result of brokerage services provided during the reporting period. The performance obligation is fulfilled on an ongoing basis and the consideration is settled on a monthly basis in the vast majority of cases. In addition to portfolio-related commission, the Deka Group also earns sales-related commission (front-end loads) when issuing certain units in investment funds, where appropriate. The amount of the front-end load is based on the unit value at the time of issue.

In the Asset Management Real Estate business division, management fees are collected for ongoing management activities in relation to the average investment fund holdings. In the case of retail products, the amount of the management fee varies, within specified ranges, depending on the performance of the investment fund's unit value over the fund financial year. These fees are settled on a monthly basis. Fees resulting from the management of the properties held in the real estate funds are collected to cover the ongoing management of these real estate funds. These fees are settled on a monthly basis. In addition, the Asset Management Real Estate business division collects front-end loads in cases involving the issue of certain units in investment funds. The Deka Group also collects purchase and sales fees from investment funds that invest in real estate. The service is deemed to have been rendered when the property in question is added to, or removed from, the investment fund. This is a one-time payment which is usually calculated based on the underlying transaction volume.

Part of the commission income from the investment fund business is passed on to the sales partners in accordance with the regulatory requirements. The corresponding expense is reported under commission expenses for the investment fund business.

In the Asset Management Services business division, the Deka Group provides various services for which income is reported under commission income from the securities business. These include, for example, the assumption of the role of custodian and the safekeeping of securities in securities accounts. As a custodian, the Deka Group receives a custodian fee for its ongoing activities and a securities account fee for the safekeeping of securities. The custodian fee is paid and collected monthly as a general rule and is based on the average values of the fund assets. The securities account fee also relates to a specific period. The annual fee to be paid is a fixed fee per securities account.

In the context of asset management for savings banks and institutional customers, the Deka Group receives commission fees for support services relating to the procurement and settlement of securities and financial derivatives. The fee is calculated for securities as a percentage of the transaction price, while for financial derivatives it is calculated depending on the number of contracts. Services are rendered and settled based on a point in time. These fees are allocated to the Capital Markets business division and are also reported under commission income from the securities business.

Commission income from the lending business relates almost exclusively to services in connection with the administration of loans and is not directly related to the origination of the loans. The fees are levied irrespective of the term and generally fall due at the beginning of the credit relationship (one-off amount). Commission income from the lending business is allocated to the Financing business division.

Of the net commission income of €1,217.9m, €649.4m relates to the Asset Management Securities business division, €303.1m to the Asset Management Real Estate business division, €181.8m to the Asset Management Services business division, €56.3m to the Capital Markets business division and €29.6m to the Financing business division.

Due to the adoption of IFRS 15, consideration received and paid for services provided on an agency basis was disclosed net for the first time in the 2018 reporting year. This resulted in a reduction of €6.6m in commission income from lending business resulting from the forwarding of trust and administered loans performed as an agent, and of €7.7m in commission income from investment fund business resulting from forwarded trailer fees. The latter initial adoption effect is more than compensated by the higher overall level of commission income from investment fund business.

In addition, the sales fee for issued certificates was reported for the first time in full under net commission income in the 2018 reporting year, reflecting the fact that it is a transitory item in economic terms. In the previous year, the fee, which was included in the issue price, was still shown under trading profit or loss, while the corresponding transfer of this payment to the sales partner was shown under commission expenses.

36 Trading profit or loss

Trading profit or loss comprises sale and valuation results as well as commission from financial instruments measured at fair value through profit or loss. It also includes, for the very first time, the result from economic hedging derivatives in the amount of €–55.2m (previous year: €–50.9m) and the result from currency translation from banking book portfolios in the amount of €–13.1m (previous year: €–6.6m). In the previous year, these results were not reported under trading profit or loss but under the profit or loss on financial instruments designated at fair value. Prior-year figures have been adjusted accordingly for better comparability.

Net interest income from derivative and non-derivative financial instruments in the trading book, together with any related refinancing expenses, are also reported under this item. However, net interest income from economic hedging derivatives is reported under net interest income.

€m	**2018**	**2017**	Change
Sale and valuation results	345.1	230.3	114.8
Net interest income and current income from trading transactions	–114.0	–78.2	–35.8
Commission	–20.3	–19.3	–1.0
Trading profit or loss	**210.8**	**132.8**	78.0

The increase in trading profit or loss compared with the previous year is due to higher customer demand for structured securities and an adjustment to an accounting estimate of around €41m where the model price and exit price match.

37 Profit or loss on financial assets mandatorily measured at fair value

This item mainly comprises gains or losses on the disposal and measurement of financial instruments in the "financial assets mandatorily measured at fair value" sub-category. However, net interest income and dividend income from financial instruments in this sub-category are disclosed under net interest income.

€m	**2018**	**2017**	Change
Sale and valuation results	–94.8	N/A	N/A
Commission	0.2	N/A	N/A
Profit or loss on financial assets mandatorily measured at fair value	**–94.6**	**N/A**	N/A

38 Profit or loss on financial instruments designated at fair value

This item comprises gains or losses on the disposal and measurement of financial instruments designated at fair value. By contrast, interest expenses and income on financial instruments in this sub-category are disclosed under net interest income.

€m	**2018**	**2017**	Change
Sale and valuation results	52.7	84.8	–32.1
Commission	–	–0.1	0.1
Profit or loss on financial instruments designated at fair value	**52.7**	**84.7**	–32.0

39 Profit or loss from fair value hedges according to IAS 39

Changes in the value of the underlying hedged transactions, together with changes in the fair value of the hedges, are reported as profit or loss from interest fair value hedges in accordance with IAS 39. The net valuation result of these hedges is comprised as follows in accordance with the IFRS 7 provisions regarding disclosures in the notes that applied as of 1 January 2018:

€m	2018	2017	Change
Net valuation result from hedging financial assets	–1.9	N/A	N/A
Net valuation result from hedging financial liabilities	1.6	N/A	N/A
Profit or loss from fair value hedges according to IAS 39	**–0.3**	**N/A**	N/A

The valuation result of these hedges is comprised as follows in accordance with the IFRS 7 provisions regarding disclosures in the notes that applied until 31 December 2017:

€m	2018	2017	Change
Valuation result from hedge items	N/A	14.3	N/A
Valuation result from hedging instruments	N/A	–14.9	N/A
Profit or loss from fair value hedges according to IAS 39	**N/A**	**–0.6**	N/A

40 Profit or loss on financial investments

€m	2018	2017	Change
Sale results	53.6	4.7	48.9
Reversal of/allocation to risk provisions for securities	N/A	10.7	N/A
Net income from equity-accounted companies	0.5	11.2	–10.7
Profit or loss on financial investments	**54.1**	**26.6**	27.5

Following the application of IFRS 9, movements in provisions for securities that are measured under IFRS 9 either at amortised cost or at fair value through other comprehensive income are now disclosed under provisions for loan losses and securities business (see note [34]).

The realised gains or losses and valuation results from shareholdings previously reported under this item were reported under trading profit or loss for the first time in the first half of 2018 (see note [50] "Financial investments").

41 Administrative expenses

Administrative expenses comprise personnel expenses, other administrative expenses and depreciation and amortisation. The breakdown of the items is as follows:

€m	2018	2017	Change
Personnel expenses			
Wages and salaries	435.1	422.7	12.4
Social security contributions	53.5	51.8	1.7
Allocations to/reversals of provisions for pensions and similar commitments	37.1	45.2	–8.1
Expenses for defined contribution plans	4.1	3.5	0.6
Other expenses for retirement pensions and benefits	1.2	1.1	0.1
Total personnel expenses	**531.0**	**524.3**	6.7
Other administrative expenses			
Consultancy expenses	107.2	108.8	–1.6
Computer equipment and machinery	80.0	70.9	9.1
Rentals and expenses for buildings	51.4	56.9	–5.5
Marketing and sales expenses	41.4	45.5	–4.1
IT information services	42.0	41.1	0.9
Subscriptions and fees	40.6	36.8	3.8
Bank levy	29.6	35.3	–5.7
Lump sum fees for fund administration services	28.8	28.1	0.7
Postage/telephone/office supplies	13.4	20.7	–7.3
Other administrative expenses	55.1	52.1	3.0
Total other administrative expenses	**489.5**	**496.2**	–6.7
Amortisation of intangible assets	14.0	14.8	–0.8
Depreciation of property, plant and equipment	4.0	4.5	–0.5
Total depreciation and amortisation	**18.0**	**19.3**	–1.3
Administrative expenses	**1,038.5**	**1,039.8**	–1.3

Other administrative expenses primarily include expenses for the annual accounts, auditing costs and travel costs.

Administrative expenses include payments of €44.9m (previous year: €49.8m) on rental and lease agreements for buildings, vehicles, and plant and equipment (operating leases) where DekaBank is the lessee. The following minimum lease payments are payable under these leases in the coming years:

€m	2018	2017	Change
Up to 1 year	43.6	47.2	–3.6
Between 1 and 5 years	138.6	149.1	–10.5
More than 5 years	27.4	56.1	–28.7

42 Other operating profit

The breakdown of other operating profit is as follows:

€m	2018	2017	Change
Income from repurchased debt instruments	**–3.2**	**–7.7**	4.5
Other operating income			
Reversal of other provisions	2.7	0.5	2.2
Reversal of provisions for restructuring	2.7	0.9	1.8
Rental income	1.4	1.3	0.1
Other income	53.0	42.3	10.7
Total other operating income	**59.8**	**45.0**	14.8
Other operating expenses			
Addition to provisions for restructuring	21.4	6.3	15.1
VAT on provision of intra-Group services	15.8	16.0	–0.2
Other taxes	0.3	0.3	0.0
Other expenses	53.9	34.6	19.3
Total other operating expenses	**91.4**	**57.2**	34.2
Other operating profit	**–34.8**	**–19.9**	–14.9

Repurchases of the Bank's own registered and bearer bonds as well as promissory note loans raised led to a reduction in the liability (net disclosure). Repurchases of own issues result in the realisation of a gain or loss in the amount of the difference between the repurchase price and the book price.

43 Income taxes

This item includes all domestic and foreign taxes levied on the basis of the total profit for the year. Income tax expenses comprise the following:

€m	2018	2017	Change
Current tax expense in financial year	224.6	140.6	84.0
Current tax expense/income (–) in previous years	30.2	0.1	30.1
Current tax expense	**254.8**	**140.7**	114.1
Effect of origination and reversal of temporary differences	–45.3	21.8	–67.1
Effect of origination and reversal of temporary differences	–	–2.9	2.9
Effects of changes in tax legislation and/or tax rate	–	–0.8	0.8
Prior-year deferred tax income	–31.4	–3.1	–28.3
Deferred tax expense	**–76.7**	**15.0**	–91.7
Total income tax expense	**178.1**	**155.7**	22.4

The rate of tax that applies in Germany comprises a corporation tax rate of 15.0% plus a solidarity surcharge on this of 5.5% and the applicable rate of trade tax. As DekaBank is treated for tax purposes as an atypical silent partnership, this results in a combined tax rate of 24.68% (previous year: 24.68%) for the companies in the DekaBank tax group. Furthermore, atypical silent partners have a right to withdraw the portion of corporation tax expense attributable to them, which is equal to 7.22%. A tax rate of 31.90% (previous year: 31.90%) is therefore applied for the measurement of deferred taxes (see note [25] "Income taxes"). This tax rate is assumed as the expected tax rate in the reconciliation statement below. The other domestic companies determine their deferred taxes using tax rates of between 31.7% and 32.0%.

The foreign companies determine deferred taxes using the tax rate for the country in question. The tax rate for the DekaBank Deutsche Girozentrale Luxembourg S.A. tax group amounts to 26.01% (previous year: 26.01%). With effect from 1 January 2018 the corporate tax rate in Luxembourg was reduced from 19.0% to 18.0%. Taking into account the surcharge for the unemployment fund and trade tax, this results in a new combined tax rate of 26.01%, which was already used as the basis for determining deferred taxes in the previous year. In the previous year, the change in tax rate led to an imputed tax reduction of €0.8m.

The origination or reversal of temporary differences led to deferred tax income of €45.3m (previous year: expenses of €21.8m). The current tax expense for previous years relates almost exclusively to DekaBank. Most of this relates to allocations to provisions for taxes for temporary items in connection with the tax audit, which led to offsetting deferred tax income (€29.3m).

The following statement reconciles the result before tax with the tax expense:

€m	**2018**	**2017**	Change
Total of profit or loss before tax	516.9	480.5	36.4
x income tax rate	31.90%	31.90%	0.0
= Anticipated income tax expense in financial year	**164.9**	**153.3**	11.6
Increase from taxes due to non-deductible expenses	14.4	16.8	–2.4
Decrease from taxes on tax-exempt income	–	3.3	–3.3
Withholding tax	–0.2	0.1	–0.3
Tax effect of special funds	0.1	–0.5	0.6
Effects of tax rate changes	–	–0.8	0.8
Tax effect of holdings accounted for under the equity method	–0.1	–3.5	3.4
Effects of differing effective tax rates	–2.1	–3.5	1.4
Tax effects from past periods	–1.3	–3.1	1.8
Other	2.4	0.2	2.2
Tax expenses according to IFRS	**178.1**	**155.7**	22.4

Non-deductible expenses primarily comprise the effect of the non-deductible German bank levy.

The tax effect of holdings valued under the equity method concerns a write-back in relation to an associate company which has been in liquidation since 1 January 2017.

In the IFRS consolidated financial statements, the servicing of AT1 bonds is treated as remuneration for capital, and is offset directly against reserves. From a taxation point of view, the interest is accrued and is deductible. In order to align the figures with the treatment in the IFRS consolidated financial statements, the corresponding imputed tax benefit of €9.1m was recorded directly in equity. If the figure had been posted to profit or loss, the tax burden would have been 1.76% lower. Starting in the coming reporting period, this effect will be recognised in profit or loss due to the clarification of the recognition of the tax effect of dividend payments.

Due to the investment tax reform, which came into force on 1 January 2018, fund units are deemed, by fiction of law, to have been sold as at 31 December 2017 and newly acquired as at 1 January 2018. Irrespective of the fiction of law, the actual tax effects only arise at the time of the actual sale, although equity gains at fund level, among other things, have to be determined separately. The relevant tax returns have to be submitted by 31 December 2021. Within this context, deferred taxes relating to equity gains were reviewed. The review revealed that deferred taxes had not been fully taken into account in the previous year, meaning that some of the values calculated were incorrect.

In the year under review, the carry-forward values of deferred tax assets in connection with plan assets to cover pension obligations, as well as retained earnings, were adjusted in other comprehensive income in accordance with IAS 8.41. The related deferred tax assets amounted to €34.8m as at 31 December 2017. Of this amount, €6.2m was attributable to changes in 2017. In particular, the different accounting treatment of plan assets in IFRS accounting (IAS 19R) in the past makes it impracticable to allocate the plan assets exactly to retained earnings and the revaluation reserve. Accordingly, the effect as at 1 January 2017 was recognised in full in retained earnings.

The following effects arise for the 2017 reporting year:

€m	2017	Adjustments	2017 after adjustments
Deferred income tax assets	148.4	34.8	183.2
Retained earnings	4,462.6	31.5	4,494.1
Revaluation reserve	–80.9	3.3	–77.6
Income taxes	158.6	–2.9	155.7
Total of profit or loss	261.3	2.9	264.2
Deferred taxes on items not reclassified to profit or loss	–4.9	3.3	–1.6
Other comprehensive income	51.9	3.3	55.2

Notes to the statement of financial position

44 Cash reserves

The breakdown in cash reserves is as follows:

€m	31 Dec 2018	31 Dec 2017	Change
Cash on hand	0.0	0.8	–0.8
Balances with central banks	15,302.5	10,038.8	5,263.7
Total	**15,302.5**	**10,039.6**	5,262.9

The required minimum reserve was maintained at all times during the reporting year and amounted to €298.3m at the reporting date (previous year: €228.2m).

45 Due from banks

€m	31 Dec 2018	31 Dec 2017	Change
Domestic banks	12,428.4	13,682.6	–1,254.2
Foreign banks	11,544.4	12,714.1	–1,169.7
Due from banks before risk provisions	**23,972.8**	**26,396.7**	–2,423.9
Risk provisions in the lending business	–0.2	–0.3	–0.1
Total	**23,972.6**	**26,396.4**	–2,423.8

DekaBank paid €15.7bn (previous year: €17.3bn) for genuine repurchase agreements and collateralised securities lending transactions as pledgee and pledgor.

46 Due from customers

€m	31 Dec 2018	31 Dec 2017	Change
Domestic borrowers	5,811.2	4,434.9	1,376.3
Foreign borrowers	18,692.7	16,359.1	2,333.6
Due from customers before risk provisions	**24,503.9**	**20,794.0**	3,709.9
Risk provisions in the lending business	–84.0	–143.5	–59.5
Total	**24,419.9**	**20,650.5**	3,769.4

DekaBank paid €4.6bn (previous year: €3.6bn) for genuine repurchase agreements and collateralised securities lending transactions as pledgee and pledgor.

47 Risk provisions in the lending and securities business

Default risks in lending and securities business are recognised through provisions, including provisions for off-balance sheet commitments. Following the implementation of the tiered concept under IFRS 9, risk provisions for 2018 were as follows:

€m	31 Dec 2018	31 Dec 2017	Change
Risk provisions in the lending business	**86.0**	**N/A**	N/A
Risk provisions for loan losses – due from banks	0.2	N/A	N/A
Risk provisions for loan losses – due from customers	84.0	N/A	N/A
Provisions for credit risks from off-balance sheet commitments	1.8	N/A	N/A
Risk provisions in the securities business	**6.9**	**N/A**	N/A
Risk provisions for securities[1]	6.9	N/A	N/A
Total	**92.9**	**N/A**	N/A

[1] Including risk provisons for financial assets measured at fair value through other comprehensive income

€m	31 Dec 2018	31 Dec 2017	Change
Risk provisions for loan losses – due from banks			
Specific provisions	N/A	–	N/A
Collective provisions for creditworthiness risks	N/A	0.3	N/A
Risk provisions for loan losses – due from customers			
Specific provisions	N/A	130.6	N/A
Collective provisions for creditworthiness risks	N/A	12.9	N/A
Collective provisions for country risks	N/A	–	N/A
Total	**N/A**	**143.8**	N/A

Movements in risk provisions in 2018 in accordance with IFRS 9:

€m	Stage 1	Stage 2	Stage 3
Risk provisions for financial assets measured at amortised cost			
Due from banks			
Position as at 1 January 2018	**0.2**	**0.0**	**–**
Transfer to other stages	–0.0	–	–
Transfer from other stages	–	0.0	–
Change in position including new business	0.1	–	–
Allocation	0.0	0.0	–
Reversal	–0.1	–0.0	–
Utilisation	–	–	–
Changes due to model changes	–	–	–
Changes due to non-substantial modifications	–	–	–
Exchange rate-related and other changes	0.0	0.0	–
Position as at 31 December 2018	**0.2**	**0.0**	**–**
Due from customers			
Position as at 1 January 2018	**8.0**	**19.0**	**95.4**
Transfer to other stages	–0.4	–0.3	–0.0
Transfer from other stages	0.3	0.4	–
Change in position including new business	2.4	–0.2	–4.2
Allocation	1.3	2.3	3.9
Reversal	–3.0	–9.8	–2.2
Utilisation	–	–	–24.6
Changes due to model changes	–	–	–
Changes due to non-substantial modifications	–	–	–
Changes in the scope of consolidation	–	–	–7.9
Exchange rate-related and other changes	0.1	0.6	2.9
Position as at 31 December 2018	**8.7**	**12.0**	**63.3**
Financial investments			
Position as at 1 January 2018	**1.2**	**4.4**	**36.6**
Transfer to other stages	–0.0	–0.0	–
Transfer from other stages	0.0	0.0	–
Change in position including new business	1.0	–	–9.1
Allocation	0.6	0.3	0.9
Reversal	–0.3	–1.3	–
Utilisation	–	–	–28.4
Changes due to model changes	–	–	–
Changes due to non-substantial modifications	–	–	–
Exchange rate-related and other changes	0.0	–	–0.0
Position as at 31 December 2018	**2.5**	**3.4**	**–**

€m	Stage 1	Stage 2	Stage 3
Risk provisions for financial assets measured at fair value through other comprehensive income			
Financial investments			
Position as at 1 January 2018	**1.0**	**–**	**–**
Transfer to other stages	–	–	–
Transfer from other stages	–	–	–
Change in position including new business	0.1	–	–
Allocation	0.2	–	–
Reversal	–0.3	–	–
Utilisation	–	–	–
Changes due to model changes	–	–	–
Changes due to non-substantial modifications	–	–	–
Exchange rate-related and other changes	–	–	–
Position as at 31 December 2018	**1.0**	**–**	**–**

€m	Stage 1	Stage 2	Stage 3
Provisions for credit risks from off-balance sheet commitments			
Position as at 1 January 2018	**1.7**	**0.1**	**0.3**
Transfer to other stages	–0.0	–	–
Transfer from other stages	–	0.0	–
Change in position including new business	0.1	–0.1	–0.3
Allocation	0.3	0.9	0.2
Reversal	–1.3	–0.0	–0.2
Utilisation	–	–	–
Changes due to model changes	–	–	–
Changes due to non-substantial modifications	–	–	–
Exchange rate-related and other changes	0.1	–0.0	0.0
Position as at 31 December 2018	**0.9**	**0.9**	**0.0**

The following table shows the movement in risk provisions for loan losses in 2017 under IAS 39:

€m	Opening balance 1 Jan 2017	Additions	Allocation	Utilisation	Reversal	Dis-posals	Reclassi-fications	Currency effects	Closing balance 31 Dec 2017
Provisions for loan losses – due from banks									
Specific provisions	–	–	–	–	–	–	–	–	–
Collective provisions for creditworthiness risks	0.2	–	0.1	–	–	–	–	–	0.3
Sub-total	**0.2**	**–**	**0.1**	**–**	**–**	**–**	**–**	**–**	**0.3**
Provisions for loan losses – due from customers									
Specific provisions	310.6	–	67.1	200.5	28.4	–	–	– 18.2	130.6
Collective provisions for creditworthiness risks	17.5	–	0.1	–	4.7	–	–	–	12.9
Collective provisions for country risks	5.0	–	–	–	4.9	–	–	– 0.1	–
Sub-total	**333.1**	**–**	**67.2**	**200.5**	**38.0**	**–**	**–**	**– 18.3**	**143.5**
Provisions for credit risks									
Specific risks	0.3	–	0.4	–	–	–	–	–	0.7
Portfolio risks	0.7	–	0.3	–	–	–	–	–	1.0
Sub-total	**1.0**	**–**	**0.7**	**–**	**–**	**–**	**–**	**–**	**1.7**
Total	**334.3**	**–**	**68.0**	**200.5**	**38.0**	**–**	**–**	**– 18.3**	**145.5**

Movements in the gross carrying values relevant to risk provisions and committed/guaranteed amounts in accordance with IFRS 9 were as follows in 2018:

€m	Stage 1	Stage 2	Stage 3
Gross carrying amount of financial assets measured at amortised cost			
Due from banks			
Position as at 1 January 2018	**7,075.7**	**12.0**	**–**
Transfer to other stages	–23.0	–	–
Transfer from other stages	–	23.0	–
Change in position including new business	–399.5	–13.4	–
Derecognition	–	–	–
Changes due to non-substantial modifications	–	–	–
Currency effects	14.1	–	–
Position as at 31 December 2018	**6,667.3**	**21.6**	**–**
Due from customers			
Position as at 1 January 2018	**15,514.5**	**534.9**	**236.5**
Transfer to other stages	–475.0	–253.0	–2.9
Transfer from other stages	255.9	475.0	–
Change in position including new business	2,563.6	–92.6	–48.8
Derecognition	–	–	–24.6
Changes due to non-substantial modifications	–	–	–
Change in the scope of consolidation	–	–	–11.3
Currency effects	227.4	9.5	8.6
Position as at 31 December 2018	**18,086.4**	**673.8**	**157.5**
Financial investments			
Position as at 1 January 2018	**2,870.7**	**470.4**	**46.6**
Transfer to other stages	–6.9	–9.7	–
Transfer from other stages	9.7	6.9	–
Change in position including new business	2,100.2	–428.9	–18.2
Derecognition	–	–	–28.4
Changes due to non-substantial modifications	–	–	–
Currency effects	11.5	–	–
Position as at 31 December 2018	**4,985.2**	**38.7**	**–**

€m	Stage 1	Stage 2	Stage 3
Gross carrying amount of financial assets measured at fair value through other comprehensive income			
Financial investments			
Positions as at 1 January 2018	**8,183.4**	**–**	**–**
Transfer to other stages	–	–	–
Transfer from other stages	–	–	–
Change in position including new business	–2,477.9	–	–
Derecognition	–	–	–
Changes due to non-substantial modifications	–	–	–
Currency effects	–	–	–
Position as at 31 December 2018	**5,705.5**	**–**	**–**

€m	Stage 1	Stage 2	Stage 3
Off-balance sheet commitments			
Position as at 1 January 2018	**1,389.7**	**3.9**	**3.0**
Transfer to other stages	–172.0	–0.0	–0.3
Transfer from other stages	0.3	172.0	0.0
Change in position including new business	738.1	–44.8	–2.8
Derecognition	–	–	–
Changes due to non-substantial modifications	–	–	–
Currency effects	25.9	0.2	0.1
Position as at 31 December 2018	**1,982.0**	**131.3**	**0.0**

In the 2018 reporting year, no contract values of financial assets that are currently subject to enforcement measures were derecognised.

The expected cash flows for stage 3 assets as at the reporting date result primarily from collateral held and are based on expectations from going concern or gone concern scenarios relating to individual cases.

The following table contains information on the credit quality of financial assets, loan commitments and financial guarantees measured at amortised cost or at fair value through other comprehensive income. The amounts stated for financial assets correspond to the gross carrying values. In the case of loan commitments and financial guarantees, the amounts shown in the table represent the committed or guaranteed amounts.

31 Dec 2018	Rating grades[1]						
€m	1	2 to 5	6 to 8	9 to 10	11 to 15	16 to 18 (Default)	Retail portfolio
Due from banks							
Stage 1	6,586.4	80.8	–	0.1	–	–	–
Stage 2	–	9.6	–	12.0	–	–	–
Stage 3	–	–	–	–	–	–	–
Due from customers							
Stage 1	6,606.2	8,099.4	2,406.3	872.5	90.7	–	11.3
Stage 2	–	144.6	125.0	170.7	233.5	–	–
Stage 3	–	–	–	–	–	157.5	–
Financial investments							
Stage 1	7,948.1	2,736.5	3.1	3.0	–	–	–
Stage 2	–	7.0	3.1	–	28.6	–	–
Stage 3	–	–	–	–	–	–	–
Off-balance sheet commitments							
Stage 1	881.1	475.6	459.1	70.0	70.0	–	26.2
Stage 2	–	–	–	2.0	129.3	–	–
Stage 3	–	–	–	–	–	–	–

[1] These are the rating grades according to DSGV master scale.

As at the balance sheet date, there were no financial assets in the portfolio that were already purchased or originated credit impaired.

During the period, assets whose valuation allowance was measured in the amount of the expected loss over their remaining life were subject to insignificant modifications, with an amortised cost before modification in the amount of €80.2m. The insignificant modification did not lead to a modification result.

As at 31 December 2018, the portfolio included one financial instrument with a gross carrying value of €13.4m for which no valuation allowance was recognised due to collateral. As the stage allocation is irrespective of both any collateral furnished and the expected loss, the defaulted financial instrument was allocated to stage 3. The expected cash flows are reviewed and adjusted on an ongoing basis.

Key ratios for provisions for loan losses:

%	2018	2017
Reversal/allocation ratio as at reporting date[1]		
(Ratio of net allocation/-reversal to gross carrying values relevant for risk provisions)	0.05	−0.11
Default rate as at reporting date		
(Ratio of defaults to gross carrying values relevant for risk provisions)	0.13	0.76
Average default rate		
(Ratio of defaults on a 5-year average to gross carrying values relevant for risk provisions)	0.31	0.58
Net provisioning ratio as at reporting date		
(Ratio of risk provisions to gross carrying values relevant for risk provisions)	0.24	0.56

[1] Reversal ratio shown without negative leading sign

The calculation of the above ratios now includes securities measured at amortised cost or at fair value through other comprehensive income under IFRS 9. Prior-year figures have not been adjusted. The above ratios are calculated on the basis of a lending volume of €38.4bn (previous year: lending volume of €26.2bn).

Provisions for loan losses by risk segment:

€m	Valuation allowances and provisions in the lending and securities business 31 Dec 2018	31 Dec 2017	Defaults[1] 2018	2017	Net allocations to[2]/reversals of valuation allowances and provisions for credit risk 2018	2017
Customers						
Transport and export finance	67.9	127.9	19.8	167.1	1.4	–32.4
Energy and utility infrastructure	11.9	14.0	–	–	4.0	–2.0
Property risks	4.8	1.9	–0.0	–0.2	4.8	–0.2
Financial institutions	0.7	–	–	–	–0.6	–
Public infrastructure	0.3	0.3	–	32.1	0.1	4.5
Other	0.2	1.1	0.2	–	0.2	0.2
Total customers	**85.8**	**145.2**	**20.0**	**199.0**	**9.9**	**–29.9**
Banks						
Financial institutions	0.2	0.3	–	–	0.0	–
Other	0.0	–	–	–	–0.0	–0.1
Total banks	**0.2**	**0.3**	**–**	**–**	**–0.0**	**–0.1**
Securities						
Energy and utility infrastructure	3.3	N/A	–	N/A	–0.2	N/A
Corporates	2.2	N/A	28.4	N/A	7.5	N/A
Financial institutions	1.2	N/A	–	N/A	0.7	N/A
Other	0.2	N/A	–	N/A	–0.1	N/A
Total securities	**6.9**	**N/A**	**28.4**	**N/A**	**7.9**	**N/A**
Total	**92.9**	**145.5**	**48.4**	**199.0**	**17.8**	**–30.0**

[1] Includes utilisation, direct write-downs and income on written-down receiva169%bles and securities
[2] Negative in the column

48 Financial assets at fair value

This item includes debt securities, equities and units in investment funds, as well as derivatives held for trading purposes. Derivatives forming part of economic hedging relationships that do not meet the requirements for hedge accounting under IAS 39 are also disclosed here. This item also includes holdings in unconsolidated subsidiaries, joint ventures and associated companies, as well as other equity investments.

€m	31 Dec 2018	31 Dec 2017	Change
Trading portfolio			
Debt securities and other fixed-interest securities	7,477.9	4,310.2	3,167.7
Bonds and debt securities	7,477.9	4,216.6	3,261.3
Money market securities	–	93.6	–93.6
Shares and other non fixed-interest securities	1,511.0	2,375.6	–864.6
Shares	486.7	975.1	–488.4
Units in investment funds	1,024.3	1,400.5	–376.2
Positive market values of derivative financial instruments	4,982.7	5,004.0	–21.3
Positive market values of derivative financial instruments (trading)	4,607.3	5,004.0	–396.7
Positive market values of derivative financial instruments (economic hedging derivatives)	375.4	N/A	N/A
Loan receivables	698.2	782.9	–84.7
Total – trading portfolio	**14,669.8**	**12,472.7**	2,197.1
Financial assets mandatorily measured at fair value through profit or loss			
Debt securities and other fixed-interest securities	7,890.2	N/A	N/A
Bonds and debt securities	7,890.2	N/A	N/A
Money market securities	–	N/A	N/A
Shares and other non fixed-interest securities	1,421.2	N/A	N/A
Shares	6.7	N/A	N/A
Units in investment funds	1,414.5	N/A	N/A
Loan receivables	1,016.8	N/A	N/A
Shareholdings	47.4	N/A	N/A
Equity investments	44.7	N/A	N/A
Shares in affiliated companies	0.9	N/A	N/A
Holdings in joint ventures	0.0	N/A	N/A
Shares in associated companies	1.8	N/A	N/A
Total – financial assets mandatorily measured at fair value through profit or loss	**10,375.6**	**N/A**	N/A
Financial assets designated at fair value			
Debt securities and other fixed-interest securities	–	17,665.7	–17,665.7
Bonds and debt securities	–	17,665.7	–17,665.7
Shares and other non fixed-interest securities	–	1,277.0	–1,277.0
Positive market values of derivative financial instruments (economic hedging derivatives)	N/A	488.4	N/A
Loan receivables	–	81.6	–81.6
Total – financial assets designated at fair value	**–**	**19,512.7**	–19,512.7
Total	**25,045.4**	**31,985.4**	–6,940.0

The following debt securities and other fixed-interest securities, and shares and other non-fixed-interest securities in financial assets measured at fair value, are listed on the stock exchange:

€m	31 Dec 2018	31 Dec 2017	Change
Debt securities and other fixed-interest securities	13,203.4	20,794.5	–7,591.1
Shares and other non fixed-interest securities	994.7	1,358.7	–364.0

49 Positive market values of derivative hedging instruments

The positive market values of hedging instruments that meet the criteria for hedge accounting under IAS 39 can be broken down by underlying hedged transaction as follows:

	31 Dec 2018			31 Dec 2017		
€m	Nominal of the hedging instruments	Carrying amount of the hedging instruments[1]	Valuation result of the hedging instruments for the reporting period[2]	Nominal of the hedging instruments	Carrying amount of the hedging instruments[1]	Valuation result of the hedging instruments for the reporting period[2]
Interest rate fair value hedges						
Assets measured at amortised cost						
Due from banks	318.0	0.0	–1.3	N/A	–	N/A
Due from customers	1,810.5	13.1	5.7	N/A	12.5	N/A
Debt securities and other fixed-interest securities	1,537.0	0.0	–5.0	N/A	–	N/A
Financial assets measured at fair value through other comprehensive income						
Debt securities and other fixed-interest securities	672.6	0.4	–9.0	N/A	N/A	N/A
Liabilities measured at amortised cost						
Due to banks	15.0	0.0	–	N/A	0.1	N/A
Due to customers	19.2	0.0	–1.1	N/A	7.6	N/A
Securitised liabilities	75.0	0.0	0.1	N/A	–	N/A
Subordinated capital	125.0	0.0	1.2	N/A	0.1	N/A
Currency cash flow hedges						
Asset items	–	–	–	N/A	0.1	N/A
Total	**4,572.3**	**13.5**	**–9.4**	**N/A**	**20.4**	**N/A**

[1] The majority of interest rate swaps designated as hedging instruments are cleared via CCP. The carrying amount of these hedging instruments have been offset against the variation margin received.
[2] Includes the change in fair value of the hedging instruments used for recognising the ineffectiveness for the reporting period.

Only interest rate swaps were designated as hedging instruments for fair value hedges.

50 Financial investments

€m	31 Dec 2018	31 Dec 2017	Change
Financial assets measured at amortised cost			
Debt securities and other fixed-interest securities	5,032.8	N/A	N/A
Financial assets measured at fair value through other comprehensive income			
Debt securities and other fixed-interest securities	5,751.7	N/A	N/A
Shareholdings			
Shares in equity-accounted companies	16.4	N/A	N/A
Financial investments before risk provisions	**10,800.9**	**N/A**	N/A
Risk provisions	–5.9	N/A	N/A
Total	**10,795.0**	**N/A**	N/A

Holdings in unconsolidated subsidiaries, joint ventures and associated companies and other equity investments, which were previously disclosed under this item, were disclosed under financial assets at fair value for the first time in the first half of 2018.

€m	31 Dec 2018	31 Dec 2017	Change
Loans and receivables			
Debt securities and other fixed-interest securities	N/A	878.1	N/A
Held to maturity			
Debt securities and other fixed-interest securities	N/A	2,891.6	N/A
Available for sale			
Debt securities and other fixed-interest securities	N/A	0.0	N/A
Shareholdings			
Equity investments	N/A	45.7	N/A
Shares in equity-accounted companies	N/A	16.0	N/A
Shares in affiliated, non-consolidated companies	N/A	1.1	N/A
Shares in associated companies not accounted for under the equity method	N/A	1.4	N/A
Financial investments before risk provision	**N/A**	**3,833.9**	N/A
Risk provisions	N/A	–43.2	N/A
Total	**N/A**	**3,790.7**	N/A

Out of the bonds and other fixed-interest securities recognised under financial assets measured at amortised cost or at fair value through other comprehensive income, the following are listed on the stock exchange:

€m	31 Dec 2018	31 Dec 2017	Change
Debt securities and other fixed-interest securities	9,300.4	3,029.1	6,271.3

51 Intangible assets

€m	31 Dec 2018	31 Dec 2017	Change
Purchased goodwill	**148.1**	**148.1**	–
Software			
Purchased	23.3	28.8	–5.5
Developed in-house	4.7	3.6	1.1
Total software	**28.0**	**32.4**	–4.4
Other intangible assets	**11.5**	**14.2**	–2.7
Total	**187.6**	**194.7**	–7.1

Purchased goodwill includes goodwill arising on the acquisition of Deka Vermögensmanagement GmbH (formerly: Landesbank Berlin Investment GmbH) (€95.0m). For the purposes of the impairment test performed as at 31 December 2018, this goodwill was still allocated to the Asset Management Securities business division as the cash-generating unit. Purchased goodwill also includes goodwill arising on the acquisition of WestInvest Gesellschaft für Investmentfonds mbH (WestInvest) (€53.1m). The impairment test was carried out at the level of the Asset Management Real Estate division in the course of normal testing procedures as at 31 December 2018.

The recoverable amount of both cash-generating units, each taken individually, was determined on the basis of the value in use. The discount rate required for the income capitalisation approach used was derived using the capital asset pricing model (CAPM). The expected post-tax cash flows were calculated for a five-year period.

The performance of the Asset Management Securities division's total customer assets under management was identified as a key value driver in its capacity as a cash-generating unit. The forecast was based on national economic data and past empirical values. Business and earnings trends are expected to remain stable. The values taken for the perpetual annuity represent the forecast for 2023. The long-term growth rate remains unchanged at 1.0%. The discount rate was 8.27% (previous year: 8.47%). The value in use established using this approach was higher than the carrying value of the cash-generating unit. As a result, no impairment charge was required.

Internal forecasts based on national economic data and specific competition and market analyses were used for the Asset Management Real Estate division cash-generating unit. Account was taken of past empirical values, particularly with regard to the material value driver, which is the future development of total customer assets. On the basis of planned net sales, the fund business is expected to see a further increase in total customer assets and to consolidate its successful market position over the next three years. This is contingent on the successful completion of planned transactions in the target segments, in which competition remains intense. For the following years 2022 and 2023, lower net inflows of funds and lower performance are expected due to the cyclical nature of sales as a result, among other things, of regulatory or political uncertainties or other unforeseeable developments (such as rising interest rates, economic downturn). A perpetual return based on the forecast for 2023 was also taken into account and an unchanged long-term growth rate of 1.0% was assumed. The discount rate was 6.91% (previous year: 7.17%). The value in use established using this approach was higher than the carrying value of the cash-generating unit. As a result, no impairment charge was required.

Other intangible assets primarily comprise sales partnerships and customer relationships from the acquisition of Deka Vermögensmanagement GmbH (formerly: Landesbank Berlin Investment GmbH).

The following table shows the movement in intangible assets:

€m	Purchased goodwill	Software purchased	Software developed in-house	Other intangible assets	Total
Historical cost					
As at 1 January 2017	240.4	178.0	76.5	50.6	545.5
Additions	–	9.4	2.2	–	11.6
Disposals	–	0.2	–	–	0.2
Change in scope of consolidation	–1.7	–	–	–	–1.7
As at 31 December 2017	**238.7**	**187.2**	**78.7**	**50.6**	**555.2**
Additions	–	3.9	3.2	–	7.1
Disposals	–	–	–	–	–
Change in scope of consolidation	–	–	–	–	–
As at 31 December 2018	**238.7**	**191.1**	**81.9**	**50.6**	**562.3**
Cumulative amortisation/impairment					
As at 1 January 2017	92.3	148.4	73.0	33.7	347.4
Amortisation/impairment	–	10.0	2.1	2.7	14.8
Disposals	–	0.0	–	–	0.0
Change in scope of consolidation	–1.7	–	–	–	–1.7
As at 31 December 2017	**90.6**	**158.4**	**75.1**	**36.4**	**360.5**
Amortisation/impairment	–	9.4	2.1	2.7	14.2
Disposals	–	–	–	–	–
Change in scope of consolidation	–	–	–	–	–
As at 31 December 2018	**90.6**	**167.8**	**77.2**	**39.1**	**374.7**
Carrying value as at 31 December 2017	**148.1**	**28.8**	**3.6**	**14.2**	**194.7**
Carrying value as at 31 December 2018	**148.1**	**23.3**	**4.7**	**11.5**	**187.6**

52 Property, plant and equipment

€m	31 Dec 2018	31 Dec 2017	Change
Plant and equipment	20.0	21.5	–1.5
Technical equipment and machines	5.6	5.9	–0.3
Total	**25.6**	**27.4**	–1.8

The movement in property, plant and equipment in the Deka Group was as follows:

€m	Land and buildings	Plant and equipment	Technical equipment and machines	Total
Historical cost				
As at 1 January 2017	–	46.2	60.1	106.3
Additions	–	9.6	5.3	14.9
Disposals	–	6.4	3.4	9.8
Change in scope of consolidation	–	–0.3	–	–0.3
As at 31 December 2017	**–**	**49.1**	**62.0**	**111.1**
Additions	–	0.6	1.7	2.3
Disposals	–	0.1	0.2	0.3
Reclassifications and other changes	–	–	–	–
Change in currency translation	–	0.0	0.0	0.0
Change in scope of consolidation	–	–	–	–
As at 31 December 2018	**–**	**49.6**	**63.5**	**113.1**
Cumulative depreciation/impairment				
As at 1 January 2017	–	31.5	57.7	89.2
Depreciation/impairment	–	2.7	1.8	4.5
Disposals	–	6.5	3.4	9.9
Change in scope of consolidation	–	–0.1	–	–0.1
As at 31 December 2017	**–**	**27.6**	**56.1**	**83.7**
Depreciation/impairment	–	2.0	2.0	4.0
Write-backs	–	–	–	
Disposals	–	0.0	0.2	0.2
Reclassifications and other changes	–	–	–	–
Change in currency translation	–	–0.0	–0.0	–0.0
Change in scope of consolidation	–	0.0	–	0.0
As at 31 December 2018	**–**	**29.6**	**57.9**	**87.5**
Carrying value as at 31 December 2017	**–**	**21.5**	**5.9**	**27.4**
Carrying value as at 31 December 2018	**–**	**20.0**	**5.6**	**25.6**

53 Income tax assets

€m	31 Dec 2018	31 Dec 2017	Change
Current income tax assets	195.2	186.2	9.0
Deferred income tax assets	202.5	183.2	19.3
Total	**397.7**	**369.4**	28.3

Deferred income tax assets represent the potential income tax relief arising from temporary differences between the values of assets and liabilities on the IFRS balance sheet and the tax balance sheet.

In the year under review, deferred tax assets included €4.8m in relation to tax loss carry-forwards at one Group company (previous year: €2.9m).

Deferred tax assets were recognised in relation to the following line items:

€m	31 Dec 2018	31 Dec 2017	Change
Asset items			
Due from customers	1.0	6.6	–5.6
Financial assets at fair value	1.5	0.9	0.6
Intangible assets	13.4	16.5	–3.1
Other assets	3.2	0.3	2.9
Liability items			
Due to banks	9.2	11.8	–2.6
Due to customers	47.4	59.9	–12.5
Securitised liabilities	0.6	–	0.6
Financial liabilities at fair value	212.0	222.3	–10.3
Negative market values of derivative hedging instruments	12.5	10.3	2.2
Provisions	148.0	132.3	15.7
Other liabilities	2.7	5.6	–2.9
Subordinated capital	1.1	1.3	–0.2
Loss carryforwards	**4.8**	**2.9**	1.9
Sub-total	**457.4**	**470.7**	–13.3
Netting	–254.9	–287.5	32.6
Total	**202.5**	**183.2**	19.3

Reported deferred tax assets include €167.7m (previous year: €148.4m) that are medium or long-term in nature.

As at the reporting date, two Group companies had unrecognised loss carry-forwards of €0.6m (previous year: €0.2m). There were still no other temporary differences for which deferred tax assets have not been recognised.

The netting of deferred tax assets and liabilities relates mainly to short-term deferred taxes arising from temporary differences in connection with financial assets and liabilities at fair value.

At the reporting date, as in the previous year, there were no outside basis differences that would have led to the recognition of deferred tax assets.

Deferred income tax assets amounting to €59.0m in connection with provisions for pensions (previous year: €49.2m) were offset against equity. In addition, deferred tax assets of €2.8m for creditworthiness-related fair value changes to financial liabilities designated at fair value were offset against equity.

54 Other assets

€m	31 Dec 2018	31 Dec 2017	Change
Amounts due from investment funds	131.4	160.4	–29.0
Amounts due from non-banking business	14.7	20.8	–6.1
Amounts due or refunds from other taxes	0.4	0.3	0.1
Other miscellaneous assets	108.3	89.6	18.7
Prepaid expenses	29.0	29.5	–0.5
Total	**283.8**	**300.6**	–16.8

Other assets include €45.6 thousand (previous year: €9.8 thousand) that are of a medium or long-term nature.

55 Due to banks

€m	31 Dec 2018	31 Dec 2017	Change
Domestic banks	13,285.7	14,541.3	–1,255.6
Foreign banks	9,664.1	4,696.5	4,967.6
Total	**22,949.8**	**19,237.8**	3,712.0
Thereof:			
Collateralised registered bonds and promissory note loans	67.3	78.7	–11.4
Unsecured registered bonds and promissory note loans	2,464.8	2,749.3	–284.5

Amounts due to banks include payments received of €7.4bn on genuine securities repurchase agreements and collateralised securities lending transactions (previous year: €3.6bn).

56 Due to customers

€m	31 Dec 2018	31 Dec 2017	Change
Domestic customers	19,373.2	18,683.6	689.6
Foreign customers	6,350.0	7,977.3	–1,627.3
Total	**25,723.2**	**26,660.9**	–937.7
Thereof:			
Collateralised registered bonds and promissory note loans	1,074.3	1,467.5	–393.2
Unsecured registered bonds and promissory note loans	1,258.3	1,219.1	39.2

Amounts due to customers include payments received of €1.1bn from genuine securities repurchase agreements and collateralised securities lending transactions (previous year: €3.6bn).

57 Securitised liabilities

Securitised liabilities include bonds and other liabilities for which transferable certificates are issued. Own bonds held by the Deka Group with a nominal amount of €208.7m (previous year: €152.5m) were deducted from the issued bonds.

€m	31 Dec 2018	31 Dec 2017	Change
Uncovered debt securities issued	4,840.9	7,629.0	–2,788.1
Covered debt securities issued	724.8	241.8	483.0
Money market securities issued	9,225.0	6,364.0	2,861.0
Total	**14,790.7**	**14,234.8**	555.9

58 Financial liabilities at fair value

In addition to trading issues and liabilities in the designated at fair value category, financial liabilities at fair value include negative market values from derivative financial instruments in the trading book as well as economic hedges which do not meet the criteria for hedge accounting in accordance with IAS 39. Short positions are also reported in this line item.

€m	31 Dec 2018	31 Dec 2017	Change
Trading portfolio			
Trading issues	20,348.7	17,463.1	2,885.6
Securities short portfolios	1,696.1	960.9	735.2
Negative market values of derivative financial instruments (trading)	5,407.4	5,326.7	80.7
Negative market values of derivative financial instruments (economic hedging derivatives)	375.6	N/A	N/A
Total – trading portfolio	**27,827.8**	**23,750.7**	4,077.1
Financial liabilities designated at fair value			
Issues	1,479.1	1,755.8	–276.7
Negative market values of derivative financial instruments (economic hedging derivatives)	N/A	476.3	N/A
Total – financial liabilities designated at fair value	**1,479.1**	**2,232.1**	–753.0
Total	**29,306.9**	**25,982.7**	3,324.2

Issues are broken down by product type as follows:

€m	31 Dec 2018	31 Dec 2017	Change
Trading portfolio			
Uncovered trading issues			
Bearer bonds issued	16,780.2	14,016.8	2,763.4
Registered bonds issued	1,324.2	1,163.2	161.0
Promissory notes raised	2,244.3	2,283.1	–38.8
Total	**20,348.7**	**17,463.1**	2,885.6
Financial liabilities designated at fair value			
Uncovered issues			
Bearer bonds issued	230.1	329.8	–99.7
Registered bonds issued	262.3	288.2	–25.9
Promissory notes raised	162.6	216.8	–54.2
Covered issues	824.1	921.0	–96.9
Total	**1,479.1**	**1,755.8**	–276.7

The fair value of issues in the designated at fair value category (fair value option) includes cumulative creditworthiness-related changes in value amounting to €8.8m (previous year: €12.6m) that are recognised in other comprehensive income.

The carrying amount of liabilities whose creditworthiness-related changes in value are recognised in other comprehensive income is €144.8m (previous year: €203.4m) higher than the repayment amount.

59 Negative market values of derivative hedging instruments

The negative market values of hedging instruments that meet the criteria for hedge accounting in accordance with IAS 39 are shown below by hedged underlying transactions:

	31 Dec 2018			31 Dec 2017		
€m	Nominal of the hedging instruments	Carrying amount of the hedging instruments[1]	Valuation result of the hedging instruments for the reporting period[2]	Nominal of the hedging instruments	Carrying amount of the hedging instruments[1]	Valuation result of the hedging instruments for the reporting period[2]
Interest rate fair value hedges						
Assets measured at amortised cost						
Due from banks	1,078.1	0.9	–11.5	N/A	0.1	N/A
Due from customers	3,217.0	38.2	–21.6	N/A	11.6	N/A
Debt securities and other fixed-interest securities	144.2	0.1	–0.4	N/A	–	N/A
Financial assets measured at fair value through other comprehensive income						
Debt securities and other fixed-interest securities	1,458.6	0.1	–13.4	N/A	N/A	N/A
Liabilities measured at amortised cost						
Due to banks	145.0	0.0	0.0	N/A	0.1	N/A
Due to customers	171.5	0.0	–6.1	N/A	–	N/A
Securitised liabilities	298.8	0.0	1.4	N/A	0.2	N/A
Subordinated capital	–	–	–	N/A	–	N/A
Currency cash flow hedges						
Asset items	–	–	–	N/A	–	N/A
Total	**6,513.2**	**39.3**	**–51.6**	**N/A**	**12.0**	**N/A**

[1] The majority of interest rate swaps designated as hedging instruments are cleared via CCP. The carrying amount of these hedging instruments have been offset against the variation margin paid.

[2] Includes the change in fair value of the hedging instruments used for recognising the ineffectiveness for the reporting period.

Only interest rate swaps were designated as hedging instruments for fair value hedges.

60 Provisions for pensions and similar obligations

The following table shows the movement in provisions:

€m	Provisions for pensions	Provisions for similar commitments[1]	Total
As at 1 January 2017	**214.2**	**21.7**	**235.9**
Allocation	36.6	8.6	45.2
Utilisation	13.4	6.7	20.1
Reclassifications	–	0.1	0.1
Change in plan assets	– 65.5	– 1.1	– 66.6
Business combinations and change in scope of consolidation	2.9	0.8	3.7
Revaluations recognised in other comprehensive income	– 15.4	–	– 15.4
As at 31 December 2017	**159.4**	**23.4**	**182.8**
Allocation	32.6	4.6	37.2
Utilisation	13.1	5.9	19.0
Reclassifications	–	3.4	3.4
Change in plan assets	– 11.3	– 1.6	– 12.9
Revaluations recognised in other comprehensive income	30.7	–	30.7
As at 31 December 2018	**198.3**	**23.9**	**222.2**

[1] Including provision for working hours accounts

The present value of the obligations can be reconciled to the provision on the balance sheet as follows:

€m	31 Dec 2018	31 Dec 2017	Change
Present value of fully or partially funded defined benefit obligations	765.6	746.0	19.6
Fair value of plan assets at reporting date	599.0	612.3	– 13.3
Funding status	**166.6**	**133.7**	32.9
Present value of unfunded defined benefit obligations	55.6	49.1	6.5
Provisions for pensions	**222.2**	**182.8**	39.4

The movement in the net liability was as follows:

	Defined benefit obligations		Fair value of plan assets		Net obligation/ (net asset)	
€m	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
As at 1 January	**795.1**	**755.8**	**612.3**	**519.9**	**182.8**	**235.9**
Current service cost	29.4	32.3	–	–	29.4	32.3
Interest expense or income	14.8	14.5	11.6	10.2	3.2	4.3
Other pension expenses	4.6	8.6	–	–	4.6	8.6
Pension expenses (recognised in profit or loss)	**48.8**	**55.4**	**11.6**	**10.2**	**37.2**	**45.2**
Actuarial gains/losses from:						
Financial assumptions	–	6.4	–	–	–	6.4
Demographic assumptions	4.8	–	–	–	4.8	–
Experience adjustment	–11.9	–10.2	–	–	–11.9	–10.2
Income from plan assets excluding interest income	–	–	–37.8	11.6	37.8	–11.6
Revaluation gains/losses (recognised in other comprehensive income)	**–7.1**	**–3.8**	**–37.8**	**11.6**	**30.7**	**–15.4**
Transfers	3.4	0.1	–	–	3.4	0.1
Business combinations and change in scope of consolidation	–	7.7	–	4.0	–	3.7
Employer contributions	–	–	5.8	58.9	–5.8	–58.9
Employee contributions	–	–	7.8	8.7	–7.8	–8.7
Benefits paid	–19.0	–20.1	–0.7	–1.0	–18.3	–19.1
As at 31 December	**821.2**	**795.1**	**599.0**	**612.3**	**222.2**	**182.8**
Comprising:						
Final salary plans and general contribution schemes	499.2	492.5	366.6	374.9	132.6	117.6
Unit-linked defined contribution plans	289.9	272.5	224.0	230.7	65.9	41.8

The present value of the defined benefit obligation was calculated using the Heubeck 2018 G mortality tables based on the following actuarial parameters:

%	**31 Dec 2018**	**31 Dec 2017**	Change
Actuarial interest rate	1.90	1.90	–
Pension trend for adjustments according to Section 16(2) Company Pension Funds Act (BetrAVG)[1]	1.75	1.75	–
Pension adjustment with overall trend updating[1]	2.25	2.25	–
Salary trend[1]	2.50	2.50	–

[1] Not relevant for the valuation of unit-linked pension commitments as these are not dependent on final salary

For non-vested projected benefits, staff turnover profiles published by Heubeck-Richttafeln-GmbH are also used in the calculation with a level parameter of 1.5. The discount factor for similar commitments was –0.28% (previous year: –0.28%). This rate takes account of the shorter time to maturity compared to pension commitments as well as the rate of adjustment in early retirement and transitional payments not shown separately.

The sensitivity analysis presented below shows how a change in significant actuarial assumptions can affect the defined benefit obligation (DBO). This analysis considers the change in one assumption, leaving the other assumptions unchanged relative to the original calculation. This means that potential correlation effects between the individual assumptions are disregarded. The sensitivity analysis only applies to the present value of the DBO and not to the net obligation, as the latter is determined by a number of factors including both the actual assumptions and the fair value of the plan assets.

€m	Change in actuarial assumptions	Effect on defined benefit obligations 31 Dec 2018	Effect on defined benefit obligations 31 Dec 2017
Actuarial interest rate	Increase of 1.0 percentage points	–115.1	–112.0
	Reduction of 1.0 percentage points	147.3	146.2
Salary trend	Increase of 0.25 percentage points	5.8	6.3
	Reduction of 0.25 percentage points	–5.5	–5.9
Pension trend	Increase of 0.25 percentage points	16.2	16.1
	Reduction of 0.25 percentage points	–15.4	–15.4
Life expectancy	Extended by 1 year	23.6	22.7

At the balance sheet date, plan assets were as follows:

€m	31 Dec 2018	31 Dec 2017	Change
Mutual funds	231.7	236.5	–4.8
Equity funds	211.9	219.1	–7.2
Bond funds	2.0	1.6	0.4
Mixed funds	9.5	9.1	0.4
Near-money-market funds	8.3	6.7	1.6
Special funds	366.6	375.0	–8.4
Insurance contracts	0.7	0.8	–0.1
Total	**599.0**	**612.3**	–13.3

Apart from insurance contracts, the plan assets consist of assets for which quoted market prices are available on an active market. As at 31 December 2018, the plan assets included €598.3m of the Deka Group's own investment funds (previous year: €611.5m). They did not include properties used by the Deka Group or other assets.

The units in mutual funds are used to finance unit-linked commitments and working hours accounts. For obligations under final salary plans and general contribution schemes, investments have been made in a special fund whose investment strategy is based on an integrated asset-liability approach. Insurance contracts relate mainly to term life assurance policies. The risks associated with defined benefit obligations include not only the usual actuarial risks, such as longevity risk and interest-rate risk, but also risks in connection with the plan assets. In particular, the plan assets may be subject to market price risks.

Income from the plan assets is assumed to match the actuarial interest rate, which is determined on the basis of corporate bonds with a credit rating of at least AA. If the actual return on the plan assets falls below the actuarial interest rate applied, the net obligation arising from the defined benefit commitments is increased. However, in view of the composition of the plan assets, it is assumed that the actual return over the medium to long term will exceed the yield on good-quality corporate bonds.

The amount of the net obligation is also affected in particular by the actuarial interest rate. The current very low level of interest rates leads to a relatively high net obligation. A further decline in corporate bond yields would lead to a further increase in the defined benefit obligations, which may only be partially offset by the positive performance of the plan assets.

The weighted average maturity of the defined benefit pension obligations was 16.1 years as at the balance sheet date (previous year: 16.3 years).

The present value of the defined benefit obligations is made up as follows:

€m	31 Dec 2018	31 Dec 2017	Change
Current scheme members	439.0	424.4	14.6
Former scheme members	178.8	170.5	8.3
Pensioners and surviving dependents	203.4	200.2	3.2
Present value of defined benefit obligation	**821.2**	**795.1**	26.1

For the 2019 financial year it is expected that contributions amounting to €13.6m (previous year: €14.8m) will have to be allocated to the defined benefit schemes.

61 Other provisions

€m	31 Dec 2018	31 Dec 2017	Change
Provisions in investment funds business	66.6	70.2	–3.6
Provisions for legal risks	26.6	27.0	–0.4
Provisions for restructuring measures	18.4	27.7	–9.3
Provisions in human resources	2.7	1.0	1.7
Provisions for credit risks	1.8	1.7	0.1
Provisions for operational risks	0.6	0.9	–0.3
Sundry other provisions	9.5	11.6	–2.1
Total	**126.2**	**140.1**	–13.9

Restructuring provisions result from various restructuring activities of the Deka Group, mainly resulting from the strategic restructuring of DekaBank Deutsche Girozentrale Luxembourg S.A. and the strategic restructuring of the subsidiary Deka Vermögensmanagement GmbH (DVM) in the Securities business division.

Provisions for legal and operational risks are established for potential losses that could result from the use of inadequate internal processes and systems or their failure, as well as from human error and external events. The provisions exist mainly to cover legal risks in the HR area and for refunds of unlawful processing charges in relation to lending business. Operational risks can lead to claims from customers, counterparties and supervisory authorities or to legal action.

Provisions for credit risks are provisions set up for expected losses from loan commitments, guarantees and sureties (see note [47] "Risk provisions in the lending and securities business").

Provisions are also created for funds with formal guarantees and targeted returns, as described below.

The Deka Group's range of products includes investment funds with guarantees of various types. Upon maturity of the fund or at the end of the investment period, the investment management company guarantees that the investor will receive either the capital originally invested or the unit value at the start of that investment period. The amount of the provision is the forecast shortfall at the guarantee date, which is the difference between the expected unit value and the unit value guaranteed. As at the balance sheet date, provisions of €2.9m (previous year: €2.1m) had been made based on the performance of the relevant funds. As at the reporting date, the guarantees covered a maximum total volume of €3.1bn (previous year: €3.4bn) as at the respective guarantee dates. The market value of the relevant funds totalled €3.2bn (previous year: €3.7bn). This includes funds with a forecast return performance, as described below, which had a volume of €1.4bn (previous year: €1.6bn).

Investment funds whose return is forecast and published on the basis of current money market rates set by the Group exist in two varieties: with or without a capital guarantee. The level of the provision is determined using potential loss scenarios taking account of the risks related to liquidity, interest rate and spreads. As at the reporting date, provisions of €21.0m (previous year: €44.4m) had been set up. The underlying total value of the funds was €2.8bn (previous year: €6.8bn), of which €1.4bn (previous year: €1.6bn) related to funds with a capital guarantee and €1.4bn (previous year: €5.2bn) to funds without a capital guarantee.

The sundry other provisions were established in respect of liabilities arising from a range of issues.

The movement in other provisions is as follows:

€m	Opening balance 1 Jan 2018	Addition	Utilisations	Reversal	Reclassi-fications	Changes in the scope of consoli-dation	Accrued interest	Currency effects	Closing balance 31 Dec 2018
Provisions in investment funds business	70.2	37.4	38.8	2.1	–	–	–0.1	–	66.6
Provisions for legal risks	27.0	1.7	0.0	2.1	–	–	–	–	26.6
Provisions for restructuring measures	27.7	21.4	22.9	2.7	–5.1	–	–	–	18.4
Provisions for credit risks[1]	2.1	1.6	–	2.0	–	–	–0.0	0.1	1.8
Provisions for operational risks	0.9	–	0.1	0.2	–	–	–	–	0.6
Provisions in human resources	1.0	0.5	0.4	0.1	1.7	–	–	–	2.7
Sundry other provisions	11.6	2.1	9.1	0.1	–	5.0	–	0.0	9.5
Other provisions	**140.5**	**64.7**	**71.3**	**9.3**	**–3.4**	**5.0**	**–0.1**	**0.1**	**126.2**

[1] The openeing balance was adjusted in the context of IFRS 9 First-time adoption (see note [3] "Effects of applying IFRS 9").

Some of the provisions for restructuring measures are reclassified as provisions for pensions and similar commitments in the subsequent year, in accordance with their underlying nature.

Other provisions include €62.9m (previous year: €35.9m) that are of a medium or long-term nature.

62 Income tax liabilities

€m	31 Dec 2018	31 Dec 2017	Change
Provisions for income taxes	37.8	15.8	22.0
Current income tax liabilities	24.4	5.9	18.5
Deferred income tax liabilities	33.6	147.3	–113.7
Total	**95.8**	**169.0**	–73.2

Provisions for income taxes relate to corporation tax, the solidarity surcharge and trade tax. Provisions for income taxes include €5.3m (previous year: €15.8m) that are of a medium or long-term nature.

Current income tax liabilities include payments for income taxes from the reporting year and earlier periods that were due but had not yet been paid as at the reporting date. Deferred income tax liabilities represent the potential income tax charges from temporary differences between the values of assets and liabilities on the IFRS balance sheet and the tax balance sheet.

Deferred tax liabilities were recognised in relation to the following line items on the balance sheet:

€m	31 Dec 2018	31 Dec 2017	Change
Asset items			
Due from banks	0.5	0.7	–0.2
Due from customers	11.2	0.1	11.1
Financial assets at fair value	244.5	290.9	–46.4
Positive market values of derivative hedging instruments	19.5	87.6	–68.1
Financial investments	9.2	47.9	–38.7
Shares in equity-accounted companies	0.1	0.1	–
Intangible assets	3.4	4.5	–1.1
Other assets	–	2.3	–2.3
Liability items			
Securitised liabilities	–	0.5	–0.5
Other liabilities	0.1	0.2	–0.1
Sub-total	**288.5**	**434.8**	–146.3
Netting	–254.9	–287.5	32.6
Total	**33.6**	**147.3**	–113.7

Reported deferred tax liabilities include €32.6m (previous year: €142.5m) that are of a short-term nature.

The netting of deferred tax assets and liabilities relates mainly to short-term deferred taxes arising from temporary differences in connection with financial assets and liabilities at fair value.

As at the reporting date, temporary differences existed in connection with outside basis differences at consolidated subsidiaries amounting to €418.7m (previous year: €462.5m), resulting in imputed deferred tax liabilities of €6.7m (previous year: €7.4m). In accordance with IAS 12.39, these have not been recognised on the balance sheet.

In the year under review, deferred income tax liabilities of €8.7m had to be recognised in connection with the fair value measurement of financial assets in other comprehensive income. A further €0.3m had to be recognised for risk provisions in connection with the fair value measurement of financial assets in other comprehensive income.

In the previous year, €0.7m was deducted from equity in relation to the first-time remeasurement of various equity interests held in the available-for-sale portfolio.

63 Other liabilities

The breakdown of other liabilities is as follows:

€m	31 Dec 2018	31 Dec 2017	Change
Liabilities			
Commissions not yet paid to sales offices	105.1	111.4	–6.3
Shares of profit attributable to atypical silent partners	96.5	77.6	18.9
Liabilities from current other taxes	22.0	69.9	–47.9
Debt capital from minority interests	0.7	0.7	–0.0
Unsettled securities spot deals	0.1	0.1	0.0
Other	98.4	82.9	15.5
Accruals			
Sales performance compensation	287.9	308.9	–21.0
Personnel costs	134.1	116.4	17.7
Year-end audit and other audit costs	7.5	6.9	0.6
Other accruals	64.7	52.7	12.0
Prepaid expenses	3.1	3.6	–0.5
Total	**820.1**	**831.1**	–11.0

DekaBank offsets the share of profit attributable to atypical silent partners against the taxes already deducted for the benefit of the owners. As at the reporting date, the profit shares were €96.5m (previous year: €77.6m) higher than the taxes paid.

Debt capital from minority interests essentially comprises the minority interests in consolidated investment funds. This is presented under other liabilities, since the unit holders have a redemption right at any time.

Other liabilities include €8.6m (previous year: €4.9m) that are of a medium or long-term nature.

64 Subordinated capital

€m	31 Dec 2018	31 Dec 2017	Change
Subordinated bearer bonds	186.6	186.8	–0.2
Subordinated promissory note loans	170.3	171.4	–1.1
Other subordinated liabilities	521.6	520.9	0.7
Prorated interest on subordinated liabilities	20.9	20.6	0.3
Capital contributions of typical silent partners	–	26.4	–26.4
Prorated interest on capital contributions of typical silent partners	–	1.0	–1.0
Total	**899.4**	**927.1**	–27.7

There are no agreements or plans to convert these funds into capital or another form of debt. There is no early repayment obligation.

65 Atypical silent capital contributions

Atypical silent capital contributions amounted to €52.4m (previous year: €52.4m). The distribution on atypical silent capital contributions in the year under review was €53.0m (previous year: €60.6m).

66 Equity

€m	31 Dec 2018	31 Dec 2017	Change
Subscribed capital	286.3	286.3	–
Own shares (deduction)	94.6	94.6	–
Additional capital components (AT1 bonds)	473.6	473.6	–
Capital reserve	190.3	190.3	–
Retained earnings	4,614.1	4,494.1	120.0
Statutory reserve	6.4	6.3	0.1
Reserves required by the Bank's statutes	51.3	51.3	–
Other reserves from retained earnings	4,556.4	4,436.5	119.9
Revaluation reserve	–115.4	–77.6	–37.8
For provisions for pensions	–184.8	–154.1	–30.7
For cash flow hedges	–	–3.4	3.4
For financial assets available for sale	N/A	33.6	N/A
For equity-accounted companies	–6.6	–6.6	–
For financial assets measured at fair value through other comprehensive income	28.7	N/A	N/A
For own credit risk of financial liabilities designated at fair value	–8.8	N/A	N/A
Deferred taxes	56.1	52.9	3.2
Currency translation reserve	0.0	–0.1	0.1
Accumulated profit/loss (consolidated profit)	63.3	72.3	–9.0
Total	**5,417.6**	**5,344.3**	73.3

Notes on financial instruments

67 Net profit or loss by measurement category

The individual measurement categories resulted in the following contributions to net results:

€m	2018	2017	Change
Financial assets and liabilities measured at fair value through profit or loss	–19.4	N/A	N/A
Trading portfolio	27.6	N/A	N/A
Financial assets mandatorily measured at fair value through profit or loss	–37.1	N/A	N/A
Financial assets designated at fair value	–	N/A	N/A
Financial liabilities designated at fair value	–9.9	N/A	N/A
Thereof amounts recognised in profit or loss	–13.7	N/A	N/A
Thereof amounts recognised in other comprehensive income (OCI)	3.8	N/A	N/A
			N/A
Financial assets measured at fair value through other comprehensive income	–39.2	N/A	N/A
Thereof amounts transfered to profit or loss due to	48.7	N/A	N/A
			N/A
Financial assets measured at amortised cost	533.3	N/A	N/A
Financial liabilities measured at amortised cost	–205.3	N/A	N/A
Profit or loss from fair value hedges according to IAS 39	–0.3	N/A	N/A

€m	2018	2017	Change
Loans and receivables	N/A	474.7	N/A
Held to maturity	N/A	71.6	N/A
Other liabilities	N/A	–354.5	N/A
Other comprehensive income	N/A	28.5	N/A
Result recognised in profit and loss	N/A	8.0	N/A
Available for sale	N/A	36.5	N/A
Held for trading[1]	N/A	182.1	N/A
Designated at fair value[1]	N/A	–34.7	N/A
Valuation result from hedge accounting for fair value hedges	N/A	–0.6	N/A
Result from hedge accounting for cash flow hedges, recognised in other comprehensive income	N/A	25.7	N/A

[1] Prior-year figures have been adjusted for better comparability (see note [36] "Trading profit or loss").

Income and expense contributions are presented in line with their allocation to measurement categories in accordance with IFRS 9. All income and expense components, i.e. sale and valuation results, as well as interest and current income and commission for financial instruments measured at fair value are included. The net income from equity-accounted companies is excluded.

The contribution from financial assets measured at amortised cost to net results includes income of €4.8m from the derecognition of amounts due from customers and banks. The reason for the derecognition of these assets is due to early repayments by debtors.

As in the previous year, no reclassifications were made in the year under review, with the exception of the reclassification of securities from the liquidity reserve in connection with the first-time application of IFRS 9 (see note [3] "Effects of applying IFRS 9").

68 Fair value disclosures

The carrying values and fair values of financial assets and financial liabilities are divided among the measurement categories and classes of financial instruments as shown in the following table.

€m	31 Dec 2018 Fair value	31 Dec 2018 Carrying value	31 Dec 2017 Fair value	31 Dec 2017 Carrying value
Assets				
Financial assets measured at amortised cost (IFRS 9)				
Cash reserves	15,302.5	15,302.5	N/A	N/A
Due from banks	24,068.9	23,972.6	N/A	N/A
Due from customers	24,266.6	24,419.9	N/A	N/A
Financial investments	4,988.6	5,026.9	N/A	N/A
Other assets	146.3	146.3	N/A	N/A
Loans and receivables (IAS 39)				
Cash reserves	N/A	N/A	10,039.6	10,039.6
Due from banks	N/A	N/A	26,515.5	26,396.4
Due from customers	N/A	N/A	20,910.3	20,650.5
Financial investments	N/A	N/A	850.7	875.3
Other assets	N/A	N/A	214.6	214.6
Held-to-maturity-investments (IAS 39)				
Financial investments	N/A	N/A	2,906.8	2,851.2
Financial assets available for sale (IAS 39)				
Financial investments	N/A	N/A	64.2	64.2
Financial assets measured at fair value through other comprehensive income (IFRS 9)				
Financial investments	5,751.7	5,751.7	N/A	N/A
Other assets	–	–	N/A	N/A
Financial assets measured at fair value through profit or loss				
Held-for-Trading (IFRS 9/IAS 39)				
Financial assets at fair value	14,669.8	14,669.8	12,472.7	12,472.7
Financial assets mandatorily measured at fair value through profit or loss (IFRS 9)				
Financial assets at fair value	10,375.6	10,375.6	N/A	N/A
Other assets	26.9	26.9	N/A	N/A
Financial assets designated as at fair value through profit or loss (IFRS 9/IAS 39)				
Financial assets at fair value	–	–	19,512.7	19,512.7
Positive market values of derivative hedging instruments	13.5	13.5	20.4	20.4
Total asset items	**99,610.4**	**99,705.7**	**93,507.5**	**93,097.6**
Liabilities				
Financial liabilities measured at amortised cost (IFRS 9/IAS 39)				
Due to banks	23,056.0	22,949.8	19,357.6	19,237.8
Due to customers	25,903.7	25,723.2	26,882.2	26,660.9
Securitised liabilities	14,848.0	14,790.7	14,303.0	14,234.8
Subordinated capital	981.6	899.4	1,014.0	927.1
Other liabilities	174.0	174.0	240.6	240.6
Financial liabilities measured at fair value through profit or loss (IFRS 9/ IAS 39)				
Trading portfolio				
Financial liabilities at fair value	27,827.8	27,827.8	23,750.7	23,750.7
Other liabilities	1.7	1.7	N/A	N/A
Financial liabilities designated at fair value				
Financial liabilities at fair value	1,479.1	1,479.1	2,232.0	2,232.0
Negative market values of derivative hedging instruments	39.3	39.3	12.0	12.0
Total liability items	**94,311.2**	**93,885.0**	**87,792.1**	**87,295.9**

For financial instruments due on demand or short-term financial instruments, fair value is the amount payable as at the reporting date. The carrying value therefore represents a reasonable approximation to the fair value. These include, *inter alia*, the cash reserve, overdraft facilities and demand deposits due from or owed to banks and customers, and financial instruments included in other assets or other liabilities. In the following description of the fair value hierarchy, financial assets amounting to €16,465.9m (previous year: €11,148.4m) and financial liabilities amounting to €14,211.4m (previous year: €14,897.0m) are not allocated to any level of the fair value hierarchy.

Fair value hierarchy
Financial instruments carried at fair value on the balance sheet, as well as financial instruments that are not measured at fair value but whose fair value must be stated, must be allocated to the following three fair value hierarchy levels specified in IFRS 13, depending on the input factors influencing their valuation:

Level 1 (Prices quoted in active markets): Financial instruments whose fair value can be derived directly from prices on active, liquid markets are allocated to this level.

Level 2 (Valuation method based on observable market data): Financial instruments whose fair value can be determined either from similar financial instruments traded on active and liquid markets, from similar or identical financial instruments traded on less liquid markets, or based on valuation methods with directly or indirectly observable input factors, are allocated to this level.

Level 3 (Valuation method not based on observable market data): Financial instruments whose fair value is determined based on valuation models using, among other things, input factors not observable in the market, provided they are significant for the valuation, are allocated to this level.

The tables below show the fair values of the financial instruments recognised on the balance sheet, according to their level in the fair value hierarchy.

€m	Prices listed on active markets (level 1)		Valuation method based on observable market data (level 2)		Valuation method not based on observable market data (level 3)	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Financial assets measured at fair value through profit or loss						
Debt securities, other fixed-interest securities and loan receivables	6,007.8	14,965.4	6,767.7	5,897.1	4,307.6	1,977.9
Shares and other non fixed-interest securities	2,880.5	3,605.1	51.7	47.5		–
Derivative financial instruments	83.4	371.9	4,791.5	5,105.2	107.8	15.3
Interest-rate-related derivatives	0.1	–	4,230.1	4,389.4	61.5	1.2
Currency-related derivatives	–	–	119.7	184.3	–	–
Share and other price-related derivatives	83.3	371.9	441.7	531.5	46.3	14.1
Positive market values of derivative hedging instruments	–	–	13.5	20.4	–	–
Shareholdings	–	–	–	–	47.4	64.2
Financial assets measured at fair value through other comprehensive income						
Debt securities and other fixed-interest securities	2,368.2	N/A	3,383.5	N/A	–	N/A
Assets measured at cost						
Due from banks	–	–	20,169.2	21,653.3	3,548.1	4,377.1
Thereof: Assets from genuine repurchase agreements and collateralised securities lending transactions	–	–	15,711.4	17,344.9	–	–
Due from customers	–	–	5,768.2	4,403.4	17,859.8	16,097.8
Thereof: Assets from genuine repurchase agreements and collateralised securities lending transactions	–	–	4,634.7	3,640.7	–	–
Debt securities and other fixed-interest securities	2,606.3	1,961.1	1,478.0	1,254.6	904.3	541.8
Total	**13,946.2**	**20,903.5**	**42,423.3**	**38,381.5**	**26,775.0**	**23,074.1**

€m	Prices listed on active markets (level 1)		Valuation method based on observable market data (level 2)		Valuation method not based on observable market data (level 3)	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Financial liabilities measured at fair value through profit or loss						
Securities short portfolios	1,264.3	841.9	431.2	119.0	0.6	–
Derivative financial instruments	190.8	700.5	5,403.5	5,072.5	188.7	30.0
Interest-rate-related derivatives	–	–	3,899.8	4,231.5	159.0	22.3
Currency-related derivatives	–	–	113.9	207.7	–	–
Share and other price-related derivatives	190.8	700.5	1,389.8	633.3	29.7	7.7
Issues	–	–	19,493.4	18,271.8	2,334.4	947.0
Negative market values of derivative hedging instruments	–	–	39.3	12.0	–	–
Liabilities measured at cost						
Due to banks	–	–	22,421.9	18,670.7	104.9	126.4
Thereof: Liabilities from genuine repurchase agreements and collateralised securities lending transactions	–	–	7,404.8	3,551.6	–	–
Due to customers	–	–	11,714.3	12,212.0	682.9	574.3
Thereof: Liabilities from genuine repurchase agreements and collateralised securities lending transactions	–	–	1,092.7	3,625.2	–	–
Securitised liabilities	–	–	14,848.0	14,303.0	–	–
Subordinated capital	–	–	79.6	84.1	902.0	929.9
Total	**1,455.1**	**1,542.4**	**74,431.2**	**68,745.1**	**4,213.5**	**2,607.6**

Level reclassifications

The following reclassifications between level 1 and level 2 of the fair value hierarchy took place in respect of assets and liabilities measured at fair value and held in the portfolio at the reporting date:

€m	Reclassifications from level 1 to level 2		Reclassifications from level 2 to level 1	
	2018	2017	2018	2017
Financial assets measured at fair value through profit or loss				
Debt securities, other fixed-interest securities and loan receivables	2,815.5	266.5	188.2	2,624.4
Derivative financial instruments	114.6	–	–	–
Share and other price-related derivatives	114.6	–	–	–
Financial liabilities measured at fair value through profit or loss				
Securities short portfolios	113.9	46.6	32.3	39.6
Derivative financial instruments	584.2	–	–	–
Share and other price-related derivatives	584.2	–	–	–

Financial instruments were transferred from level 1 to level 2 during the year under review because prices on an active market could no longer be demonstrated for these financial instruments. Financial instruments were also transferred from level 2 to level 1 because, at the reporting date, prices were available for these financial instruments on an active market which could be used unchanged for valuation purposes.

Within the Deka Group, reclassifications between the different levels of the fair value hierarchy are deemed to have taken place at the end of the relevant reporting period.

Fair value hierarchy level 1

Where securities and derivatives are traded on active markets with sufficient liquidity, and hence where stock market prices or executable broker quotations are available, these prices are used to determine the fair value.

The fair value of units in unconsolidated investment funds is generally determined from the redemption price published by the investment management company.

Fair value hierarchy level 2

Fair values for insufficiently liquid bearer bonds are determined on the basis of discounted future cash flows. Instrument-specific and issuer-specific interest rates are used for discounting. Discount rates are determined from market prices of similar liquid securities, selected according to criteria in the categories of issuer, sector, rating, rank and maturity.

Derivative financial instruments are measured using standard valuation models, such as the Black-Scholes model, the Black-76 model, the SABR model, the Bachelier model, the G1PP model, the G2PP model or the local volatility model. The models are always calibrated using observable market data.

Interest rate and interest rate/currency swaps and unlisted interest rate futures are measured on the basis of the discounted cash flow model using the market interest rates applying to the remainder of the term of the financial instruments. The tenor structures of the individual interest rates are taken into account by means of separate forward interest rate curves. Interest rate swaps are discounted using the currency-specific interest rate curve. This is used for bootstrapping the forward yield curve. For the foreign currency cash flows in interest rate/currency swaps, discounting is carried out taking into account the cross-currency basis.

Fair values for forward currency contracts are determined at the reporting date on the basis of the future rates, which in turn are quoted by FX swap points in the market.

Fair values of single name and index credit default swaps are determined using a standard hazard rate model calibrated to the respective par CDS spreads.

The fair value of deposits and borrowings is determined by discounting future cash flows using discount rates that are customary for comparable financial transactions with similar terms on liquid or less liquid markets.

The fair value of receivables and liabilities from genuine securities repurchase agreements is calculated by discounting future cash flows using the corresponding credit risk-adjusted discount rate. The discount rate applied takes into account the collateral criteria agreed at the time of concluding the genuine securities repurchase agreement.

If no price is observable on an active market for financial liabilities, fair value is determined by discounting the contractually agreed cash flows using an interest rate at which comparable liabilities could have been issued. Any existing collateralisation structure is taken into account, such as that used for *Pfandbriefe*, for example.

Fair value hierarchy level 3

Fair values of amounts due from banks or due from customers relating to lending business are determined using the present value method. Future cash flows from receivables are discounted at a risk-adjusted market rate based on the categories of borrower, sector, rating, rank and maturity.

If loan receivables are recognised at fair value, a granular analysis is carried out when determining the first spread component. In particular, side agreements such as the borrower's rights of termination or caps/floors are taken into account. These side agreements are each taken into account using suitable, recognised valuation procedures. Loans are allocated to level 3 irrespective of their IFRS category.

The debt securities, other fixed-interest securities and loan receivables disclosed under financial assets measured at fair value through profit or loss are bonds, promissory note loans, originated loans and non-synthetic securitisations. Since early 2009, the Bank has been winding down the latter whilst safeguarding assets.

The fair value of the bonds is calculated either using the discounted cash flow model based on credit spreads that cannot be observed on the market or on the basis of indicative quotations that implicitly result in a valuation spread. The promissory note loans are also measured using the discounted cash flow model based on credit spreads that cannot be observed on the market. Assuming an average uncertainty of five basis points relating to the credit spreads, the fair value of the bonds and promissory note loans could have been €5.2m higher or lower.

Determining the fair value of loan receivables also involves the use of spreads that are not observable in the market. Assuming an average uncertainty of fifty basis points relating to the credit spreads, the fair value of the loan receivables could have been €1.3m higher or lower.

The fair value of the non-synthetic securitisation positions in the portfolio is determined on the basis of indicative quotations. These quotations are obtained from various brokers as well as from market price providers, such as S&P. The bid-ask spreads from the available price indications for the individual securitisation positions were used to determine a cautious bid-ask spread, which was used as an estimate for price sensitivity. Using this bid-ask spread, a variation range of 0.54 percentage points averaged across the portfolio was obtained. On this basis, the market value of the securitisation positions concerned could have been €0.3m higher or lower.

The Bank also allocates to level 3 a limited number of equity, credit and interest rate derivatives or issues with embedded equity, credit and interest rate derivatives, for example if unobservable valuation parameters are used which are significant for their valuation. For equity and interest rate derivatives whose valuation requires correlations, the Bank typically uses historical correlations with the relevant share prices or interest rate fixings, or changes to these. The sensitivity of the equity option positions concerned was around €–5.2m as at 31 December 2018. For interest rate derivatives based on an index spread, the sensitivity in terms of the correlation between the relevant reference indices is mapped via shifts in the model parameters. The resulting change in the correlation is approximately +1.0%, giving rise to a measurement difference of €+0.6m. There are also equity derivatives with a maturity that is longer than the equivalent (based on the underlying) exchange-traded equity (index) options. The temporal extrapolation uncertainty as at 31 December 2018 is approximately €4.4m with an equity vega of 1.35. For credit default swaps (CDS) and credit linked notes with a longer maturity than CDS spreads quoted on the market, a temporal extrapolation uncertainty of five basis points is assumed. As at 31 December 2018, this results in a value of €1.7m.

There are no publicly quoted market prices for the company shares listed as shareholdings. The fair value of company shares is determined using the dividend discount model, provided that the company pays dividends on a sustained basis. Other company shares are measured on the basis of the net asset value approach. Following a review of the valuation models in 2017, any equity investments for which there are regular share buyback programmes were measured using the market method based on comparable transaction prices. There is currently no intention to sell these assets.

Under subordinated liabilities, DekaBank essentially reports positions of a hybrid capital nature which are allocated to level 3 due to the absence of indications of spreads tradable on the market. They are valued using the discounted cash flow model based on an interest rate which is checked at the relevant reporting date.

The fair values of liabilities in relation to issuing business are determined using the present value method. The future cash flows of the liabilities are discounted at a risk-adjusted market rate that is based on DekaBank's credit risk. For the valuation of collateralised issues, the collateral structure is also taken into account. The interest rate for a comparable unsecured issue is adjusted according to the collateralisation category and percentage.

As at 31 December 2018, 97.5% of bonds and other fixed-income securities allocated to level 3 for which an external rating was available were rated as investment grade.

Performance of financial instruments in fair value hierarchy level 3

The movement in level 3 assets carried at fair value is shown in the table below. This is based on fair values without accrued interest:

€m	Debt securities, other fixed-interest securities and loan receivables	Interest-rate-related derivatives	Share and other price-related derivatives	Shareholdings[4]	Total
As at 1 January 2017	**2,495.5**	**17.1**	**3.4**	**–**	**2,516.0**
Additions through purchase	983.8	0.1	13.4	–	997.3
Disposals through sale	1,117.9	–	0.1	–	1,118.0
Maturity/repayments	368.5	15.8	0.7	–	385.0
Transfers					
To Level 3	258.7	–	0.5	30.6	289.8
From Level 3	257.0	0.8	–	–	257.8
Changes arising from measurement/disposal					
Recognised in profit or loss[1]	–22.5	0.6	–2.4	–	–24.3
Recognised in other comprehensive income[2]	–	–	–	33.6	33.6
As at 31 December 2017	**1,972.1**	**1.2**	**14.1**	**64.2**	**2,051.6**
Movement in unrealised gains or losses in respect of assets in the portfolio at the balance sheet date[3]	**–34.2**	**0.6**	**–2.5**	**–**	**–36.1**
As at 1 January 2018	**1,977.9**	**1.2**	**14.1**	**48.2**	**2,041.4**
Additions through purchase	3,623.9	3.6	1.2	–	3,628.7
Disposals through sale	1,207.3	–	3.3	0.5	1,211.1
Maturity/repayments	292.2	–	1.4	–	293.6
Transfers					
To Level 3	461.2	47.0	–	–	508.2
From Level 3	289.9	–	0.5	–	290.4
Changes arising from measurement/disposal					
Recognised in profit or loss[1]	34.0	9.7	36.2	–0.3	79.6
Recognised in other comprehensive income[2]	–	–	–	–	–
As at 31 December 2018	**4,307.6**	**61.5**	**46.3**	**47.4**	**4,462.8**
Movement in unrealised gains or losses in respect of assets in the portfolio at the balance sheet date[3]	**32.8**	**9.7**	**36.2**	**–0.3**	**78.4**

[1] Gains and losses recognised in profit or loss from the measurement/disposal of level 3 financial instruments are included in net interest income, trading profit or loss, profit or loss on financial instruments mandatorily measured at fair value and profit or loss on financial instruments designated at fair value.
[2] Gains and losses recognised in other comprehensive income from the measurement of level 3 financial instruments are included in the revaluation reserve.
[3] Unrealised profits or losses from level 3 financial instruments are presented within net interest income, trading profit or loss, profit or loss on financial instruments required to be measured at fair value, profit or loss on financial instruments designated at fair value as well as revaluation reserve.
[4] Excluding shares in equity-accounted companies for the firts time in the reporting period.

The movement in level 3 liabilities carried at fair value is shown in the table below. This is based on fair values without accrued interest:

€m	Securities short portfolios	Interest-rate-related derivatives	Share and other price-related derivatives	Issues	Total
As at 1 January 2017	**–**	**123.5**	**1.3**	**705.3**	**830.1**
Additions through purchase	–	0.3	2.9	17.8	21.0
Disposals through sale	–	–	0.7	–	0.7
Additions through issues	–	–	–	516.5	516.5
Maturity/repayments	–	61.9	–	291.7	353.6
Transfers					
To Level 3	–	–	0.1	58.2	58.3
From Level 3	–	10.1	–	79.4	89.5
Changes arising from measurement/disposal					
Recognised in profit or loss[1]	–	37.3	–3.9	–18.0	15.4
Recognised in other comprehensive income[2]	–	–	–	–	–
As at 31 December 2017	**–**	**14.5**	**7.5**	**944.7**	**966.7**
Movement in unrealised gains or losses in respect of liabilities in the portfolio at the balance sheet date[3]	**–**	**37.2**	**–3.9**	**–13.8**	**19.5**
As at 1 January 2018	**–**	**22.3**	**7.5**	**947.2**	**977.0**
Additions through purchase	17.0	49.8	38.2	59.6	164.6
Disposals through sale	16.3	1.0	3.0	–	20.3
Additions through issues	–	–	–	1,715.4	1,715.4
Maturity/repayments	–	0.4	0.1	330.1	330.6
Transfers					
To Level 3	–	45.9	–	286.7	332.6
From Level 3	–	0.2	–	109.0	109.2
Changes arising from measurement/disposal					
Recognised in profit or loss[1]	0.1	–42.6	12.9	235.4	205.8
Recognised in other comprehensive income[2]	–	–	–	–	–
As at 31 December 2018	**0.6**	**159.0**	**29.7**	**2,334.4**	**2,523.7**
Movement in unrealised gains or losses in respect of liabilities in the portfolio at the balance sheet date[3]	**–**	**–42.6**	**12.9**	**227.3**	**197.6**

[1] Gains and losses recognised in profit or loss from the measurement/disposal of level 3 financial instruments are included in net interest income, trading profit or loss, profit or loss on financial instruments mandatorily measured at fair value and profit or loss on financial instruments designated at fair value.
[2] Gains and losses recognised in other comprehensive income from the measurement of level 3 financial instruments are included in the revaluation reserve.
[3] Unrealised profits or losses from level 3 financial instruments are presented within net interest income, trading profit or loss, profit or loss on financial instruments required to be measured at fair value, profit or loss on financial instruments designated at fair value as well as revaluation reserve.

During the reporting period, positive market values of debt securities, other fixed-interest securities and loan receivables amounting to €289.9m and negative market values of issues amounting to €109.0m were transferred from level 3. Furthermore, positive market values of debt securities, other fixed-interest securities and loan receivables of €461.2m and negative market values of issues of €286.7m were transferred to level 3. This was due to a more detailed analysis of the market data used for valuation.

Measurement processes for financial instruments in fair value hierarchy level 3

For all transactions in the trading book and the banking book, DekaBank generally performs a daily valuation independent of trading operations, which provides the basis for the calculation of results. Responsibility for the valuation process lies with Risk Control, the different tasks being assigned to various specialist teams as part of the valuation process. The models used for theoretical valuation of transactions must undergo validation and initial acceptance before they are employed in the valuation process. Adequacy checks are carried out on a regular basis as part of normal operations. The main steps in the process are the provision of market data that is independent of trading activities, parametrisation, performance of the valuation and quality assurance. Each of these steps and processes has a team responsible for design and implementation.

Finance and Risk Control analyse and provide commentary on any notable changes in the valuation carried out independently of trading activities. The economic profits and losses determined on the basis of this independent valuation are made available to the trading units on a daily basis for the trading book and on at least a weekly basis for the banking book. To support the process, a committee has been established within Risk Control which plans and coordinates the medium to long-term development of the valuation process.

Valuation models are always used where no reliable external prices are available. External price quotations are obtained from established providers such as stock exchanges and brokers. Every price is subject to a monitoring process which assesses its quality and establishes whether it is appropriate for use in the valuation process. Unless the level of quality is assessed as inadequate, a theoretical valuation is carried out.

For financial instruments whose present value is determined using a valuation model, the prices needed to calibrate the model are either found directly, independently of trading, or are checked via an independent price verification process (IPV) to ensure they are consistent with the market, and are corrected if necessary. The valuation models used are either validated by Risk Control or implemented in Risk Control independently of trading. The appropriateness of the models is examined by Risk Control on a regular basis, and at least once a year. The results of the examination form the basis for a joint recommendation agreed between Risk Control, Finance and the trading units on whether the valuation models should continue to be used or require further development.

When new financial instruments are introduced, existing valuation processes are examined to determine whether they can be applied to the new instrument and modified or expanded if necessary. Valuation processes may be expanded to include new price sources or apply new valuation models. Where new models are introduced, Risk Control checks for model risks as part of the implementation and validation process.

69 Offsetting financial assets and liabilities

The following table contains disclosures concerning the effects of offsetting on the Deka Group's consolidated balance sheet. Offsetting is currently only carried out for receivables and liabilities from genuine securities repurchase agreements and derivative transactions.

31 Dec 2018				Associated amounts not offset in the statement of financial position		
€m	Financial assets/ liabilities (gross)	Offset financial assets/ liabilities	Amount disclosed in the statement of financial position (net)	Collateral – securities	Cash – collateral	Net amount
Assets						
Receivables arising from securities repurchase agreements (eligible for offsetting)	9,943.2	5,882.7	4,060.5	4,060.5	–	–
Receivables arising from securities repurchase agreements (not eligible for offsetting)	16,224.6	–	16,224.6	16,224.6	–	–
Derivatives (eligible for offsetting)	7,871.3	7,836.6	34.7	–	34.7	–
Derivatives (not eligible for offsetting)	4,961.5	–	4,961.5	205.8	1,422.1	3,333.6
Total	**39,000.6**	**13,719.3**	**25,281.3**	**20,490.9**	**1,456.8**	**3,333.6**
Liabilities						
Liabilities arising from securities repurchase agreements (eligible for offsetting)	7,877.9	5,882.7	1,995.2	1,995.2	–	–
Liabilities arising from securities repurchase agreements (not eligible for offsetting)	5,194.8	–	5,194.8	5,194.8	–	–
Derivatives (eligible for offsetting)	7,600.3	7,567.3	33.0	33.0	–	–
Derivatives (not eligible for offsetting)	5,789.3	–	5,789.3	133.0	1,996.9	3,659.4
Total	**26,462.3**	**13,450.0**	**13,012.3**	**7,356.0**	**1,996.9**	**3,659.4**

31 Dec 2017				Associated amounts not offset in the statement of financial position		
€m	Financial assets/ liabilities (gross)	Offset financial assets/ liabilities	Amount disclosed in the statement of financial position (net)	Collateral – securities	Cash – collateral	Net amount
Assets						
Receivables arising from securities repurchase agreements (eligible for offsetting)	9,068.5	4,448.7	4,619.8	4,619.8	–	–
Receivables arising from securities repurchase agreements (not eligible for offsetting)	15,720.5	–	15,720.5	15,720.5	–	–
Derivatives (eligible for offsetting)	6,199.0	6,149.6	49.4	–	49.4	–
Derivatives (not eligible for offsetting)	5,463.4	–	5,463.4	181.0	1,248.8	4,033.6
Total	**36,451.4**	**10,598.3**	**25,853.1**	**20,521.3**	**1,298.2**	**4,033.6**
Liabilities						
Liabilities arising from securities repurchase agreements (eligible for offsetting)	7,957.7	4,448.7	3,509.0	3,509.0	–	–
Liabilities arising from securities repurchase agreements (not eligible for offsetting)	3,369.8	–	3,369.8	3,369.8	–	–
Derivatives (eligible for offsetting)	5,793.3	5,734.7	58.6	58.6	–	–
Derivatives (not eligible for offsetting)	5,756.3	–	5,756.3	84.1	1,778.6	3,893.6
Total	**22,877.1**	**10,183.4**	**12,693.7**	**7,021.5**	**1,778.6**	**3,893.6**

In principle, the Deka Group enters into securities repurchase agreements and derivative transactions eligible for offsetting on the basis of standardised framework contracts with central counterparties. Offsetting is carried out provided the offsetting agreements defined in the contracts are in accordance with the offsetting criteria under IAS 32.42.

Transactions that are subject to offsetting agreements but which do not meet the offsetting criteria under IAS 32.42, or which are carried out on a gross basis as part of normal business activities, are reported gross. In such cases, all claims and obligations are essentially only offset and settled on a net basis if the counterparty does not meet its payment obligations (liquidation netting).

70 Information on the quality of financial assets

Non-performing exposures

The Deka Group uses the definition of non-performing exposures introduced by the EBA for regulatory reporting (FINREP). This relates to exposures that are more than 90 days overdue or for which the Bank expects that the borrower will not satisfy its loan obligations in full. It is also mandatory to classify exposures as non-performing where the CRR regulations (Article 178) require them to be classified as in default or where they have been allocated to stage 3 of the general impairment model pursuant to IFRS 9. In addition, exposures subject to successful restructuring measures may only be classified as performing after a recovery period of at least one year has elapsed.

The following table shows the breakdown of non-performing exposures by risk segment.

€m	Transport and export finance	Energy and utility infra-structure	Property risks	Other	Total 31 Dec 2018	Total 31 Dec 2017
Non-performing exposures[1]	148.3	54.6	13.0	0.5	216.4	433.6
Collateral[2]	85.9	–	–	–	85.9	171.9
Provisions for loan losses/credit rating-related changes in fair value	59.3	9.3	1.5	0.0	70.1	170.6

[1] The figures shown represent the cross carrying value of the credit risk-bearing financial asset classified as non-performing.
[2] Recognition of measurable collateral. Indication of market or fair value not exceeding the underlying exposure.

The collateral which the Deka Group considers to reduce credit risk is stated. The carrying amount of the physical collateral corresponds, in general, to the market or fair value. The amounts stated for guarantees or sureties are primarily based on the creditworthiness of the party providing the collateral. The table shows the maximum collateral or guarantee amount eligible for consideration, i.e. the maximum collateral stated is the carrying amount, taking into account any risk provisions that have already been set up. In the case of non-performing exposures measured at fair value, collateral is reported at a maximum of the fair value of the underlying exposure (reporting date: €39.7m).

Due to the consolidation of the structured entities Treasury One UG (haftungsbeschränkt) & Co. KG, Treasury Two Shipping Limited and Treasury Three Shipping Limited, the loan receivables of €75.0m (gross carrying value) classified as non-performing in the previous year with risk provisions of €45.7m are no longer included in non-performing and forborne exposures.

Exposures with forbearance measures

The Deka Group concludes extension or restructuring agreements with borrowers experiencing financial difficulties if there is a prospect of recovery. Responsibility for the monitoring and management of such deferred or restructured exposures rests with the Monitoring Committee/Risk Provisioning Committee, in accordance with the general rules on default monitoring (see the risk report). Furthermore, creditworthiness-related restructuring measures or deferral agreements represent objective evidence of an impairment. Relevant exposures are tested individually for impairment, and where necessary specific provisions are recognised (see note [18] "Risk provisions in the lending and securities business"). Restructuring involving substantial contractual modifications is reported in the balance sheet as the disposal of the original asset and the addition of a new asset. If there is a difference between the carrying value of the asset to be disposed of and the fair value of the asset acquired, the difference is posted directly to profit or loss.

Exposures are no longer classified as forborne if all of the following conditions are met:

- More than two years (probation period) have elapsed since the exposure ceased to be classified as non-performing.
- Regular payments for a significant amount of the interest and principal due have been made during the probation period.
- None of the exposures is more than 30 days overdue.

The following table shows the breakdown of forborne exposures by risk segment. The vast majority of forborne exposures have already been classified as non-performing exposures and are therefore also shown in the table of non-performing exposures by risk segment.

€m	Transport and export finance	Energy and utility infra-structure	Property risks	Corporates	Total 31 Dec 2018	Total 31 Dec 2017
Forborne exposures[1]	212.1	51.7	–	12.0	275.8	363.7
thereof: Performing	65.1	–	–	12.0	77.1	23.2
thereof: Non-Performing	147.0	51.7	–	–	198.7	340.5
Collateral[2]	133.6	–	–	11.7	145.3	149.9
Provisions for loan losses/credit rating-related changes in fair value	64.5	6.5	–	0.0	71.0	123.0

[1] The figures shown represent the cross carrying value of the credit risk-bearing financial asset classified as non-performing.
[2] Recognition of measurable collateral. Indication of market or fair value not exceeding the underlying exposure.

Key ratios for non-performing and forborne exposures

%	31 Dec 2018	31 Dec 2017
NPE ratio at the reporting date		
(Ratio of non-performing exposures to maximum credit risk)	0.21	0.48
NPE coverage ratio, including collateral, at the reporting date		
(Ratio of risk provisions, including collateral, to non-performing exposures)	72.13	78.99
NPE coverage ratio, excluding collateral, at the reporting date		
(Ratio of risk provisions, excluding collateral, to non-performing exposures)	32.42	39.35
Forborne exposures ratio at the reporting date		
(Ratio of forborne exposures to maximum credit risk)	0.27	0.40

The maximum credit risk underlying the ratio of non-performing and forborne exposures is determined based on IFRS 7.35K(a)/IFRS 7.36(a) using credit risk-bearing financial assets and the corresponding off-balance sheet commitments. Financial instruments measured at amortised cost are stated at gross carrying value, credit-risk-bearing financial instruments measured at fair value are stated at fair value, irrevocable lending commitments are stated at the respective amount of the commitment and sureties and guarantees are stated at nominal value. On this basis, as at the reporting date the maximum credit risk was €101.3bn (previous year: €90.5bn).

71 Derivative transactions

The Deka Group uses derivative financial instruments for trading purposes and to hedge interest rate risks, currency risks, and share and other price risks. The following table shows the portfolio of derivative financial instruments by type of risk hedged and by contract type:

	Nominal value		Positive fair values[1]		Negative fair values[1]	
€m	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Interest rate risks						
OTC products						
Interest rate swaps	606,862.2	495,360.7	11,223.8	9,646.0	10,528.7	8,936.5
Forward rate agreements	32,981.0	19,425.0	2.1	0.3	2.5	0.3
Interest rate options						
Purchases	19,850.3	14,782.8	149.1	146.0	123.4	88.5
Sales	22,993.1	14,370.0	220.1	192.3	388.5	349.1
Caps, floors	18,808.1	12,057.9	55.1	39.3	41.4	38.4
Other interest rate contracts	2,392.3	1,744.6	4.9	2.1	66.6	44.1
Exchange traded products						
Interest rate futures/options	13,683.9	18,627.6	6.2	6.6	4.4	2.8
Sub-total	**717,570.9**	**576,368.6**	**11,661.3**	**10,032.6**	**11,155.5**	**9,459.7**
Currency risks						
OTC products						
Foreign exchange future contracts	17,822.1	16,935.8	119.7	184.5	114.0	207.7
(Interest rate) currency swaps	13,603.1	10,310.4	481.5	534.4	507.7	543.7
Currency options						
Purchases	0.2	–	0.0	–	–	–
Sales	0.2	–	–	–	0.0	–
Sub-total	**31,425.6**	**27,246.2**	**601.2**	**718.9**	**621.7**	**751.4**
Share and other price risks						
OTC products						
Share options						
Purchases	437.2	824.8	25.0	141.8	–	–
Sales	6,039.7	6,053.7	–	–	3.6	315.3
Credit derivatives	11,599.4	9,350.9	92.6	120.1	62.4	59.8
Other forward contracts	2,655.7	3,830.2	46.8	11.0	93.6	67.2
Exchange traded products						
Share options	21,518.6	15,945.5	412.0	644.6	1,457.2	899.0
Share futures	1,522.9	2,092.1	85.0	12.0	9.8	6.8
Sub-total	**43,773.5**	**38,097.2**	**661.4**	**929.5**	**1,626.6**	**1,348.1**
Total	**792,770.0**	**641,712.0**	**12,923.9**	**11,681.0**	**13,403.8**	**11,559.2**
Net amount disclosed in the statement of financial position			**4,996.2**	**5,512.8**	**5,822.3**	**5,814.9**

[1] Fair values are shown before offsetting against variation margin paid or received

The lower amount carried on the balance sheet compared with fair values is due to allowance for the variation margin from transactions with central counterparties. Within assets, the variation margin received reduced the fair values by a total of around €7.9bn (previous year: €6.2bn). Conversely, the variation margin paid reduced fair values within liabilities by a total of around €7.6bn (previous year: €5.7bn).

The following table shows nominal values and positive and negative market values for derivative transactions by counterparty:

	Nominal value		Positive fair values[1]		Negative fair values[1]	
€m	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**
Banks in the OECD	351,691.7	257,296.2	5,037.2	4,728.4	6,229.5	5,323.3
Public sector entities in the OECD	12,387.5	10,067.3	996.1	949.6	162.6	147.4
Other counterparties	428,690.8	374,348.5	6,890.6	6,003.0	7,011.7	6,088.5
Total	**792,770.0**	**641,712.0**	**12,923.9**	**11,681.0**	**13,403.8**	**11,559.2**

[1] Fair values are shown before offsetting against variation margin paid or received

72 Breakdown by remaining maturity

Remaining maturity is the time between the reporting date and the contractually agreed maturity of the receivable or liability or the time at which part-payments fall due. Financial assets and liabilities measured at fair value are generally taken into account based on their contractual maturity, whereas financial instruments in the “trading portfolio” sub-category are included with a maximum remaining life of one year (with the exception of economic hedging derivatives). Equity instruments were allocated to the “due on demand and indefinite term” maturity range. Financial investments (shareholdings) that serve business operations on an ongoing basis as part of ordinary business activity but do not have a contractually agreed maturity are not included in this breakdown.

€m	31 Dec 2018	31 Dec 2017	Change
Asset items			
Due from banks			
Due on demand and indefinite term	3,257.6	3,269.4	–11.8
Up to 3 months	8,185.2	5,944.3	2,240.9
Between 3 months and 1 year	5,115.5	7,125.7	–2,010.2
Between 1 year and 5 years	6,405.3	8,811.4	–2,406.1
More than 5 years	1,009.0	1,245.6	–236.6
Due from customers			
Due on demand and indefinite term	1,871.2	1,211.8	659.5
Up to 3 months	2,413.9	1,569.2	844.7
Between 3 months and 1 year	3,018.3	3,318.2	–299.9
Between 1 year and 5 years	10,561.7	9,370.7	1,191.0
More than 5 years	6,554.8	5,180.6	1,374.2
Financial assets at fair value			
Thereof: non-derivative assets			
Due on demand and indefinite term	2,939.4	3,562.4	–623.0
Up to 3 months	998.9	1,961.1	–962.2
Between 3 months and 1 year	9,382.7	6,790.7	2,592.0
Between 1 year and 5 years	5,918.2	13,042.2	–7,124.0
More than 5 years	823.5	1,136.6	–313.1
Thereof: Derivative assets			
Due on demand and indefinite term	–	–	–
Up to 3 months	472.7	449.7	23.0
Between 3 months and 1 year	4,198.4	3,690.6	507.8
Between 1 year and 5 years	275.0	588.1	–313.1
More than 5 years	36.6	764.0	–727.4
Positive market values of derivative hedging instruments			
Due on demand and indefinite term	–	–	–
Up to 3 months	0.6	0.7	–0.1
Between 3 months and 1 year	0.0	0.9	–0.8
Between 1 year and 5 years	1.9	2.8	–0.8
More than 5 years	11.0	16.0	–5.0
Financial investments			
Due on demand and indefinite term	–	0.0	–0.0
Up to 3 months	273.3	89.1	184.3
Between 3 months and 1 year	842.5	1,005.6	–163.1
Between 1 year and 5 years	6,111.7	876.3	5,235.3
More than 5 years	3,551.1	1,755.5	1,795.6

€m	31 Dec 2018	31 Dec 2017	Change
Liability items			
Due to banks			
Due on demand and indefinite term	5,593.9	1,988.7	3,605.2
Up to 3 months	7,000.4	7,397.3	–396.9
Between 3 months and 1 year	6,022.7	5,279.6	743.2
Between 1 year and 5 years	3,735.6	3,620.3	115.3
More than 5 years	597.2	951.9	–354.8
Due to customers			
Due on demand and indefinite term	16,886.1	15,311.2	1,574.9
Up to 3 months	1,873.9	6,064.4	–4,190.4
Between 3 months and 1 year	3,002.5	2,216.7	785.8
Between 1 year and 5 years	2,584.9	1,616.8	968.1
More than 5 years	1,375.8	1,451.8	–76.0
Securitised liabilities			
Due on demand and indefinite term	–	–	–
Up to 3 months	7,951.5	7,944.9	6.6
Between 3 months and 1 year	2,567.6	1,703.7	863.9
Between 1 year and 5 years	3,516.9	3,876.5	–359.6
More than 5 years	754.7	709.7	45.1
Financial liabilities at fair value			
Thereof: non-derivative liabilities			
Due on demand and indefinite term	213.7	120.0	93.7
Up to 3 months	1,089.2	1,775.3	–686.1
Between 3 months and 1 year	21,222.4	17,271.8	3,950.6
Between 1 year and 5 years	721.6	900.9	–179.3
More than 5 years	277.0	111.7	165.3
Thereof: Derivative financial liabilities			
Due on demand and indefinite term	–	–	–
Up to 3 months	2,547.7	771.2	1,776.5
Between 3 months and 1 year	2,981.8	4,272.0	–1,290.2
Between 1 year and 5 years	148.2	300.6	–152.4
More than 5 years	105.3	459.2	–353.9
Negative market values of derivative hedging instruments			
Due on demand and indefinite term	–	–	–
Up to 3 months	1.6	1.1	0.6
Between 3 months and 1 year	0.0	0.6	–0.6
Between 1 year and 5 years	7.8	7.6	0.2
More than 5 years	29.9	2.7	27.2
Subordinated capital			–
Due on demand and indefinite term	–	–	–
Up to 3 months	21.0	48.1	–27.1
Between 3 months and 1 year	75.6	–	75.6
Between 1 year and 5 years	25.0	76.8	–51.8
More than 5 years	777.8	802.4	–24.6

73 Further information on hedge accounting

The interest rate swaps from fair value hedges (hedge accounting in accordance with IAS 39) have the following structure.

	Remaining life			
31 Dec 2018	Up to 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years
Interest rate fair value hedges of financial assets				
Interest rate swaps (EUR)				
Nominal (€m)	145.0	351.2	3,639.7	2,165.2
Average fixed rate (%)	0.5	0.3	0.4	0.9
Interest rate swaps (USD)				
Nominal ($m)	–	83.1	499.0	1,862.6
Nominal (€m)[1]	–	72.6	435.8	1,626.7
Average fixed rate (%)	–	1.7	2.1	2.4
Interest rate swaps (GBP)				
Nominal (£m)	–	–	774.8	288.0
Nominal (€m)[1]	–	–	866.1	322.0
Average fixed rate (%)	–	–	1.0	1.4
Interest rate swaps (CAD)				
Nominal (C$m)	–	–	287.0	424.6
Nominal (€m)[1]	–	–	183.9	272.1
Average fixed rate (%)	–	–	2.1	2.1
Interest rate swaps (JPY)				
Nominal (¥m)	–	–	4,337.0	–
Nominal (€m)[1]	–	–	34.5	–
Average fixed rate (%)	–	–	0.2	–
Interest rate swaps (Other currencies)				
Nominal (€m)[1]	–	–	44.4	76.8
Interest rate fair value hedges of financial liabilities				
Interest rate swaps (EUR)				
Nominal (€m)	50.0	125.0	549.5	125.0
Average fixed rate (%)	3.9	4.0	0.6	0.9

[1] The conversion is made at the rate on the balance sheet date.

The carrying value adjustments are broken down according to the hedged underlying transactions as follows:

€m	31 Dec 2018			31 Dec 2017		
	Carrying amount of the hedged items	Accumulated valuation result of the hedged items[1), 2)]	Valuation result of the hedged items for the reporting period[3)]	Carrying amount of the hedged items	Accumulated valuation result of the hedged items[1), 2)]	Valuation result of the hedged items for the reporting period[3)]
Interest rate fair value hedges						
Assets measured at cost						
Due from banks	1,405.9	6.6	12.5	N/A	N/A	N/A
Due from customers	5,049.0	–9.6	18.0	N/A	N/A	N/A
Debt securities and other fixed-interest securities	782.2	8.9	8.9	N/A	N/A	N/A
Financial assets measured at fair value through other comprehensive income						
Debt securities and other fixed-interest securities	3,001.1	18.6	18.6	N/A	N/A	N/A
Liabilities measured at cost						
Due to banks	165.4	1.2	0.6	N/A	N/A	N/A
Due to customers	199.0	4.6	6.4	N/A	N/A	N/A
Securitised liabilities	375.2	0.6	–1.7	N/A	N/A	N/A
Subordinated capital	136.1	3.6	–1.1	N/A	N/A	N/A

1) The accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item.
2) Amounts with a positive leading sign represent an increase of value and amounts with a negative leading sign a decrease of value.
3) Includes the change in value of the hedged items used for recognising the ineffectiveness for the reporting period.

Other disclosures

74 Equity management

The objectives of capital management are to ensure adequate capital to carry out the business strategy determined by the Board of Management, to achieve an appropriate return on equity and to comply with regulatory capital requirements (for more information, see note [75] “Regulatory capital (own funds)”).

For economic risk-bearing capacity analysis purposes, “economic capital” means the risk capacity as defined in the risk strategy. In principle, the Deka Group determines the overall risk across all significant risk types that impact income and also includes those risks not taken into consideration for regulatory purposes, for example business risk. Total risk is measured as the amount of capital that is highly likely to be sufficient to cover losses from all main risk exposures in a one-year period at any time. The Deka Group uses the value-at-risk approach (VaR) in order to quantify individual risks on a uniform basis and to aggregate them as an indicator for overall risk.

To assess risk-bearing capacity on a differentiated basis, the Deka Group distinguishes between the risk capacity, the maximum risk appetite and the risk appetite. Under an economic risk-bearing capacity analysis, the risk capacity essentially consists of equity capital according to IFRS, earnings components and positions of a hybrid capital nature (subordinated capital) and is available in its entirety as a formal overall risk limit to guarantee the Bank’s risk-bearing capacity. Based on this, a capital buffer is reserved for stress scenarios, which corresponds at a minimum to the level of subordinated capital components. The result is what is known as the maximum risk appetite, which forms the primary strategic management indicator. Taking into account other deductible items (hidden charges and reserves, own creditworthiness effect, buffer for model uncertainties, allocation reserve), the primary operational management indicator is risk appetite.

Compliance with regulatory capital requirements is managed primarily through the Common Equity Tier 1 capital ratio. For the utilisation of risk-weighted assets (RWAs) – an essential component of this key ratio – guidelines are stipulated for the next three years with regard to both the Group and the individual business divisions, as part of the annual planning process. Within the framework of this overall plan, in principle the business divisions must not exceed the target RWAs specified in the medium-term planning. In the event that the target is exceeded, measures to reduce the RWAs are examined. In addition, in order to assess capital adequacy, regular internal credit risk stress tests are conducted on the RWAs.

When managing regulatory capital requirements, particular attention is paid to assessing future regulatory developments. This includes analysing current recommendations from supervisory committees and proposed legislation on an ongoing basis, and assessing the impact of such proposals on capital and RWA positions. The findings are incorporated into the annual planning process.

75 Regulatory capital (own funds)

Since 1 January 2014 regulatory capital and capital adequacy have been calculated in accordance with the regulation on prudential requirements for credit institutions and investment firms (Capital Requirements Regulation – CRR) and pursuant to the directive on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (Capital Requirements Directive IV – CRD IV).

The figures presented below are shown in accordance with the transitional provisions set out in CRR/CRD IV as well as pursuant to full application of the new regulations. Equity is calculated based on the figures from the IFRS consolidated financial statements.

The composition of capital and reserves is shown in the following table:

	31 Dec 2018		31 Dec 2017	
€m	**CRR/CRD IV (without transitional provisions)**	**CRR/CRD IV (with transitional provisions)**	**CRR/CRD IV (without transitional provisions)**	**CRR/CRD IV (with transitional provisions)**
Subscribed capital	286	286	286	286
Less repurchased Common Equity Tier 1 items	95	95	95	76
Open reserves	4,646	4,646	4,445	4,445
Other comprehensive income	79	79	132	109
Prudential filters	63	63	107	105
Deductions from Common Equity Tier 1 items	236	236	253	202
Common Equity Tier 1 (CET 1) capital	**4,460**	**4,460**	**4,145**	**4,238**
Additional Tier 1 capital instruments	474	474	474	474
Silent capital contributions	–	21	–	26
Deductions from Additional Tier 1 items	–	–	–	63
Additional Tier 1 (AT 1) capital	**474**	**495**	**474**	**437**
Tier 1 capital	**4,933**	**4,954**	**4,619**	**4,676**
Subordinated liabilities	807	807	823	823
Deductions from Tier 2 items	–	–	–	6
Tier 2 (T2) capital	**807**	**807**	**823**	**817**
Own funds	**5,741**	**5,762**	**5,442**	**5,492**

The increase in Tier 1 capital is mainly due to the reinvestment of profits from the 2017 financial year. The reduction in relation to Tier 2 capital is attributable to regulatory amortisation in accordance with Article 64 of the CRR.

Credit risk is essentially determined according to the Internal Ratings-Based approach. The capital charges for specific market risk and CVA risk are determined using standard methods. General market risk is determined using an internal model. Operational risk is measured using the advanced measurement approach (AMA). Each of the aforementioned risk factors must be backed by own funds. The items subject to a capital charge are shown in the following table:

	31 Dec 2018		31 Dec 2017	
€m	**CRR/CRD IV (without transitional provisions)**	**CRR/CRD IV (with transitional provisions)**	**CRR/CRD IV (without transitional provisions)**	**CRR/CRD IV (with transitional provisions)**
Credit risk	18,744	18,744	15,568	15,568
Market risk	6,348	6,348	5,127	5,127
Operational risk	3,365	3,365	3,242	3,242
CVA risk	565	565	950	950
Risk-weighted assets	**29,021**	**29,021**	**24,886**	**24,886**

The adequacy of the capital and reserves is to be calculated by expressing Common Equity Tier 1 capital ratio, Tier 1 capital (Tier 1 capital ratio) and own funds (Total capital ratio) as a percentage of the total risk exposure amount. The table below shows the key ratios for the Deka Group:

	31 Dec 2018		31 Dec 2017	
%	**CRR/CRD IV (without transitional provisions)**	**CRR/CRD IV (with transitional provisions)**	**CRR/CRD IV (without transitional provisions)**	**CRR/CRD IV (with transitional provisions)**
Common Equity Tier 1 capital ratio	15.4	15.4	16.7	17.0
Tier 1 capital ratio	17.0	17.1	18.6	18.8
Total capital ratio	19.8	19.9	21.9	22.1

In these consolidated financial statements, the composition of regulatory own funds and the above key ratios disregard the effects of adopting IFRS 9 (see Statement of Changes in Equity and note [3] "Effects of applying IFRS 9"). The effects arising will be taken into account in regulatory own funds and the key ratios for the first time upon the approval of the audited IFRS consolidated financial statements for 2018.

Regulatory own funds requirements were met at all times during the reporting period. The ratios for the Deka Group are considerably higher than the statutory minimum requirements.

76 Contingent liabilities and other obligations

The off-balance sheet commitments of the Deka Group essentially consist of potential future liabilities.

€m	**31 Dec 2018**	**31 Dec 2017**	Change
Irrevocable lending commitments	2,124.1	1,283.8	840.3
Other liabilities	86.5	62.9	23.6
Total	**2,210.6**	**1,346.7**	863.9

Irrevocable lending commitments refer to credit lines granted but not drawn down and term credit lines. The amounts stated reflect the potential liabilities if the credit lines granted were to be used in full. The risk provision reported on the balance sheet for off-balance sheet commitments has been deducted from the respective amounts.

As in the previous year, other financial liabilities include payment obligations of €0.1m and subsequent funding obligations of €5.1m (previous year: €5.1m) to unconsolidated companies or companies outside the Group. There is an additional funding obligation for the deposit guarantee scheme of the Landesbanken and Girozentralen of €62.4m (previous year: €57.7m). By 2024, the assets held in the guarantee scheme must be built up to the statutory target level of 0.8% of the covered deposits held by members of the guarantee scheme. Each year the guarantee scheme collects contributions from its members for this purpose.

The bank guarantees provided by DekaBank are financial guarantees under IFRS and are stated net in accordance with IFRS 9. The nominal amount of the guarantees in place as at the reporting date was €0.1bn (previous year: €0.1bn).

In a circular dated 17 July 2017, the Federal Ministry of Finance (BMF) presented rules for the tax treatment of share trades around the dividend record date, and noted, *inter alia*, that certain transaction types may fall under the scope of section 42 of the German Tax Code (*Abgabenordnung* – AO). It cannot be ruled out that some share trades carried out by DekaBank around the dividend record date in the years concerned will be re-examined by the tax authorities in the light of the said BMF circular. However, DekaBank sees no convincing reason to believe that share trades it transacted around the dividend record date will fall under the scope of section 42 of the German Tax Code and therefore considers it unlikely that a final claim will be made in this regard. Consequently, there are no grounds to create provisions for potential financial burdens arising from the possible refusal by tax authorities to allow relief from capital yields tax (*Kapitalertragsteuer*). Since a degree of uncertainty remains as to how the tax authorities and fiscal courts will ultimately assess the share trades concerned, it cannot be wholly ruled out that an adverse financial impact of around €19m may arise in this regard.

77 Assets transferred as collateral

Assets transferred as collateral for the Group’s liabilities are shown in the following table:

€m	31 Dec 2018	31 Dec 2017	Change
Carrying value of transferred collateral			
Under *Pfandbrief* Act	3,923.6	3,924.9	–1.3
For refinancing purposes with Deutsche Bundesbank	961.4	1,591.8	–630.4
From transactions on German and foreign futures exchanges	83.1	2.1	81.0
From repurchase agreements	633.8	726.0	–92.2
From securities lending agreements	6,012.8	4,047.2	1,965.6
From tri-party transactions	2,798.0	3,165.0	–367.0
From other transactions	282.8	262.8	20.0
Loan and securities collateral	**14,695.6**	**13,719.8**	975.8
Cash collateral relating to securities lending and repurchase agreements	61.0	649.5	–588.5
Cash collateral relating to derivative transactions	2,188.2	1,905.3	282.9
Cash collateral	**2,249.3**	**2,554.8**	–305.5
Total	**16,944.9**	**16,274.6**	670.3

78 Assets received as collateral

In the Deka Group, collateral is accepted to reduce default risks resulting from lending and trading transactions.

In the Deka Group's lending business, the collateral currently used includes, depending on the type of financing, the following in particular: guarantees and sureties from domestic local authorities or recognised export credit insurers, charges on commercial and residential property and registered liens on ships and aircraft, as well as assignments of receivables and cash collateral. Valuation of collateral and of any discounts applied is primarily based on the creditworthiness of the party providing the guarantee, or in the case of physical collateral, on the market value, fair value or lending value of the financed property. The collateral received in the lending business is tested for impairment on a regular basis, at least once a year. Each type of collateral is subject to a risk-oriented review cycle, in both formal and substantive terms. Internally, deductions are generally made to take account of fluctuations in value and realisation risks. Credit balances maintained in the Deka Group are counted in full.

Credit derivatives and netting agreements for derivatives and repo lending transactions are used in the Deka Group to reduce credit risks. In addition, financial collateral in the form of securities (shares and bonds) and/or cash collateral is received for derivatives and repo lending transactions. The securities collateral permitted in repo lending transactions is defined in a DekaBank-specific Collateral Policy. Compliance is monitored daily by the Risk Control unit. In order to reduce the risks resulting from fluctuations in the market price of the collateral accepted, collateral discounts or overcollateralisation and a daily additional contribution obligation to maintain the overcollateralisation are agreed with the counterparty.

Collateral received for repurchase agreements, securities lending transactions and other securities transactions that may be re-pledged or resold even if the party providing the collateral does not default amounted to €70.1bn (previous year: €62.3bn). Of this total, €48.7bn (previous year: €38.9bn) was resold or re-pledged.

79 Financial instruments transferred but not derecognised

The Deka Group transfers financial assets while retaining the material risks and rewards arising from these assets. Such transfers take place mainly in the context of genuine securities repurchase and securities lending transactions. The assets continue to be reported in the consolidated balance sheet.

€m	31 Dec 2018	31 Dec 2017	Change
Carrying value of non-derecognised securities in relation to			
Genuine repurchase agreements			
thereof financial assets measured at amortised cost	271.6	108.1	163.5
thereof financial assets measured at fair value through other comprehensive income	13.2	N/A	N/A
thereof financial assets measured at fair value through profit or loss	335.5	559.9	–224.4
Securities lending transactions			
thereof financial assets measured at amortised cost	88.4	65.5	22.9
thereof financial assets measured at fair value through other comprehensive income	19.3	N/A	N/A
thereof financial assets measured at fair value through profit or loss	589.5	418.8	170.7
Other transfers not constituting economical disposal			
thereof financial assets measured at amortised cost	867.9	770.9	97.0
thereof financial assets measured at fair value through other comprehensive income	8.3	N/A	N/A
thereof financial assets measured at fair value through profit or loss	27.4	23.7	3.7
Total	**2,221.1**	**1,946.9**	274.2

Liabilities of €1,520.0m (previous year: €1,460.6m) were recorded for financial instruments transferred but not derecognised.

80 Letter of comfort

Except in the case of political risk, DekaBank shall ensure that DekaBank Deutsche Girozentrale Luxembourg S.A. can meet its obligations. DekaBank Deutsche Girozentrale Luxembourg S.A. has in turn issued letters of comfort in favour of

- Deka International S.A., Luxembourg and
- International Fund Management S.A., Luxembourg.

Luxembourg.

81 Information on holdings in subsidiaries

Composition of the Deka Group

In addition to DekaBank as the parent company, the consolidated financial statements include a total of 11 (previous year: 10) domestic companies and 6 (previous year: 6) foreign affiliated companies in which DekaBank directly or indirectly holds the majority of the voting rights. In addition, the scope of consolidation includes 10 (previous year: 7) structured entities that are controlled by the Deka Group.

A total of 11 (previous year: 15) affiliated companies controlled by the Deka Group were not consolidated, because they are of minor significance for the presentation of the financial position and financial performance of the Group. The interests held in these subsidiaries are reported under financial assets at fair value (see note [48]). Where they are of minor significance to the consolidated financial statements, structured entities are also not consolidated (see note [83] "List of shareholdings"). To determine their significance for the presentation of the financial position and financial performance of the Group, investment funds are assessed using both qualitative and quantitative criteria. Units in unconsolidated investment funds are recognised at fair value through profit or loss. These are shown on the balance sheet under financial assets at fair value (see note [48]).

Significant restrictions

Significant restrictions on the Group's ability to access or use assets and settle liabilities arise in particular as a result of the contractual, legal and regulatory requirements that apply to financial institutions (see note [75] "Regulatory capital (own funds)" and note [77] "Assets transferred as collateral" with regard to restrictions associated with the pledging of cash, loans or securities as collateral to cover Group liabilities under, for example, genuine repurchase agreements, securities lending transactions and over-the-counter derivatives transactions.

Banks are also obliged to maintain mandatory deposits in accounts held with their national central banks (minimum reserve requirement). The extent of the mandatory minimum reserve is determined by the central banks (see note [44] "Cash reserves").

Interests in joint arrangements and associates

DekaBank still has interests in three jointly controlled entities and one associated company. Equity investments in S-PensionsManagement GmbH and Dealis Fund Operations GmbH i.L. (joint ventures) are accounted for in the consolidated financial statements using the equity method. Two affiliated companies were not consolidated despite the fact that DekaBank exercises significant influence over them, because they are of minor significance for the presentation of the financial position and financial performance of the Group.

Joint ventures and associates which have been accounted for using the equity method can be found in the list of shareholdings (see note [83]).

The table below presents an overview of the summarised financial information for all joint ventures that are considered to be individually immaterial and that are accounted for using the equity method. The amounts shown relate to the Group's holdings in these companies. In principle, the equity method is applied on the basis of the last available financial statements of the investee, provided that these are not more than three months old.

	Joint ventures[1]	
€m	**31 Dec 2018**	**31 Dec 2017**
Carrying value of equity participation	**16.4**	**16.0**
Profit or loss after tax from discontinued business operations	0.5	11.2
Other comprehensive income	–	–2.1
Total income[2]	**0.5**	**9.1**

[1] At the time of the preparation of DekaBank's consolidated financial statements, no consolidated financial statements were available for S-PensionsManagement GmbH for 2018. For this reason, measurement under the equity method was performed on the basis of forecast results which take account of impact of any significant transactions and other events that have arisen since the last reporting date of S-PensionsManagement GmbH, or are expected to occur.

[2] Does not include distributions, which are disclosed in net interest income

82 Information on holdings in unconsolidated structured entities

According to the definition in IFRS 12, an entity is classified as structured if it has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity.

The Deka Group engages in business relationships with structured entities as part of its ordinary business activities. Structured entities are often characterised by their restricted activities and a narrow and well-defined business objective. Furthermore, a structured entity may also be characterised by the absence of sufficient equity to finance its activities without subordinated financial support.

The Deka Group is deemed to have an interest in an unconsolidated structured entity if companies in the Deka Group are exposed to variable returns from a structured entity's activities as a result of either contractual or non-contractual involvement with that entity, but where the entity concerned does not require consolidation under the provisions of IFRS 10. An interest can be evidenced by the holding of debt or equity instruments, liquidity arrangements, guarantees and various derivative financial instruments via which the Bank takes on risks arising from the structured entity. For the purposes of IFRS 12, an interest in an unconsolidated structured entity does not generally exist solely because of a typical customer-supplier relationship between Deka Group companies and a structured entity.

The Deka Group has relationships with entities that were classified as unconsolidated structured entities based on the definition under IFRS 12 and according to criteria set internally by the Group. Unconsolidated structured entities involved in the following business activities were identified:

Investment funds

Part of the Deka Group's core business involves providing securities and real estate investments to private and institutional investors. As a result, companies in the Deka Group play a role, directly or indirectly, in setting up fund structures as part of their ordinary business activities, and are involved in determining the purpose and design of such structures. In addition, the Group's activities cover the whole of the usual value chain for fund business. In return, the Group receives appropriate commission, for example in the form of management and custodial fees. The Group also invests in holdings in investment funds owned by the Group in the context of start-up financing, thereby providing those funds with liquidity. Investment funds are therefore considered to be structured entities within the meaning of IFRS 12. Funds are primarily financed by issuing unit certificates (equity). To a limited extent, funds can also take up loans. Borrowings are generally secured against the assets held within the fund. Fund assets held in Group-owned and external investment funds amount to €345.6bn (previous year: €354.4bn). This amount includes all fund assets and also the fund assets of third parties in which the Deka Group has an interest within the meaning of IFRS 12, irrespective of the percentage of the Deka Group's unit holding. Fund assets calculated exclusively for the purposes of the IFRS 12 disclosures do not correspond to the key indicator total customer assets used for management purposes.

Securitisation companies (structured capital market credit products)
The Group has investments in a number of securitisation companies. These include non-strategic securitisation products acquired by the Bank in the former Liquid Credits portfolio, which is being wound down while safeguarding assets. The issuing companies are generally financed by issuing tradable securities whose value is dependent on the performance of the vehicle's assets or which are collateralised using the vehicle's assets. For all securitisations held by DekaBank, funding at matching maturities is in place for the assets held by the securitisation company. Securitisation products are reported under financial assets at fair value on the balance sheet within the Deka Group; this means that the earnings performance of these securitisations is recognised in full through profit or loss in the Group's consolidated financial statements.

The table below provides an overview of the maximum risk of loss to which the Deka Group is exposed from the securitisation positions it holds, shown by type of securitisation transaction and by seniority of the tranche held. In addition, the table includes potential losses to be absorbed by other creditors who rank above Deka Group. The total volume of issued securities from the securitisation companies classified as structured amounts to €1.3bn (previous year: €1.9bn).

	Subordinated interest		Mezzanine interest		Senior interest		Most Senior interest	
€m	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**
CLO								
Maximum exposure to credit risk	–	–	12.8	38.0	2.3	9.2	–	–
Potential losses of prior-ranking creditors[1]	–	–	60.0	76.9	–	–	–	–
CMBS								
Maximum exposure to credit risk	–	–	–	11.3	–	2.4	–	–
Potential losses of prior-ranking creditors[1]	–	–	–	157.8	–	–	–	–
RMBS								
Maximum exposure to credit risk	–	–	68.7	91.7	1.6	1.9	8.7	13.9
Potential losses of prior-ranking creditors[1]	18.6	19.8	112.8	116.8	–	–	–	–

[1] Nominal values

Lending business
According to the definition, if a company is founded specifically to finance or operate the assets for which a loan is made, and the design of that company is such that it is not controlled by means of voting or similar rights, then this constitutes a structured entity for DekaBank. A holding in a structured entity may also exist if rights that are contractually agreed as part of the loan agreement (for example intellectual property or trademark rights) are converted into co-determination rights in the event of deteriorating creditworthiness. An operating company can, for example, become a structured entity if relevant business activities start to be governed predominantly by the provisions of the loan agreement. As part of the classification performed in accordance with IFRS 12, structured entities were identified within the transport and export finance, energy and utility infrastructure, real estate and retail portfolio risk segments. The financing concerned is generally collateralised by charges on property, aircraft mortgages, ship mortgages, and sureties and guarantees. In addition, unsecured financing in the form of a promissory note loan was

concluded in the year under review, some of which was also assigned to third parties. To secure the claims, the financed asset (consumer loan portfolio) was transferred by a structured entity to a security trustee.

When determining the size of the financing classified as structured, the total assets shown in the current available financial statements or the market value of the financed asset were used. This figure amounts to €1.9bn (previous year: €1.6bn).

The table below shows the carrying values of assets and liabilities recognised on the balance sheet that are related to interests in unconsolidated structured entities. The table also includes the maximum possible exposure to loss associated with these interests.

	Investment funds		Lending business[1]		Securitisation entities[1]	
€m	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**
Asset items						
Due from customers	2,377.0	1,638.5	643.5	411.9	–	–
Financial assets at fair value	2,361.2	2,545.6	648.9	–	94.1	167.3
Financial investments	–	–	4.0	4.4	–	1.1
Other assets	0.0	0.4	–	–	–	–
Total asset items	**4,738.2**	**4,184.5**	**1,296.4**	**416.3**	**94.1**	**168.4**
Liability items						
Due to customers	12,399.6	12,722.1	0.0	0.6	–	–
Financial liabilities at fair value	118.3	570.4	–	–	–	–
Other liabilities	1.2	2.0	–	–	–	–
Total liability items	**12,519.1**	**13,294.5**	**0.0**	**0.6**	**–**	**–**
Contingent liabilities and other obligations					**–**	**–**
Irrevocable lending commitments	–	–	0.7	0.6	–	–
Other liabilities	–	–	5.6	5.1	–	–
Total contingent liabilities and other obligations	**–**	**–**	**6.3**	**5.7**	**–**	**–**
Maximum exposure to loss	**4,738.2**	**4,184.5**	**1,302.7**	**422.0**	**94.1**	**168.4**

[1] Including risk provisions

The maximum exposure to loss sets out the highest possible loss that the Bank could sustain in connection with its interests in unconsolidated structured entities. The figure presented does not take into account the probability of such a loss being incurred.

- The maximum possible exposure to loss from interests in unconsolidated structured entities that arise as a result of on-balance-sheet transactions corresponds to the carrying value or fair value of the respective balance sheet item.
- According to the definition, the maximum possible exposure to loss from interests in unconsolidated structured entities that arise from off-balance-sheet transactions, for example from guarantees or lending commitments, corresponds to the maximum guaranteed amount, or the amount of the potential liability that would arise if the credit line that is extended were to be fully utilised.

In addition, provisions are established for investment funds with formal guarantees (see note [61] "Other provisions").

The maximum exposure to loss is a gross figure, i.e. it does not take into account the effects of collateral received or hedging transactions.

In connection with interests in unconsolidated structured entities, the Deka Group received interest income, commission income and income from the revaluation and disposal of interests in unconsolidated structured entities during the year under review.

Sponsored unconsolidated structured entities
All circumstances must be considered when determining whether a company from the Deka Group should be categorised as the sponsor of a structured entity. An unconsolidated structured entity in which the Bank has no interest as defined by IFRS 12 is regarded as sponsored if it was established for the benefit of a company in the Deka Group, and the Group has played an active role in determining the purpose and design of the unconsolidated structured entity. The Group is also considered to be a sponsor if a name used by the unconsolidated structured entity – for example its company name or the name of a product – is connected to a company in the Deka Group.

No relationships with sponsored unconsolidated structured entities existed during the year under review. As at 31 December 2018, there were no sponsored unconsolidated entities.

83 List of shareholdings

DekaBank Deutsche Girozentrale, Frankfurt am Main/Berlin, is entered in Commercial Register A at the District Court of Frankfurt am Main under number HRA 16068. The following information on shareholdings is a supplementary disclosure required under section 315e of the German Commercial Code. No comparative information is therefore presented in respect of the previous period.

Consolidated subsidiaries (affiliated companies):

Name, registered office	Share of equity % 31 Dec 2018
bevestor GmbH, Frankfurt/Main	100.00
Deka Beteiligungs GmbH, Frankfurt/Main	100.00
Deka Far East Pte. Ltd., Singapore	100.00
Deka Immobilien GmbH, Frankfurt/Main	100.00
Deka Immobilien Investment GmbH, Frankfurt/Main	100.00
Deka Immobilien Luxembourg S.A., Luxembourg	100.00
Deka International S.A., Luxembourg	100.00
Deka Investment GmbH, Frankfurt/Main	100.00
Deka Real Estate International GmbH, Frankfurt/Main (formerly: Deka Immobilien Beteiligungsgesellschaft mbH, Frankfurt/Main)	100.00
Deka Real Estate Services USA Inc., New York	100.00
Deka Vermögensmanagement GmbH, Frankfurt/Main (formerly: Landesbank Berlin Investment GmbH, Berlin)	100.00
DekaBank Deutsche Girozentrale Luxembourg S.A., Luxembourg	100.00
International Fund Management S.A., Luxembourg	100.00
S Broker Management AG, Wiesbaden	100.00
S Broker AG & Co. KG, Wiesbaden	100.00
WestInvest Gesellschaft für Investmentfonds mbH, Düsseldorf	99.74[1)]
WIV GmbH & Co. Beteiligungs KG, Frankfurt/Main	94.90

[1)] 5.1% is held by WIV GmbH & Co. Beteiligungs KG.

Consolidated subsidiaries (structured entities):

Name, registered office	Share in fund assets % 31 Dec 2018
Investment funds	
A-DGZ 2-FONDS, Frankfurt/Main	100.00
A-DGZ 5-FONDS, Frankfurt/Main	100.00
A-Treasury 2000-FONDS, Frankfurt/Main	100.00
A-Treasury 93-FONDS, Frankfurt/Main	100.00
DDDD-FONDS, Frankfurt/Main	100.00
Masterfonds S Broker, Frankfurt/Main	100.00
S Broker 1 Fonds, Frankfurt/Main	100.00
Lending business	
Treasury One UG (haftungsbeschränkt) & Co. KG, Hamburg	
Treasury Two Shipping Limited, Majuro (Marshall Islands)	
Treasury Three Shipping Limited, Majuro (Marshall Islands)	

Joint ventures and associated companies consolidated at equity:

Name, registered office	Share of equity % 31 Dec 2018	Equity €'000 31 Dec 2018[1]	Total of profit or loss €'000 31 Dec 2018[1]
Joint ventures			
S-PensionsManagement GmbH, Cologne	50.00	26,677.0	234.4
Dealis Fund Operations GmbH i.L., Frankfurt/Main	50.00	32,011.4	13,426.9

[1] Amounts reported in financial statements for the year ended 31 December 2017

Joint ventures and associated companies not consolidated at equity:

Name, registered office	Share of equity % 31 Dec 2018
Joint ventures	
Deka-Neuburger Institut für wirtschaftsmathematische Beratung GmbH, Frankfurt/Main	50.00
Associated companies	
DPG Deutsche Performancemessungs-Gesellschaft für Wertpapierportfolios mbH, Frankfurt/Main	22.20

Unconsolidated subsidiaries (affiliated companies):

Name, registered office	Share of equity % 31 Dec 2018
Deka Investors Spezial InvAG m.v.K. und TGV, Frankfurt/Main	
Teilgesellschaftsvermögen Deka Investors Unternehmensaktien, Frankfurt/Main	100.00
Deka Treuhand Erwerbsgesellschaft mbH, Frankfurt/Main	100.00
Deka Treuhand GmbH, Frankfurt/Main	100.00
Deka Vermögensverwaltungs GmbH, Frankfurt/Main	100.00
Deka Verwaltungs GmbH, Frankfurt/Main	100.00
Deka Vorratsgesellschaft 03 mbH, Frankfurt/Main	100.00
Deka Vorratsgesellschaft 04 mbH, Frankfurt/Main	100.00
Deka Vorratsgesellschaft 05 mbH, Frankfurt/Main	100.00
LBG Leasing Beteiligungs-GmbH, Frankfurt/Main	100.00
Privates Institut für quantitative Kapitalmarktforschung der DekaBank GmbH, Frankfurt/Main	100.00
WIV Verwaltungs GmbH, Frankfurt/Main	94.90

Unconsolidated structured entities:

Name, registered office	Fund assets €m 31 Dec 2018	Share of equity/ fund assets % 31 Dec 2018
Deka-BR 45, Frankfurt/Main	6.6	100.00
Deka-Institutionell Absolute Return Defensiv, Frankfurt/Main	49.8	100.00
Deka-Institutionell Absolute Return Dynamisch, Frankfurt/Main	49.2	100.00
Deka Investors Spezial InvAG m.v.K. und TGV, Frankfurt/Main		
Teilgesellschaftsvermögen Deka Darlehen, Frankfurt/Main	67.3	100.00
Deka-Multi Strategie Global PB, Frankfurt/Main	49.7	100.00
Deka-Immobilien PremiumPlus-Private Banking, Luxembourg	2.0	94.51
Deka-MultiFactor Global Corporates, Luxembourg	35.2	92.45
Deka-MultiFactor Global Corporates HY, Luxembourg	30.5	75.69
Deka-MultiFactor Emerging Markets Corporates, Luxembourg	25.4	73.57
Deka-Relax 50, Frankfurt/Main	0.7	72.15
Deka-MultiFactor Global Government Bonds, Luxembourg	21.4	68.29
Deka MSCI Europe ex EMU UCITS ETF, Frankfurt/Main	29.7	64.74
Deka-BasisStrategie Aktien, Frankfurt/Main	17.8	61.64
Deka-Relax 70, Frankfurt/Main	0.9	54.05
Deka-Relax 30, Frankfurt/Main	0.9	50.82
Deka Eurozone Rendite Plus 1-10 UCITS ETF, Frankfurt/Main	32.7	49.61
Deka MSCI Japan UCITS ETF, Frankfurt/Main	60.2	46.50
Deka-EuroFlex Plus, Luxembourg	131.6	41.40
Deka MSCI World UCITS ETF, Frankfurt/Main	35.1	39.81
Deka-ImmobilienNordamerika, Frankfurt/Main	250.9	29.00
Deka Investors Spezial InvAG m.v.K. und TGV, Frankfurt/Main		
Teilgesellschaftsvermögen Mittelstandskreditfonds I, Frankfurt/Main	72.4	21.49
Deka Deutsche Boerse EUROGOV® Germany 1-3 UCITS ETF, Frankfurt/Main	444.7	20.41

84 Related party disclosures

The Deka Group has business dealings with related parties. These include DekaBank's shareholders, subsidiaries that are not consolidated on materiality grounds, joint ventures, associates and their respective subsidiaries, individuals in key positions and their relatives, and companies controlled by these individuals. For the purposes of this disclosure, unconsolidated own mutual funds and special funds where the Deka Group's holding exceeds 10.0% as at the reporting date are shown as subsidiaries, associates or other related parties in accordance with their equity holding.

Natural persons in key positions deemed to be related parties under IAS 24 are the members of the Board of Management and Administrative Board of DekaBank as the parent company. Personnel expenses in respect of the persons concerned are shown in the table below:

	Board of Management		Administrative Board	
€m	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**
Short-term benefits	3.3	3.2	0.7	0.7
Post-employment benefits	2.0	2.0	–	–
Other long-term benefits	2.5	2.4	–	–
Total	**7.8**	**7.6**	**0.7**	**0.7**

Remuneration to employees' representatives on the Administrative Board made separately from their Administrative Board activities was at current market terms.

Transactions are carried out with related parties under normal market terms and conditions as part of the ordinary business activities of the Deka Group. These relate, inter alia, to loans, call money, time deposits and derivatives. The liabilities of the Deka Group to mutual funds and special funds essentially comprise balances with banks from the temporary investment of liquid funds. The tables below show the extent of these transactions.

Business dealings with shareholders of DekaBank and unconsolidated subsidiaries:

	Shareholders		Subsidiaries	
€m	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**
Asset items				
Due from customers	–	45.0	0.1	1.5
Financial assets at fair value	–	–	3.1	5.2
Other assets	–	–	0.3	0.3
Total asset items	**–**	**45.0**	**3.5**	**7.0**
Liability items				
Due to customers	41.1	46.0	63.6	32.6
Financial liabilities at fair value	–	–	0.3	1.2
Other liabilities	–	–	0.0	0.2
Total liability items	**41.1**	**46.0**	**63.9**	**34.0**

Business dealings with joint ventures, associated companies and other related parties:

	Joint ventures/ associated companies		Other related parties	
€m	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**
Asset items				
Due from customers	0.0	–	0.0	–
Financial assets at fair value	1.5	–	–	2.6
Other assets	0.4	0.5	0.7	0.4
Total asset items	**1.9**	**0.5**	**0.7**	**3.0**
Liability items				
Due to customers	425.5	55.0	313.0	636.9
Financial liabilities at fair value	53.2	33.4	0.0	0.8
Total liability items	**478.7**	**88.4**	**313.0**	**637.7**

85 Average number of staff

	2018			2017		
	Male	**Female**	**Total**	**Male**	**Female**	**Total**
Full-time employees	2,543	1,063	3,606	2,502	1,065	3,567
Part-time and temporary employees	198	721	919	168	684	852
Total	**2,741**	**1,784**	**4,525**	**2,670**	**1,749**	**4,419**

86 Remuneration of Board members

€	**31 Dec 2018**	**31 Dec 2017**
Total remuneration of active Board members		
Board of Management	5,516,325	5,318,673
Administrative Board	711,333	709,417
Total remuneration of former Board members and their surviving dependents		
Board of Management	4,369,136	4,848,031
Provisions for pensions for former Board members and their dependents	59,905,883	60,512,832

The emoluments to active members of the Board of Management presented above include all remuneration and benefits in kind paid in the respective financial year, including variable components that are attributable to previous years and are thus dependent on business performance in earlier periods.

No loans or advances were granted to members of the Board of Management or Administrative Board. No guarantees or other commitments were entered into in favour of such persons.

In the 2018 financial year, variable remuneration elements that are dependent on future performance amounting to €2.2m (previous year: €2.4m) were committed to current members of the Board of Management.

Variable remuneration components that are not paid out in the year of the commitment depend on the sustainable performance of the Deka Group and are deferred until the five years following the commitment year. Sustainable components of remuneration granted are subject to a one-year holding period and are paid out after that period has elapsed as a general rule.

Distributable earnings, corporate value, the economic result, payments to savings bank alliance partners, net sales performance and the individual earnings contribution of the Board Members are used to evaluate sustainability. This means that the sustainable components of remuneration are subject to a malus rule and the entire variable remuneration components are subject to a clawback rule.

Total emoluments include deferred variable remuneration components from previous years payable to active members of the Board of Management amounting to €2.1m and to former members of the Board of Management amounting to €0.8m. The entitlement of active board members comprises €0.4m for the 2017 financial year, €0.7m for the 2016 financial year, €0.4m for the 2015 financial year, €0.3m for the 2014 financial year, €0.2m for the 2013 financial year and €0.1m for the 2012 financial year.

87 Auditor's fees

The following fees for the auditors of the consolidated financial statements were recorded as expenses in the reporting year:

€m	2018	2017	Change
Fees for			
Year-end audit services	3.9	3.5	0.4
Non-audit services			
Other assurance services	0.9	0.7	0.2
Tax advisory services	0.0	0.2	–0.2
Other services	–	–	–
Total	**4.8**	**4.4**	0.4

88 Additional miscellaneous information

Post balance sheet events

No major developments of particular significance occurred after the 2018 balance sheet date.

Recommendation regarding appropriation of net profit

The proposed appropriation of the net profit for the 2018 financial year of €63,270,682.38 is as follows:

- Distribution of a dividend amounting to €59,436,095.57, i.e. 31.0% on existing shares in the Bank's subscribed capital (€191,729,340.56) that are entitled to dividends as at 31 December 2018.
- Distribution of a special dividend amounting to €3,834,586.81. i.e. 2.0% on existing shares in the Bank's subscribed capital (€191,729,340.56) that are entitled to dividends as at 31 December 2018.

The consolidated financial statements were approved for publication on 22 February 2019 by the Board of Management of DekaBank.

Assurance of the Board of Management

We declare that, to the best of our knowledge, the consolidated financial statements prepared in accordance with the applicable reporting standards convey a true and fair view of the financial position and financial performance of the Group and that the management report conveys a true and fair view of the business performance including the business results and position of the Group and suitably presents the material risks and opportunities and likely development of the Group.

Frankfurt/Main, 22 February 2019

DekaBank
Deutsche Girozentrale

The Board of Management

Rüdiger

Dr. Stocker

Better

Dr. Danne

Müller

Independent Auditor’s Report

To DekaBank Deutsche Girozentrale AöR, Berlin/Frankfurt am Main

Report on the Audit of the Consolidated Financial Statements and of the Group Management Report

Opinions

We have audited the consolidated financial statements of DekaBank Deutsche Girozentrale AöR, Berlin/Frankfurt am Main, and its subsidiaries (the Group), which comprise the statement of profit or loss and other comprehensive income for the financial year from January 1, 2018 to December 31, 2018, the balance sheet as of December 31, 2018, and the statement of changes in equity and the statement of cash flows for the financial year from January 1, 2018 to December 31, 2018, and notes to the consolidated financial statements. In addition, we have audited the group management report of DekaBank Deutsche Girozentrale AöR for the financial year from January 1, 2018 to December 31, 2018.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as of December 31, 2018, and of its financial performance for the financial year from January 1, 2018 to December 31, 2018, and
- the accompanying group management report as a whole provides an appropriate view of the Group’s position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Section 317 HGB and the EU Audit Regulation No. 537/2014 (referred to subsequently as “EU Audit Regulation”) and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report” section of our auditor’s report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1, 2018 to December 31, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Measurement of financial assets valued at fair value
For the accounting policies applied, please refer to notes 9 and 10 in the notes to the consolidated financial statements.

THE CONSOLIDATED FINANCIAL STATEMENT RISK

As of December 31, 2018, the Deka Group recognized "financial assets valued at fair value" totaling EUR 25.0 billion. At 24.9% of total assets this represents a significant item on the assets side for DekaBank and contains securities and derivatives, for which there is a quoted price on an active market and those for which a valuation method was used based on observable and/or unobservable market data (this corresponds to the fair value categories 1 to 3 of IFRS 13).

DekaBank applied the new financial reporting standard IFRS 9 Financial Instruments in accordance with requirements for the first time at the beginning of financial year 2018. The significant changes arising from IFRS 9 in respect of financial assets measured at fair value include the introduction of a new classification model that particularly includes amended requirements for the classification of debt instruments held as assets as "at amortized cost" or "measured at fair value through other comprehensive income". The criteria for measurement at amortized cost or fair value through OCI include compliance with the solely payments of principal and interest (SPPI) criterion, i.e. the contractual terms of the financial asset may only give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. If the SPPI criterion is not met, the debt instrument is to be measured at fair value through profit or loss.

Risks for the consolidated financial statements could arise through an incorrect assessment of the SPPI criterion resulting in inappropriate classification and thus inappropriate measurement decisions, or through no appropriate market prices, valuation methods and models or valuation parameters incorporated therein being used when measuring the fair values in accordance with IFRS 13.

OUR AUDIT APPROACH

Based on our risk assessment and evaluation of the risks of material misstatement, we developed an audit approach, which encompasses both controls testing as well as substantive audit procedures. We therefore performed the following audit procedures, among others:

For our assessment, we inspected documentation and conducted surveys, and also tested the functionality of key controls. In particular we evaluated the key processes and controls of DekaBank regarding

- the compliance with the SPPI criterion,
- the procurement and validation or independent verification of quoted prices and observable market data,
- the validation of the valuation methods and models as well as
- the fair value measurement of securities and derivatives

in respect of their adequacy and effectiveness. In addition, we also audited the effectiveness of the general IT controls in the IT systems that are used.

With the involvement of internal KPMG valuation experts, we carried out, inter alia, substantive audit procedures for portfolios of securities and derivatives selected based on a risk-oriented approach which included the following classification and valuation measures of the Bank:

- Compliance with the SPPI criterion.
- Carrying out an independent price verification if a quoted price on an active market exists.
- Where there are no quoted prices on an active market, we performed a re-evaluation using independent valuation methods, parameters and models.
- Assessment of the determination and recognition of value adjustments to measure fair value.

OUR OBSERVATIONS

The classification of financial assets measured at fair value and the market prices, valuation methods and models used for their measurement at DekaBank are appropriate. The parameters incorporated were properly derived.

Measurement of financial liabilities from the issuance of certificates measured at fair value
For the accounting policies applied, please refer to notes 9 and 10 in the notes to the consolidated financial statements.

THE CONSOLIDATED FINANCIAL STATEMENT RISK

The item "financial liabilities measured at fair value" represents 29.2% (EUR 29.3 billion) of the Deka Group's total equity and liabilities and includes certificate issuance measured on the basis of observable and non-observable input parameters.

The financial statement risk could lie in particular in there being no proper valuation methods and models or valuation parameters incorporated therein used when measuring the fair values.

OUR AUDIT APPROACH

Based on our risk assessment and evaluation of the risks of material misstatement, we developed an audit approach, which encompasses both controls testing as well as substantive audit procedures. We therefore performed the following audit procedures, among others:

For our assessment, we inspected documentation and conducted surveys, and also tested the functionality of key controls. In particular we evaluated the key processes and controls of DekaBank regarding

- the procurement and validation or independent verification of quoted prices and observable market data,
- the validation of the valuation methods and models,
- the fair value measurement of certificates

in respect of their adequacy and effectiveness. In addition, we also audited the effectiveness of the general IT controls in the IT systems that are used.

With the involvement of internal KPMG valuation experts, we carried out, inter alia, the following substantive audit procedures for certificates selected based on a risk-oriented approach as of December 31, 2018:

- Re-evaluation using independent valuation methods, parameters and models. In this process, we covered the material product-model combinations of the Bank.
- Assessment of model reserves that are set aside for model uncertainties.
- Assessment of the discount curves (preferred/non-preferred) used for the valuation of certificates for which judgment is exercised in respect of DekaBank's own credit spreads.
- Assessment of the correct assignment of certificates to the newly introduced preferred/non-preferred discount curves based on the new legislation pursuant to section 46f KWG [Kreditwesengesetz: German Banking Act].

OUR OBSERVATIONS

The measurement methods and models used by DekaBank for the fair value measurement of financial liabilities from the issuance of certificates measured at fair value are appropriate. The parameters incorporated were properly derived.

The determination and recognition of net commission income from the fund business

For the accounting policies used, please refer to notes 16 and 35 in the notes to the consolidated financial statements.

THE CONSOLIDATED FINANCIAL STATEMENT RISK

The net commission income from the Deka Group's fund business is, in terms of amount, a key component of both the overall net commission income as well as the net income of the DekaBank Group. In the notes to the consolidated financial statements for the 2018 financial year the Deka Group recognized commission income from the fund business of EUR 2,191.6 million and commission expenses from the fund business of EUR 1,112.2 million.

The Deka Group generates commission income from the administration and/or sale of investment fund units when the preconditions pursuant to IFRS 15 are met. Accordingly, commission expenses, which mainly arise from remuneration to sales partners, are recognized with the commission income with which they are associated.

The invoicing system and posting logic for commission income and expenses from the fund business of the Deka Group is multi-faceted. This multi-faceted nature is reflected in particular in the different types of commission in the fund business as well as the settlement of acquisition, issuance, invoicing and payment transactions between funds, the asset management companies of the Deka Group and DekaBank as well as the savings banks (Sparkassen).

The consolidated financial statement risk could arise due to net commission income from the fund business not being properly presented in the consolidated financial statements due to the inappropriate determination and recognition of the corresponding commission income and expenses.

OUR AUDIT APPROACH

Based on our risk assessment and evaluation of the risks of material misstatement, we developed an audit approach, which encompasses both controls testing as well as substantive audit procedures. We therefore performed the following audit procedures, among others:

In order to audit the net commission income from the fund business we evaluated the key internal accounting-related processes and controls pertaining to

- the proper order entry
- the recognition and maintenance of fund and custodial account master data and
- the presentation for accounting purposes of commission income and expenses from the fund business

in respect of their adequacy and effectiveness. In addition, we also audited the effectiveness of the general IT controls in the IT systems that in use.

In the course of our substantive audit procedures we verified the proper entry into the accounts of commission income and expenses by reconciling the invoices with the underlying documents, which represent the basis for the determination and recognition of commission income and expenses, for individual transactions.

In addition, we also carried out plausibility assessments of ratios and industry trends in the course of our analytical audit procedures.

OUR OBSERVATIONS

Based on the results of the controls testing and substantive audit procedures we conclude that the commission income and expenses from the fund business have been properly determined and recognized.

Other Information

The Board of Management is responsible for the other information. The other information comprises the remaining parts of the annual report, with the exception of the audited consolidated financial statements and group management report and our auditor's report.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Board of Management and the Administrative Board for the Consolidated Financial Statements and the Group Management Report

The Board of Management is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the Board of Management is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Management is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the Board of Management is responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the Board of Management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The Administrative Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the Board of Management and the reasonableness of estimates made by the Board of Management and related disclosures.
- Conclude on the appropriateness of the Board of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the Board of Management in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the Board of Management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on March 21, 2018. We were engaged by the Administrative Board on April 28, 2018. We have been the group auditor of the DekaBank without interruption since the financial year 2013.

We declare that the opinions expressed in this auditor’s report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

In addition to the financial statement audit, we have provided to DekaBank or subsidiaries of DekaBank services that are not disclosed in the consolidated financial statements or in the group management report

We performed an audit review of the interim (half-year) financial report. Furthermore, we also performed other assurance services, including custody account audits/audits pursuant to the German Securities Trading Act [WpHG], an assurance engagement pursuant to ISAE 3402 (e.g. investment compliance testing), issuing of letters of comfort as well as other assurance services required by supervisory law and tax advisory services for Asset Management, which were approved by the Audit Committee.

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Markus Fox.

Frankfurt am Main, 25 February 2019

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Pukropski	Fox
Wirtschaftsprüfer	Wirtschaftsprüfer

Other information

Shareholders, subsidiaries and associated companies

Shareholders of DekaBank *(as of 1 March 2019)*

DSGV ö.K.[1]	**50%**
thereof:	
Savings Banks Association Baden-Wuerttemberg	7.71%
Rhineland Savings Banks and Giro Association	6.56%
Savings Banks Association Lower Saxony	6.46%
Savings Banks Association Bavaria	6.32%
Savings Banks Association Westphalia-Lippe	6.18%
Savings Banks and Giro Association Hesse-Thuringia	5.81%
Savings Banks Association Rhineland-Palatinate	3.21%
Savings Banks Association Berlin/Landesbank Berlin	1.90%
East German Savings Banks Association	1.83%
Savings Banks and Giro Association for Schleswig-Holstein	1.78%
Savings Banks Association Saar	1.37%
Hanseatic Savings Banks and Giro Association	0.91%
Deka Erwerbsgesellschaft mbH & Co. KG	**50%**
thereof:	
Savings Banks Association Bavaria	8.40%
Savings Banks Association Baden-Wuerttemberg	8.14%
East German Savings Banks Association	8.00%
Rhineland Savings Banks and Giro Association	7.66%
Savings Banks and Giro Association Hesse-Thuringia	5.47%
Savings Banks Association Westphalia-Lippe	3.69%
Savings Banks Association Lower Saxony	2.04%
Savings Banks Association Rhineland-Palatinate	1.87%
Savings Banks Association Berlin/Landesbank Berlin	1.57%
Savings Banks and Giro Association for Schleswig-Holstein	1.48%
Hanseatic Savings Banks and Giro Association	1.27%
Savings Banks Association Saar	0.43%

[1] in relation to voting stake (subject to rounding differences)

Subsidiaries and associated companies of DekaBank[2] *(as of 1 March 2019)*

Asset management securities business division	
Deka Investment GmbH, Frankfurt/Main	100.0%
DekaBank Deutsche Girozentrale Luxembourg S.A., Luxembourg	100.0%
Deka International S.A., Luxembourg	100.0%
International Fund Management S.A., Luxembourg	100.0%
DekaTreuhand GmbH, Frankfurt/Main	100.0%
Privates Institut für quantitative Kapitalmarktforschung der DekaBank GmbH, Frankfurt/Main	100.0%
Deka Vermögensmanagement GmbH (formerly: Landesbank Berlin Investment GmbH, Berlin)	100.0%
S-Pensionsmanagement GmbH, Cologne	50.0%
Sparkassen Pensionsfonds AG, Cologne	50.0%
Sparkassen Pensionskasse AG, Cologne	50.0%
Deka Neuburger Institut für wirtschaftsmathematische Beratung GmbH, Frankfurt/Main	50.0%
Dealis Fund Operations GmbH i.L., Frankfurt/Main	50.0%

Heubeck AG, Cologne	30.0%
DPG Deutsche Performancemessungs-Gesellschaft für Wertpapierportfolios mbH, Frankfurt/Main	22.2%
Erste Asset Management GmbH, Vienna	1.65%
Asset management services business division	
bevestor GmbH, Frankfurt/Main	100.0%
S Broker AG & Co. KG, Wiesbaden	100.0%
S Broker Management AG, Wiesbaden	100.0%
Asset management real estate business division	
Deka Immobilien Investment GmbH, Frankfurt/Main	100.0%
Deka Immobilien GmbH, Frankfurt/Main	100.0%
Deka Immobilien Luxembourg S.A., Luxembourg	100.0%
Deka Vermögensverwaltungs GmbH, Frankfurt/Main	100.0%
Deka Verwaltungs GmbH, Frankfurt/Main	100.0%
Deka Real Estate International GmbH (formerly: Deka Immobilien Beteiligungsgesellschaft mbH, Frankfurt/Main)	100.0 %
Deka Investors Spezialinvestmentaktiengesellschaft mit veränderlichem Kapital und Teilgesellschaftsvermögen, Frankfurt/Main	100.0%
WestInvest Gesellschaft für Investmentfonds mbH, Düsseldorf	99.7%
WIV GmbH & Co. Beteiligungs KG, Frankfurt/Main	94.9%
Architrave GmbH, Berlin	12.0%
Deka-S-PropertyFund No. 1 Beteiligungs GmbH & Co. KG, Frankfurt/Main	11.6%
Financing business division	
Deka Real Estate Lending K. K. i.L., Tokyo	100.0%
Global Format GmbH & Co. KG, Munich	18.8%
HELICON Verwaltungsgesellschaft mbH & Co. Immobilien KG, Pullach	8.3%
RSU Rating Service Unit GmbH & Co. KG, Munich	6.5%
SIZ GmbH, Bonn	5.0%
True Sale International GmbH, Frankfurt/Main	7.7%
Corporate Centre Corporate Development	
Deka Beteiligungs GmbH, Frankfurt/Main	100.0%
Deka Treuhand Erwerbsgesellschaft mbH, Frankfurt/Main	100.0%

[2)] Held directly or indirectly. The Group has further holdings which are, however, of minor significance.

Administrative Board and Board of Management of DekaBank

(as of 1 March 2019)

Administrative Board

Helmut Schleweis
(since 1 January 2018)
Chairman
President of the German Savings Banks and Giro Association e. V., Berlin,
President of the German Savings Banks and Giro Association – public law entity, Berlin
Chairman of the General and Nominating Committee
Chairman of the Remuneration Supervision Committee

Walter Strohmaier
First Deputy Chairman
Chairman of the Management Board of Sparkasse Niederbayern-Mitte, Straubing
First Deputy Chairman of the General and Nominating Committee
First Deputy Chairman of the Remuneration Supervision Committee
Member of the Audit Committee

Thomas Mang
Second Deputy Chairman
President of the Savings Banks Association Lower Saxony, Hanover
Chairman of the Risk Committee
Second Deputy Chairman of the General and Nominating Committee
Second Deputy Chairman of the Remuneration Supervision Committee

Further representatives selected by the Shareholders' Meeting

Michael Bräuer
Chairman of the Management Board of Sparkasse Oberlausitz-Niederschlesien, Zittau
Member of the General and Nominating Committee
Member of the Remuneration Supervision Committee

Michael Breuer
President of the Rhineland Savings Banks and Giro Association, Düsseldorf
Chairman of the Audit Committee
Chairman of the General und Nominating Committee

Ingo Buchholz
(since 1 January 2018)
Chairman of the Management Board of Kasseler Sparkasse, Kassel

Prof. Dr. Liane Buchholz
President of the Savings Banks Association Westfalen-Lippe, Münster
Member of the Audit Committee
Member of the General and Nominating Committee
Member of the Remuneration Committee

Dr. Michael Ermrich
Managing President of the East German Savings Banks Association, Berlin

Dr. Johannes Evers
Chairman of the Management Board of Berliner Sparkasse and President of the Savings Banks Association Berlin, Berlin
Deputy Chairman of the Risk and Credit Committee

Andreas Fohrmann
Chairman of the Management Board of Sparkasse Südholstein, Münster

Ralf Fleischer
(since 1 June 2018)
Chairman of the Management Board of Stadtsparkasse München, Munich

Gerhard Grandke
Managing President of the Savings Banks and Giro Association Hesse-Thuringia, Frankfurt/Main
Member of the General and Nominating Committee
Member of the Remuneration Supervision Committee

Dr. Christoph Krämer
Chairman of the Management Board of Sparkasse Iserlohn, Iserlohn
Member of the Risk and Credit Committee

Beate Läsch-Weber
President of the Savings Banks Association Rhineland-Palatinate, Budenheim

Ludwig Momann
Chairman of the Management Board of Sparkasse Emsland, Meppen
Member of the Risk and Credit Committee

Dr. Ulrich Netzer
President of the Savings Banks Association Bavaria, Munich
Member of the General and Nominating Committee
Member of the Remuneration Supervision Committee
Member of the Audit Committee

Frank Saar
Member of the Management Board of Sparkasse Saarbrücken, Saarbrücken
Member of the Risk and Credit Committee

Peter Schneider
President of the Savings Banks Association Baden-Wuerttemberg, Stuttgart
Member of the General and Nominating Committee
Member of the Remuneration Supervision Committee

Dr. jur. Harald Vogelsang
Spokesman of the Management Board of Hamburger Sparkasse AG, Hamburg
President of the Hanseatic Savings Banks and Giro Association, Hamburg

Burkhard Wittmacher
Chairman of the Management Board of Sparkasse Esslingen-Nürtingen, Esslingen
Member of the Audit Committee

Alexander Wüerst
Chairman of the Management Board of Kreissparkasse Köln, Cologne
Member of the General and Nominating Committee
Member of the Remuneration Supervision Committee

Employee Representatives appointed by the Staff Committee

Michael Dörr
Chairman of the Staff Committee, DekaBank Deutsche Girozentrale, Frankfurt/Main

Erika Ringel
Member of the Staff Committee, DekaBank Deutsche Girozentrale, Frankfurt/Main

Representatives appointed by the Federal Organisation of Central Municipal Organisations
(in an advisory capacity)

Helmut Dedy
Chief Executive Officer of the German Association of Cities, Berlin

Prof. Dr. Hans-Günter Henneke
Managing Member of the Presiding Board of the German County Association, Berlin
Member of the General and Nominating Committee
Member of the Remuneration Supervision Committee

Roland Schäfer
Mayor of the City of Bergkamen and President of the German Association of Towns and Municipalities, Berlin

Board of Management

Michael Rüdiger
CEO

Dr. Georg Stocker
Deputy CEO

Manuela Better
Member of the Board of Management

Dr. Matthias Danne
Member of the Board of Management

Martin K. Müller
Member of the Board of Management

Executive Managers

Daniela Kapffer
(since 1 October 2019)
Manfred Karg

Seats on supervisory bodies

Michael Rüdiger
Deka Investment GmbH, Frankfurt/Main:
Chairman of the Supervisory Board
Deka Vermögensmanagement GmbH, Frankfurt/Main*:
Member of the Supervisory Board from 1 January 2018 to 14 January 2018;
Chairman of the Supervisory Board from 15 January 2018
Evonik Industries AG, Essen:
Member of the Supervisory Board
Deka Immobilien GmbH, Frankfurt/Main:
Member of the Supervisory Board
Liquiditäts-Konsortialbank GmbH i.L., Frankfurt/Main:
Chairman of the Administrative Board to 23 July 2018

Dr. Georg Stocker
S Broker AG & Co. KG, Wiesbaden:
Chairman of the Supervisory Board
S Broker Management AG, Wiesbaden:
Chairman of the Supervisory Board

Manuela Better
Deutsche EuroShop AG, Hamburg:
Member of the Supervisory Board
S Broker AG & Co. KG, Wiesbaden:
Deputy Chairwoman of the Supervisory Board
S Broker Management AG, Wiesbaden:
Member of the Supervisory Board
Deka Vermögensmanagement GmbH, Frankfurt/Main*:
Deputy Chairwoman of the Supervisory Board
Deka Investment GmbH, Frankfurt/Main:
Deputy Chairwoman of the Supervisory Board
Deka Immobilien Investment GmbH, Frankfurt/Main:
Deputy Chairwoman of the Supervisory Board
WestInvest Gesellschaft für Investmentfonds mbH, Düsseldorf:
Deputy Chairwoman of the Supervisory Board
Deka Immobilien GmbH, Frankfurt/Main:
Deputy Chairwoman of the Supervisory Board
DekaBank Deutsche Girozentrale Luxembourg S.A., Luxembourg:
Member of the Supervisory Board

Dr. Matthias Danne
Deka Immobilien Investment GmbH, Frankfurt/Main:
Chairman of the Supervisory Board
WestInvest Gesellschaft für Investmentfonds mbH, Düsseldorf:
Chairman of the Supervisory Board
Deka Immobilien GmbH, Frankfurt/Main:
Chairman of the Supervisory Board
DekaBank Deutsche Girozentrale Luxembourg S.A., Luxembourg:
Deputy Chairman of the Administrative Board
S-PensionsManagement GmbH, Cologne:
Deputy Chairman of the Supervisory Board
Sparkassen Pensionskasse AG, Cologne:
Deputy Chairman of the Supervisory Board
Sparkassen Pensionsfonds AG, Cologne:
Chairman of the Supervisory Board
Deka Treuhand Erwerbsgesellschaft mbH, Frankfurt/Main:
Managing Director

Martin K. Müller
DekaBank Deutsche Girozentrale Luxembourg S.A., Luxembourg:
Chairman of the Administrative Board
Sparkassen Rating und Risikosysteme GmbH, Berlin:
Member of the Supervisory Board
Dealis Fund Operations GmbH i.L., Frankfurt/Main:
Member of the Shareholder Committee to 1 October 2018
Deka Treuhand Erwerbsgesellschaft mbH, Frankfurt/Main:
Managing Director

* Landesbank Berlin Investment GmbH was renamed Deka Vermögensmanagement GmbH on 10 April 2018, and the company's registered office was moved to Frankfurt/Main.

Fund-related committees

Asset Management Securities business division

Advisory Board Retail
(as of 1 March 2019)

Chairman

Dr. Harald Langenfeld
Chairman of the Management Board of Stadt- und Kreissparkasse Leipzig, Leipzig

Deputy Chairman

Matthias Nester
Chairman of the Management Board of Sparkasse Koblenz, Koblenz

Members

Jochen Brachs
Chairman of the Management Board of Sparkasse Hochschwarzwald, Titisee-Neustadt

Gerhard Döpkens
Chairman of the Management Board of Sparkasse Gifhorn-Wolfsburg, Gifhorn

Wilfried Groos
Chairman of the Management Board of Sparkasse Siegen, Siegen

Markus Groß
Chairman of the Management Board of Sparkasse Neunkirchen, Neunkirchen

Arendt Gruben
Chairman of the Management Board of Sparkasse Schwarzwald-Baar, Villingen-Schwenningen

Stefan Grunwald
Chairman of the Management Board of Stadt-Sparkasse Solingen, Solingen

Michael Horn
Deputy Chairman of the Management Board of Landesbank Baden-Württemberg, Stuttgart

Wolfgang Kirschbaum
Chairman of the Management Board of Sparkasse Minden-Lübbecke, Minden

Oliver Klink
Chairman of the Management Board of Taunus-Sparkasse, Bad Homburg v.d.H.

Marlies Mirbeth
Member of the Management Board of Stadtsparkasse München, Munich

Tanja Müller– Ziegler
Member of the Management Board of Berliner Sparkasse, Berlin

Walter Paulus-Rohmer
Member of the Management Board of Stadt- und Kreissparkasse Erlangen Höchstadt Herzogenaurach, Erlangen

Bettina Poullain
Member of the Management Board of Hamburger Sparkasse AG, Hamburg

Hubert Rist
Chairman of the Management Board of Sparkasse Pfullendorf-Meßkirch, Pfullendorf

Oliver Saggau
Member of the Management Board of Sparkasse zu Lübeck AG, Lübeck

Hartmut Wnuck
Chairman of the Management Board of Stadtsparkasse Mönchengladbach, Mönchengladbach

Advisory Board Institutional
(as of 1 March 2019)

Chairman

Joachim Hoof
Chairman of the Management Board of Ostsächsische Sparkasse Dresden, Dresden

Deputy Chairman

Michael Bott
Chairman of the Management Board of Sparkasse Waldeck-Frankenberg, Korbach

Members

Felix Angermann
Chairman of the Management Board of Sparkasse Zwickau, Zwickau

Peter Becker
Chairman of the Management Board of Sparkasse Herford, Herford

Christian Bonnen
Member of the Management Board of Kreissparkasse Köln, Cologne

Frank Brockmann
Member of the Management Board of Hamburger Sparkasse AG, Hamburg

Andreas Götz
Chairman of the Management Board of Kreissparkasse Ostalb, Cham

Stefan Lukai
Member of the Management Board of Sparkasse Essen, Essen

Thomas Lützelberger
Chairman of the Management Board of Sparkasse Schwäbisch Hall-Crailsheim, Schwäbisch Hall

Heiko Nebel
Chairman of the Management Board of Stadtsparkasse Burgdorf, Burgdorf

Frank Opitz
Member of the Management Board of Sparkasse Fürstenfeldbruck, Fürstenfeldbruck

Peter Orth
(since 1 August 2018)
Member of the Management Board of Sparkasse Dortmund, Dortmund

Hubert Riese
Member of the Management Board of Kreissparkasse Eichsfeld, Worbiss

Stephan Scholl
Chairman of the Management Board of Sparkasse Pforzheim Calw, Pforzheim

Christoph Schulz
Chairman of the Management Board of Braunschweigische Landessparkasse, Brunswick

Rolf Settelmeier
Chairman of the Management Board of Stadtsparkasse Augsburg, Augsburg

Franz Wittmann
Chairman of the Management Board of Landkreis Cham, Cham

Norbert Wolf
(to 30 June 2018)
Member of the Management Board of Sparkasse Dortmund, Dortmund

Corporate Bodies of Subsidiaries – Asset Management Securities business division

Deka Investment GmbH

Members of the Supervisory Board
(as of 1 March 2019)

Chairman

Michael Rüdiger
CEO of DekaBank Deutsche Girozentrale, Frankfurt/Main

Deputy Chairwoman

Manuela Better
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Members

Dr. Fritz Becker
Wehrheim

Joachim Hoof
Chairman of the Management Board of Ostsächsischen Sparkasse Dresden, Dresden

Jörg Münning
Chairman of the Management Board of LBS Westdeutsche Landesbau-sparkasse, Münster

Peter Scherkamp
Munich

Board of Management

Chairman

Stefan Keitel

Members

Thomas Ketter
Dr. Ulrich Neugebauer
Michael Schmidt
Thomas Schneider

Deka Vermögensmanagement GmbH

Members of the Supervisory Board
(as of 1 March 2019)

Chairman

Michael Rüdiger
CEO of DekaBank Deutsche Girozentrale, Frankfurt/Main

Deputy Chairwoman

Manuela Better
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Members

Serge Demolière
Berlin

Stefan Keitel
Chairman of the Board of Directors Deka Investment GmbH, Frankfurt/Main

Steffen Matthias
Berlin

Victor Moftakhar
Member of the Management Board of the Foundation „Fonds zur Finanzierung der kerntechnischen Entsorgung", Berlin

Board of Management

Spokesman

Dirk Degenhardt

Members

Thomas Ketter
Thomas Schneider
Dyrk Vieten
Holger Wern

S Broker AG & Co. KG

Members of the Supervisory Board
(as of 1 March 2019)

Chairman

Dr. Georg Stocker
Deputy Chairman of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Deputy Chairmen

Manuela Better
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Dr. Olaf Heinrich
Head of Digital Multichannel Management of DekaBank Deutsche Girozentrale, Frankfurt/Main

Members

Daniel Kapffer
COO Banking & Custody of DekaBank Deutsche Girozentrale, Frankfurt/Main

Dr. Hans-Jürgen Plewan
Head of IT, DekaBank Deutsche Girozentrale, Frankfurt/Main

Board of Management

Member

S Broker Management AG

S Broker Management AG

Members of the Supervisory Board
(as of 1 March 2019)

Chairman

Dr. Georg Stocker
Deputy Chairman of the Management Board of der DekaBank Deutsche Girozentrale, Frankfurt/Main

Deputy Chairman

Dr. Olaf Heinrich
Head of Digital Multichannel Management of DekaBank Deutsche Girozentrale, Frankfurt/Main

Member

Manuela Better
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Board of Management

Chairman

Thomas Pfaff

Member

Thomas Pfaff

bevestor GmbH

Members of the Supervisory Board
(as of 1 March 2019)

Chairman

Dr. Olaf Heinrich
Head of Digital Multichannel Management of DekaBank Deutsche Girozentrale, Frankfurt/Main

Deputy Chairman

Daniel Kapffer
COO Banking and Custody of DekaBank Deutsche Girozentrale, Frankfurt/Main

Member

Michael Erhard Vetter
Head of Multichannel Management of DekaBank Deutsche Girozentrale, Frankfurt/Main

Board of Management

Members

Marco Lorenz
Björn Schmuck

DekaBank Deutsche Girozentrale Luxembourg S.A.

Members of the Adminstrative Board
(as of 1 March 2019)

Chairman

Martin K. Müller
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Deputy Chairman

Dr. Matthias Danne
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Members

Manuela Better
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Wolfgang Dürr
Executive Member of the Adminstrative Board DekaBank Deutsche Girozentrale Luxembourg S.A., Luxembourg

Dr. Stefan Grabowsky
Trier

Hans-Ulrich Hügli
Luxembourg

Board of Management

Members

Wolfgang Dürr
Tobias Gansäuer
Daniel Kapffer

Asset Management Real Estate business division

Advisory Board Real Estate
(as of 1 March 2019)

Chairman

Johannes Hüser
Chairman of the Management Board of Kreissparkasse Wiedenbrück, Rheda-Wiedenbrück

Deputy Chairman

Dirk Köhler
Chairman of the Management Board of Sparkasse Uelzen Lüchow-Dannenberg, Uelzen

Members

Andrea Binkowski
Chairwoman of the Management Board of Sparkasse Mecklenburg-Strelitz, Neustrelitz

Wolfgang Busch
Deputy Chairman of the Management Board of Sparkasse Hilden-Ratingen-Velbert, Velbert

Toni Domani
Member of the Management Board of Sparkasse Regen-Viechtach, Regen

Peter Dudenhöffer
Deputy Chairman of the Management Board of Sparkasse Germersheim-Kandel, Kandel

Heinz Feldmann
Chairman of the Management Board of Sparkasse LeerWittmund, Leer

Norbert Grießhaber
Chairman of the Management Board of Sparkasse Kraichgau, Bruchsal

Udo Klopfer
Chairman of the Management Board of Sparkasse Hegau-Bodensee, Singen

Heinrich-Georg Krumme
Chairman of the Management Board of Sparkasse Westmünsterland, Dülmen

Karl Manfred Lochner
Member of the Management Board of Landesbank Baden-Württemberg, Stuttgart

Dr. Ewald Maier
Chairman of the Management Board of Sparkasse Forchheim, Forchheim

Mike Stieler
Chairman of the Management Board of Sparkasse Sonneberg, Sonneberg

Dr. Hariolf Teufel
Chairman of the Management Board of Kreissparkasse Göppingen, Göppingen

Jürgen Thomas
(since 1 July 2018)
Deputy Chairman of the Management Board of Stadt- und Kreissparkasse Darmstadt, Darmstadt

Ulrich Voigt
Deputy Member of the Management Board of Sparkasse KölnBonn, Cologne

Jürgen Wagenländer
Member of the Management Board of Sparkasse Mainfranken Würzburg, Würzburg

Hans Ulrich Weiss
Chairman of the Management Board of Sparkasse Mansfeld-Südharz, Lutherstadt Eisleben

Reinhold Wintermeyer
(to 30 June 2018)
Deputy Chairman of the Management Board of Sparkasse Oberhessen, Friedberg

Corporate Bodies of Subsidiaries – Asset Management Real Estate business division

Deka Immobilien GmbH

Members of the Supervisory Board
(as of 1 March 2019)

Chairman

Dr. Matthias Danne
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Deputy Chairwoman

Manuela Better
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Member

Michael Rüdiger
CEO of DekaBank Deutsche Girozentrale, Frankfurt/Main

Board of Management

Members

Ulrich Bäcker
Burkhard Dallosch
Torsten Knapmeyer
Thomas Schmengler

Deka Immobilien Investment GmbH

Members of the Supervisory Board
(as of 1 March 2019)

Chairman

Dr. Matthias Danne
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Deputy Chairwoman

Manuela Better
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Members

Christian Bauer
Head of Planning & Development Business Division Real Estate of DekaBank Deutsche Girozentrale, Frankfurt/Main

Hans-Heinrich Hahne
Auetal

Prof. Dr. Wolfgang Schäfers
C4 Professor of University of Regensburg, Chair of Real Estate Management, Bad Abbach

Gesa Wilms
Head of Management Real Estate Services of DekaBank Deutsche Girozentrale, Frankfurt/Main

Board of Management

Members

Burkhard Dallosch
Torsten Knapmeyer
Thomas Schmengler

WestInvest Gesellschaft für Investmentfonds mbH

Members of the Supervisory Board
(as of 1 March 2019)

Chairman

Dr. Matthias Danne
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Deputy Chairwoman

Manuela Better
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Members

Christian Bauer
Head of Planning & Development Business Division Real Estate of DekaBank Deutsche Girozentrale, Frankfurt/Main

Hans-Heinrich Hahne
Auetal

Prof. Dr. Wolfgang Schäfers
C4 Professor of University of Regensburg, Chair of Real Estate Management, Bad Abbach

Gesa Wilms
Head of Management Real Estate Services of DekaBank Deutsche Girozentrale, Frankfurt/Main

Board of Management

Members

Ulrich Bäcker
Burkhard Dallosch
Torsten Knapmeyer
Mark Wolter

Glossary

Additional Tier 1 bond (AT1 bond)
Non-cumulative, fixed-interest bearer bond issued by DekaBank as Additional Tier 1 capital with subsequent adjustment of its interest rate and an unlimited term. If the Common Equity Tier 1 capital ratio falls below a set minimum, the nominal and redemption values of the bearer bond may be reduced in specific circumstances.

Advisory/management mandate
External funds which are managed by a capital management company (*Kapitalverwaltungsgesellschaft* – KVG) of the Deka Group. For advisory mandates, the KVG acts only as an adviser, i.e. the external management company must verify compliance with investment restrictions in advance. For management mandates, however, investment decisions are made, verified and implemented by the KVG of the Deka Group.

Cost/income ratio (CIR)
In the Deka Group, this indictor is calculated from the ratio of total expenses (excluding restructuring expenses) to total income (excluding risk provisions in the lending and securities business) in the financial year.

Economic result
As a key management indicator, together with economic risk, the economic result forms the basis for risk/return management in the Deka Group and is, in principle, determined in accordance with accounting and measurement policies of IFRS. As well as the total of profit or loss before tax, the economic result also includes changes in the revaluation reserve before tax as well as the interest rate and currency related valuation result from financial instruments recognised at amortised cost, which are not recognised in the income statement under IFRS but are relevant for assessing financial performance. The interest expense in respect of AT1 bonds (Additional Tier 1 capital), which is recognised directly in equity, is also included in the economic result. Furthermore, the economic result takes into account potential future charges that are considered possible in the future but that are not yet permitted to be recognised under IFRS due to the fact that accurate details are not yet available. The economic result is therefore a control variable on an accrual basis whose high level of transparency enables recipients of the external financial reporting to consider the company from the management perspective.

Fully loaded (regulatory ratio)
Ratio calculated by applying the set of regulations stipulated in the Capital Requirements Regulation (CRR)/ Capital Requirements Directive IV (CRD IV) in full, i.e. without taking account of the applicable transitional provisions.

Fund assets (according to BVI)
Fund assets according to BVI comprise the fund assets of the mutual and special funds and asset management funds as well as the master fund. Direct investments in co-operation partner funds, the proportion of products for fund-based asset management attributable to cooperation partners, third party funds and liquidity as well as the advisory/management and asset management mandates are not included.

Internal capital
In the economic risk-bearing capacity analysis, internal capital potential essentially consists of equity under IFRS, income components and positions of a hybrid capital nature (subordinated capital/AT1 capital). It is available in its entirety as a formal overall risk limit to guarantee the Bank's risk-bearing capacity.

Net funds inflow (according to BVI)
Difference between the funds inflow from the sale of units and the outflow from the redemption of units. Unlike net sales, this figure does not include the funds of cooperation partners or advisory/management and asset management mandates. However, the net sales from own investments are taken into account in the net funds inflow.

Net sales
Performance indicator of sales success in asset management and certificate sales. This figure essentially consists of total direct sales of mutual and special funds, fund-based asset management, funds of partner organisations, master funds and advisory/management mandates, ETFs and certificates. Sales generated through proprietary investment activities are not taken into account. Redemptions and maturities are not taken into account for certificates, since in the certificates business the impact on earnings primarily occurs at the time of issue.

Payments to the alliance partners
Payments made by the Deka Group to the savings banks and Landesbanken. These include the transfer of the front-end load from the sale of funds as well as the corresponding sales performance compensation, asset management fee and sales commission. The payments to the alliance partners also include the portions of certificate commission that are passed on.

Phase in (regulatory ratio)
Ratio calculated by applying the set of regulations stipulated in the Capital Requirements Regulation (CRR)/ Capital Requirements Directive (CRD IV) and taking account of the applicable transitional provisions.

Return on equity (RoE)
Return on equity at the Deka Group is calculated as the return on balance sheet equity. It corresponds to the annualised economic result relative to the average balance sheet equity including atypical silent capital contributions, without additional Common Equity Tier 1 capital (AT1) and adjusted for intangible assets. Average balance sheet equity is calculated using the figures for the end of the previous year and the most recent quarterly financial statements (accumulated profit in the course of the year taken into account).

Revaluation reserve
Revaluation reserves area component of IFRS equity on the balance sheet. They include revaluations of net liabilities arising from defined benefit obligations (actuarial gains and losses), the effects of fair value measurement on financial instruments in the FVOCI category – through other comprehensive income – changes in the fair value of liabilities that result from changes in own credit risk and the effective portion of the change in fair value of hedging instruments arising from cash flow hedges, taking into account deferred taxes associated with these items.

Risk-bearing capacity
As a basic principle, risk-bearing capacity is used to determine the maximum level of risk that can be incurred (impacting the income statement), taking into account risk concentrations. To assess risk-bearing capacity on a differentiated basis, DekaBank distinguishes between the risk capacity, the maximum risk appetite and the risk appetite. In the economic risk- bearing capacity analysis, risk capacity corresponds to the internal capital. It is available in its entirety as a formal overall risk limit to guarantee the Bank's risk-bearing capacity. Based on this, a capital buffer is reserved for stress scenarios, which corresponds at a minimum to the level of subordinated capital components (including AT1 capital). The result is what is known as the maximum risk appetite, which forms the primary strategic management indicator. Taking into account other deductions (hidden liabilities and reserves, own credit quality effect, a buffer for model uncertainties, allocation reserve), this results in the risk appetite set by the Board of Management, which serves as the primary operational control parameter for the allocation of risk capital. The corresponding utilisation ratios for risk capacity, the maximum risk appetite, the risk appetite and the allocated risk capital may not exceed 100%.

Total customer assets
Total customer assets essentially comprise the income-relevant volume of mutual and special fund products (including ETFs) direct investments in cooperation partner funds, the portion of fund-based asset management attributable to cooperation partners, third party funds and liquidity, advisory/management mandates, certificates and third party managed master funds.

Wertpapierhaus
The Deka Group is the fully-fledged securities service provider for the savings banks. Its services comprise investments, asset management and support for the savings banks throughout the entire investment and advisory process for securities-related business. In addition, the Deka Group offers comprehensive advice and solutions to the savings banks and other institutional customers for their investment, liquidity, funding and risk management requirements.

Headquarters and addresses

DekaBank
Deutsche Girozentrale
Head office Frankfurt/Main and Berlin
Mainzer Landstraße 16
60325 Frankfurt/Main
Postfach 11 05 23
60040 Frankfurt/Main
Phone: +49 (0) 69 71 47-0
Fax: +49 (0) 69 71 47-13 76
e-mail: konzerninfo@deka.de
Internet: www.dekabank.de

Branch Offices

DekaBank Deutsche Girozentrale
Succursale de Luxembourg
6, rue Lou Hemmer
1748 Luxembourg-Findel
Boîte Postale 5 04
2015 Luxembourg
Phone: +352 34 09-60 01
Fax: +352 34 09-30 90
e-mail: mail@deka.lu

DekaBank Deutsche Girozentrale
London Branch
53 to 54 Grosvenor Street
London W1K 3HU
Phone: +44 20 76 45 90 70
Fax: +44 20 76 45 90 75

Representative Offices

Representative Office Milan
Real Estate Lending
Piazzale Biancamano 8
20121 Milano
Phone: +39 02 62 03-22 16
Fax: +39 02 62 03-40 00

Representative Office New York
1330 Avenue of the Americas
21st Floor
New York, NY 10019
Phone: +1 21 22 47 65 11

Bureau de représentation en France
34, rue Tronchet
75009 Paris
Phone: +33 1 44 43 98 00
Fax: +33 1 44 43 98 16

Deka Investment GmbH
Mainzer Landstraße 16
60325 Frankfurt/Main
Postfach 11 05 23
60040 Frankfurt/Main
Phone: +49 (0) 69 71 47-0
Fax: +49 (0) 69 71 47-19 39
e-mail: service@deka.de
Internet: www.deka.de

Deka Vermögensmanagement GmbH
Mainzer Landstraße 16
60325 Frankfurt/Main
Postfach 11 05 23
60040 Frankfurt/Main
Phone: +49 (0) 69 71 47-0
Internet: www.deka.de

Deka Immobilien GmbH / Deka Immobilien Investment GmbH
Taunusanlage 1
60329 Frankfurt/Main
Postfach 11 05 23
60040 Frankfurt/Main
Phone: +49 (0) 69 71 47-0
Fax: +49 (0) 69 71 47-35 29
e-mail: immobilien@deka.de
Internet: www.deka-immobilien.de

WestInvest Gesellschaft für Investmentfonds mbH
Königshof
Hamborner Straße 55
40472 Düsseldorf
Phone: +49 (0) 2 11 8 82 88-5 00
Fax: +49 (0) 2 11 8 82 88-9 99
e-mail: vertriebsservice-duesseldorf@deka.de
Internet: www.westinvest.de

bevestor GmbH
60486 Frankfurt/Main
Postfach 11 11 28
60046 Frankfurt/Main
Phone: +49 (0) 69 4 00 50 15-0
Fax: +49 (0) 69 4 00 50 15-99
e-mail: kontakt@bevestor.de
Internet: www.bevestor.de

S Broker AG & Co. KG
Carl-Bosch-Str. 10
65203 Wiesbaden
Phone: +49 (0611) 20 44-19 00
Fax: +49 (0611) 20 44-24 99
e-mail: service@sbroker.de
Internet: www.sbroker.de

DekaBank Deutsche Girozentrale Luxembourg S.A.
6, rue Lou Hemmer
1748 Luxembourg-Findel
Boîte Postale 5 04
2015 Luxembourg
Phone: +352 34 09-35 00
Fax: +352 34 09-37 00
e-mail: info@dekabank.lu
Internet: www.dekabank.lu

Internet website
The Annual Report 2018 can be found on our website, including as an interactive online version under "Investor Relations/ Reports" in German and English. Previous versions of our annual and interim reports are also available for download here.

Our group company in Luxembourg, DekaBank Deutsche Girozentrale Luxembourg S. A. publishes its own annual report.

Contact
External Reporting & Rating
e-mail: investor.relations@deka.de
Phone: +49 (0) 69 71 47 - 0

This report was prepared in April 2019

Produced in-house with firesys

Concept and design
Edelman GmbH,
Frankfurt/Main, Berlin, Cologne, Hamburg, Munich

Translation
BBi (Scotland) Ltd.

Financial calendar

28 August 2019: Interim Report as at 30 June 2019

The publication date is preliminary and subject to change.

Gender clause
In this annual report, words in the masculine include words in the feminine; in parts of the report, the masculine form has solely been used to make the document easier to read.

Disclaimer
The management report as well as the Annual Report in other respects contain forward-looking statements as well as expectations and forecasts. These are based on the information available to us at the time of publication, which we have deemed to be reliable after careful consideration. We do not assume an obligation to update based on new information and future events after the publication of this information. We have derived our estimations and conclusions from these forward-looking statements, expectations and forecasts. We expressly point out that all of our future-oriented statements are associated with known or unknown risks or imponderables and are based on conclusions relating to future events, which depend on risks, uncertainties and other factors that are outside of our area of influence. Such developments can result from, among other things, a change in the general economic situation, the competitive situation, the development of the capital markets, changes in the tax law and legal framework and from other risks. The events actually occurring in the future may thus turn out to be considerably different from our forward-looking statements, expectations, forecasts and conclusions. We can therefore assume no liability for their correctness and completeness or for the actual occurrence of the information provided. The English translation of the Deka Group Annual Report is provided for convenience only. The German original is definitive.

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

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

Finanzgruppe