DekaBank
Deutsche Girozentrale

Annual financial statements 2021

Finanzgruppe

Deka

Content

Management report

At a glance

As the *Wertpapierhaus* for the savings banks, the Deka Group is a key part of the *Sparkassen-Finanzgruppe* (Savings Banks Association). The Management Agenda 2025, which was launched in 2020, sets the strategic and operational direction to make the Deka Group an even more customer-focused, innovative and sustainable Wertpapierhaus. This agenda is focusing, among other things, on innovative processes and platforms for sales, products and distribution channels as well as the broader themes of digitalisation and sustainability.

The coronavirus pandemic continued to affect global economic development in 2021. The economy was hit particularly at the beginning and end of the year by lockdown measures in response to high infection rates. There were also indirect impacts from supply chain and transport disruption and significantly increased inflation rates. Looking at 2021 as a whole, however, the economic recovery process from the previous year's pandemic-induced recession essentially continued. The continued expansionary measures by the central banks made a noticeable contribution to this.

The Deka Group improved net sales by a total of €3.6bn to €35.7bn year-on-year in the 2021 reporting period. The Group increased net sales in the retail customer segment by €12.4bn compared with 2020 to €25.0bn. Retail fund sales rose significantly from €8.0bn to €17.9bn, with equity funds (€7.8bn), bond funds (€2.8bn), real estate funds (€2.5bn) and mixed funds (€2.3bn) accounting for a particularly significant share of this figure in the reporting period. Sales of certificates to retail customers totalled €7.1bn (2020: €4.6bn). Net sales to institutional customers came to €10.7bn as against €19.5bn in the previous year. The lower figure was due to a major master funds client changing investment management company in the second quarter. As a result, the institutional investment fund business accounted for net sales of €8.8bn (2020: €17.4bn). Certificate sales to institutional customers came to €1.9bn (2020: €2.2bn).

Net sales, coupled with positive performance and the integration of the total customer assets of IQAM Invest GmbH (around €7bn), fuelled an increase in total customer assets of €56.0bn to €395.1bn (year-end 2020 €339.2bn).

See also: Business development and profit performance in the Deka Group: page 26 ff.

The Deka Group is looking back on a very successful financial year. With an economic result of €847.8m, it significantly improved upon the previous year's figure of €269.4m.

Income increased to €2,019.5m (2020: €1,387.9m). A strong increase in net commission income and an almost evenly balanced risk provisioning result made a substantial contribution to this. There were also high actuarial gains on pension provisions due to the prevailing market conditions. Net commission income remains the primary component of income, accounting for 80%.

Expenses increased by 4.8% to €1,171.8m and thus rose only slightly compared with 2020 (€1,118.5m) despite a moderate increase in personnel and other administrative expenses and a noticeably higher bank levy.

The cost/income ratio was 58.6% (2020: 70.2%). The balance sheet based return on equity (before tax) was 16.5% (2020: 5.5%). The Deka Group's financial position remains sound. DekaBank also has one of the best capital market ratings among its peer group of German commercial banks.

At year-end, the Common Equity Tier 1 capital ratio stood at 15.2% (year-end 2020: 14.2%). The risk-bearing capacity analysis showed a utilisation of risk appetite of 43.3% (year-end 2020: 70.5%).

Information about the Deka Group

Deka Group profile and strategy

The structure and content of the following passages on the business model and strategy correspond to the relevant sections published in the Group management report of the Deka Group. The business model and strategy are oriented towards the Deka Group, while Group management is aligned with the business divisions, thereby incorporating all business divisions and legal entities. As DekaBank is not separately managed as an individual institution, these sections have not been separately prepared at the individual institution level.

Millions of people in Germany save using investment funds, ETFs and certificates. The Deka Group managed approximately €395bn of customer assets at the reporting date, making it one of the largest providers in Germany. The Deka Group is the securities service provider (the *Wertpapierhaus*) for the savings banks. It brings together banking and fund business under one roof.

Legal structure

DekaBank Deutsche Girozentrale (DekaBank) is a German federal institution incorporated under public law with registered offices in Frankfurt am Main and Berlin. DekaBank and its subsidiaries in Germany and other countries make up the Deka Group, which 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 ö.K.). The Deka Group is thus a key part of the *Sparkassen-Finanzgruppe*.

DekaBank is a member of the deposit guarantee scheme of the *Landesbanken* and *Girozentralen*.

Organisational structure

The Deka Group divides its business into five business divisions that bring together similar activities. 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 – provides banking services for asset management.

The sales units Savings Banks Sales and Institutional Customer Sales serve as the interface with sales partners and customers. The corporate centres support the business divisions and sales departments throughout the value chain.

Major companies and locations

The Deka Group's head office is in Frankfurt am Main. Frankfurt is also home to investment management companies such as Deka Investment GmbH, Deka Immobilien Investment GmbH, Deka Vermögensmanagement GmbH and the robo-advisor company bevestor GmbH. A further investment management company – WestInvest GmbH – is based in Düsseldorf. S Broker AG & Co. KG has its registered office in Wiesbaden, while S-PensionsManagement GmbH (in which DekaBank has a 50% shareholding) is headquartered in Cologne.

The Deka Group is represented in Luxembourg by DekaBank DeutscheGirozentrale Niederlassung Luxemburg and the investment management companies Deka International S.A., Deka Immobilien Luxembourg S.A., Deka Vermögensmanagement GmbH (Luxembourg branch) and Deka Verwaltungsgesellschaft Luxembourg S.A. Deka acquired the Salzburg-headquartered Austrian fund manufacturer IQAM Invest GmbH with effect from 1 January 2021.

Corporate management and supervision

As an institution incorporated under public law, the Deka Group is not subject to the German Corporate Governance Code. Nevertheless, the Deka Group strictly adheres to the principles of good and responsible corporate governance.

The guidelines for the management and supervision of the Group ensure that the responsibilities of boards and committees are clearly defined and enable efficient decision-making processes. As a member of the *Sparkassen-Finanzgruppe*, the Deka Group is committed to the principles of subsidiarity and a focus on the greater good. Both the company's own Code of Ethics and the risk culture framework are based on this commitment. The Code of Ethics guides the actions of the boards, committees and employees. It is the basis for a corporate culture within the Deka Group that complies with the law, is open and transparent, and seeks to add value. The risk culture framework 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.

Overall responsibility lies with the Board of Management, which takes a holistic approach, always considering the entirety of the Deka Group and the strategic direction and risks. The Board is divided into divisions, each under the responsibility of a designated member. This ensures a clear distribution of roles and core competencies in the Board of Management.

At the reporting date, the Board of Management consists of six members. The individual members are assigned the following responsibilities:

- CEO: Dr. Georg Stocker
- Deputy CEO & Asset Management: Dr. Matthias Danne
- Risk (CRO): Birgit Dietl-Benzin
- Finance (CFO) & Operations (COO): Daniel Kapffer
- Sales: Torsten Knapmeyer
- Banking business: Martin K. Müller

At its meeting in September 2021, DekaBank's Administrative Board extended the appointment of the CEO, Dr. Georg Stocker, for a further five years to July 2027. Torsten Knapmeyer started in his role as Chief Sales Officer on 1 April 2021.

The Board of Management is supported by in-house management committees in an advisory capacity. DekaBank actively incorporates its sales partners' market proximity and expertise via three specialist advisory boards, which advise the Board of Management, and six regional sales committees (securities committees of the regional savings banks).

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 work of the Administrative Board 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 Risk and Credit Committee and a Remuneration Supervision Committee. With the exception of the employee representatives and representatives from the *Bundesvereinigung der kommunalen Spitzenverbände*, the members of the Administrative Board are appointed by the Shareholders' Meeting.

The responsibilities of the boards and committees are assigned by the Bank's statues. The Administrative Board has adopted rules of procedure and also has a separate fit & proper policy along with guidelines on the handling of conflicts of interest, independence, the induction and training of new members and the promotion of diversity on the Administrative Board and DekaBank Board of Management. There are additional rules of procedure for the Board of Management and for the specialist advisory boards and sales committees.

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

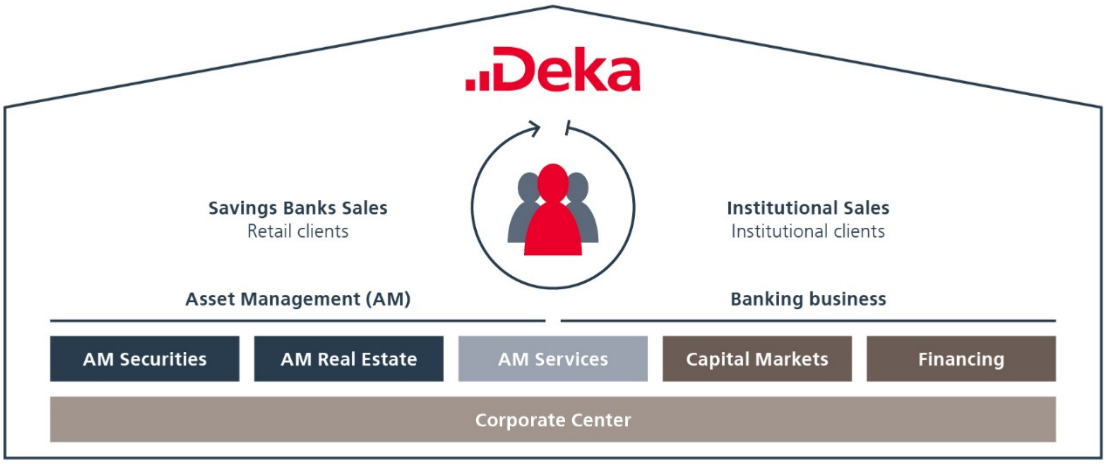
Business model as the *Wertpapierhaus* for the savings banks

The Deka Group is the securities service provider (the *Wertpapierhaus*) for the savings banks. It 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 and advisory process within the securities business. 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.

The Deka Group sees itself as an all-round solution provider, meeting the needs of savings banks and their customers. This philosophy drives the development of its complete range of asset management and banking services to meet the securities business needs of savings banks and their customers and the targeted sales support it provides as a partner.

The Group's integrated business model, combining asset management and banking business, ensures stability and competitiveness. The Deka Group divides its business into five business divisions.

Deka Group – The *Wertpapierhaus* for the savings banks at a glance *(Fig. 1)*



All business divisions aim their products and services at the needs of savings banks and their customers, at the interests of the institutional investors acquired and served in partnership with the savings banks and at institutional customers outside the *Sparkassen-Finanzgruppe*.

- The Asset Management Securities and Asset Management Real Estate business divisions focus particularly on fund-based products and services.
- As a banking division, Asset Management Services encompasses banking services for asset management, such as the depositary and custody account business as well as digital multichannel management.
- The banking business divisions – Capital Markets and Financing – support the integrated model by offering additional investment products and enabling the necessary access to the money and capital markets and to financing. Capital Markets also acts as a service provider for asset management.

In business involving securities funds and real estate funds, the Deka Group primarily earns commission income from 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 comes from banking transactions, including capital market activities, which also generate net financial income from the trading book. Interest income is obtained primarily from lending business as well as from securities in the banking book.

Customers

The Deka Group puts its primary customers – German savings banks and their customers – at the heart of its activities. This includes the private and individual clients, private banking and business customer segments. To ensure that its products and solutions meets the needs of these customers, it is in regular dialogue with the savings banks. The products in demand from primary customers are also sold to institutional customers. These particularly include insurance companies, pension funds, family offices, foundations, corporates and the German public sector. Given the Deka Group's close involvement in the savings banks sector and its focus on German institutional customers, its business activities are concentrated on the domestic market.

Product and solution provider

The core business of the *Wertpapierhaus* is to provide suitable investments in securities and real estate for private and institutional investors as well as transactions which support and complement this along the entire asset management value chain. In this regard, the Deka Group acts as finance provider, issuer, structurer, trustee and depositary (custodian bank).

In addition to investment products and services such as mutual securities funds, special funds, ETFs, real estate funds and certificates, the Deka Group also provides execution of securities trading, custody accounts, asset servicing and depositary services as part of its asset management activities. Deka's services for savings banks also include its role as a liquidity platform, its securities lending services and its support services relating to the procurement and settlement of securities and financial derivatives. All advice, support and service processes – e.g. the provision of market analyses and infrastructure services – also form part of its business model. The Deka Group thus works as a solution provider to create further value added for customers and shareholders.

Sales and all-round advice

The Deka Group's services are generally sold by Savings Banks Sales and Institutional Customer Sales.

Deka takes an all-round approach to helping savings banks sell asset management products and services. An example of this is the close support given to the investment and advisory process within the savings banks. This includes incorporating the product and service offering into customer advice, joint customer-focused activities and in-depth support for savings banks and local advisers. The Deka Group's sales support is fully aligned with the *Sparkassen-Finanzkonzept* – the financial planning strategy offered by the savings banks – and aims to support the savings banks throughout the investment and advisory process.

Position and mission in the *Sparkassen-Finanzgruppe*
The Deka Group is a key part of the *Sparkassen-Finanzgruppe* with a stable business model as the *Wertpapierhaus* of the savings banks.

The market position the Deka Group has achieved is being challenged by market and customer trends. We need to respond faster and more accurately to changes in customer requirements and do our utmost to anticipate them. In addition, the Deka Group also needs to address changing markets: negative interest rates, growing competition (including from new market participants) and pressure on margins along with a continued high level of regulation. On top of this, the coronavirus pandemic has accelerated many social and economic trends, such as digital processes, agile working and climate neutrality, which call for intelligent, innovative and sustainable solutions.

The Management Agenda 2025, which was launched in 2020, sets the strategic and operational direction to make the Deka Group an even more customer-focused, innovative and sustainable *Wertpapierhaus*. This agenda is focusing, among other things, on innovative processes and platforms for sales, products and distribution channels as well as the broader themes of digitalisation and sustainability. These last two trends are instrumental in shaping our business model. Creating new benefits and focusing on customers will be the key factors in successfully implementing the Management Agenda.

- Digitalisation and targeted innovation are building blocks for customer utility, and the Deka Group aims to lead and shape such innovation in the *Sparkassen-Finanzgruppe*.
- The Deka Group will continue to be proactive about driving sustainability as a cornerstone of its business model. It recognises the importance of this issue for society and the planet and also sees an opportunity here for growth and future profitability.
- The Deka Group is convinced that it already has the talent it needs to shape the successful evolution of its business model. Systematic professional development for employees will therefore be an important part of driving ahead with its strategic ambitions.

To enable it to respond more quickly and flexibly to the changing requirements of customers and markets, the Deka Group will evolve as a modern and versatile organisation with efficient, customer-oriented processes.

Digitalisation strategy
The Deka Group is becoming the digital *Wertpapierhaus* and the key partner for the savings banks when it comes to all aspects of securities services in the context of digitalisation. For example, it enables savings banks and their customers to offer competitive, digital customer journeys in the securities business, implements innovative products and services and uses digital technologies to improve process quality and efficiency.

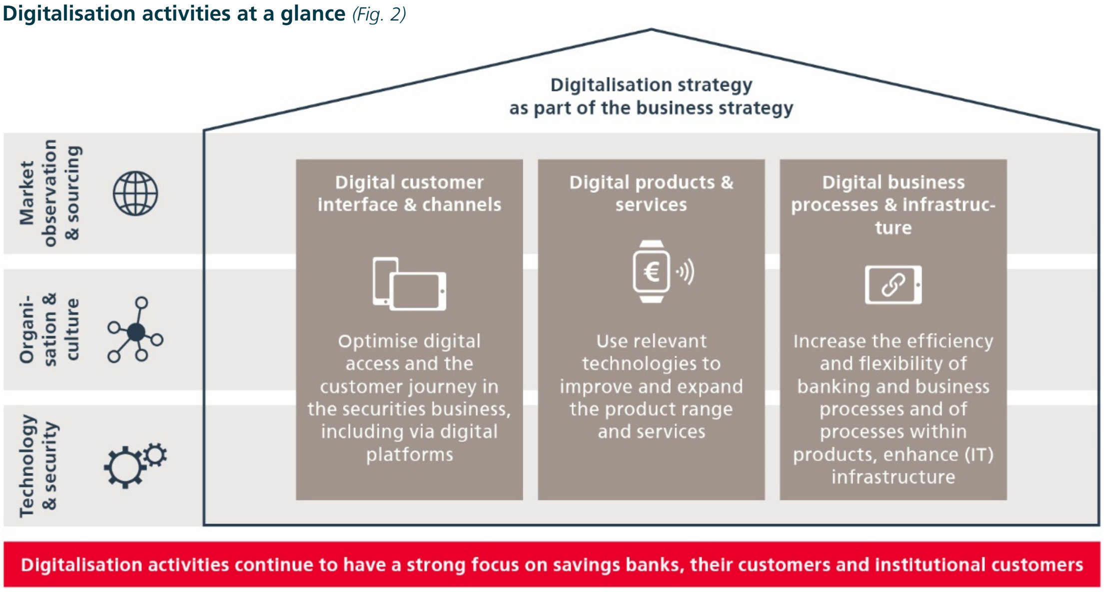
The digitalisation strategy defines three strategic thrusts:

- Digitalising the customer interface and channels: Digital solutions are exploited all along the value chain, beginning with the customer interface, and are thus reflected at every level of the Deka Group. One example is the S-Invest app, which passed the milestone of a million downloads at the end of 2021. The app offers customers a full overview of their securities investments and also allows them to integrate their securities accounts with banks outside the *Sparkassen-Finanzgruppe*. New functions have been constantly added to the S-Invest app since the initial roll-out.

- Digitalising products and services: Another major focus is on digitalising products and developing digital assets. Policymakers have recognised the importance of digitalisation in the financial services sector and created a framework for digital assets in the form of the German Electronic Securities Act (*Gesetz über elektronische Wertpapiere* – eWpG). With finledger and the Digital Collateral Protocol (DCP), DekaBank was quick to implement its first few projects capitalising on the opportunities of these technologies for the Bank and its customers. DCP, a blockchain-based settlement system for securities, enables faster and more efficient national and international securities transactions for conventional securities. The first legally effective lending transactions took place via the DCP in the first half of 2021. In the second half of the year, the options for local securities settlement expanded into further asset classes with the creation of the blockchain-based SWIAT (Secure Worldwide Interbank Asset Transfer) transaction platform. SWIAT's technology can handle all types of securities. The platform will be expanded as a market consortium and aims to replace the industry's fragmented processes with a common standard for international securities settlement. In the fourth quarter of 2021, Deka became the first bank in Germany to issue crypto securities via SWIAT. By maintaining a crypto securities register, it has reached another milestone in its quest to become the digital Wertpapierhaus in the *Sparkassen-Finanzgruppe*. SWIAT GmbH was established as a wholly owned DekaBank subsidiary on 1 February 2022.
- Digitalising business processes: The Deka Group is using all key technologies to digitalise its business processes: Physical documents are being digitalised using optical character recognition (OCR), workflows are being automated via workflow tools and robotics, and artificial intelligence is being used to process unstructured information. One example has been the digitalisation of real estate-related information and its further processing.

In September, DekaBank won the Champions of Digital Transformation Award 2021 in the banking and financial services category. The accolade was awarded by the strategy and management consultancy Infront Consulting with support from the business magazine Capital.

Digitalisation activities at a glance *(Fig. 2)*



Sustainability strategy

In 2015, the international community reached landmark agreements on how to deal with the challenges of climate change and sustainable development: the 2030 Agenda, which includes 17 Sustainable Development Goals (SDGs), and the Paris climate targets. Policymakers and society at large see an increasingly important role for the financial sector in achieving the objectives of these agreements. By actively advising its customers and funding investments in the economic transition to a climate-friendly and resource-efficient way of doing business, the sector should make a substantial contribution to achieving the global goals. This includes offering corresponding investment products.

Since the signing of the Paris Agreement, legislators and regulators have significantly stepped up their efforts to incorporate climate and sustainability criteria into the financial market. This affects banks in two ways: directly, in the form of rules that concern their business activities, product range and risk management, and indirectly, by influencing customer behaviour in the financing and investment business.

With the publication of its "Target vision 2025 – Guidelines on sustainability in savings banks" (*Zielbild 2025 – Leitfaden zur Nachhaltigkeit in Sparkassen*), the *Sparkassen-Finanzgruppe* presented a roadmap for implementing more sustainability as part of its business model. Further steps are set to follow. An initial milestone in this roadmap has been reached with the voluntary commitment by the German savings banks to climate-friendly and sustainable business practices. DekaBank was the first member of the *Sparkassen-Finanzgruppe* to sign the commitment back in 2020.

The Deka Group is facing up to the political, regulatory, social and customer-related challenges associated with climate change and sustainable development. It has made sustainability a cornerstone of its business model and continues to proactively drive forward on this issue in keeping with regulatory requirements. It is focusing on developing a holistic approach in line with the ESG criteria, strengthening governance for sustainability and systematically reviewing and enhancing products and services.

As the *Wertpapierhaus* of the savings banks, the Deka Group recognises its key role and special responsibility when it comes to sustainable and climate-friendly action and promoting sustainable investments. It is helping the *Sparkassen-Finanzgruppe* to get ready for the future, particularly by further expanding its range of sustainable capital market- and real estate-based investment products and sustainable financing solutions.

Via the treasury platform Deka Easy Access (DEA), DekaBank offers savings banks the option to receive support with offsetting their unavoidable greenhouse gas emissions. This involves helping to calculate the savings bank's carbon footprint and covering the carbon offset requirement by brokering the acquisition and retirement of emission allowances that have been verified by DekaBank or an independent expert in advance.

Direct dialogue between shareholders and the companies they own, and the exercise of shareholders' right to speak and vote at annual general meetings, are increasingly important tools for sustainable investment. Deka is using its corporate governance activities at annual general meetings, where sustainability plays a central role, to support this trend.

For the Deka Group, developing a holistic approach also means enhancing internal structures and processes for efficient, Group-wide management of sustainability-related issues. The aim is to turn the guidelines into sustainable corporate governance that also considers risk and HR management.

DekaBank continues to be rated very highly by sustainability rating agencies.

Sustainability ratings at a glance *(Fig. 3)*

Status of sustainability ratings according to annual ESG ratings reports: MSCI: 28 August 2020 (latest interim update: 28 May 2021); ISS-ESG: 22 June 2020; Sustainalytics: 10 August 2021; V.E: May 2021
* Copyright ©2020 MSCI, ** Copyright ©2021 Sustainalytics.

Further information on sustainability is available in the Deka Group's 2021 sustainability report.

Reference to non-financial statement in the sustainability report

The sustainability report, which is published annually and is audited by AGIMUS GmbH Umweltgutachterorganisation & Beratungsgesellschaft, contains detailed information on sustainable corporate governance at the Deka Group. It includes the Deka Group's non-financial statement pursuant to the German CSR Directive Implementation Act (*CSR-Richtlinie-Umsetzungsgesetz* – CSR-RUG). The declaration sets out, in particular, targets, measures and due diligence processes in the areas that are significant to the Group's business model. Under the CSR-RUG, these include environmental, social and employee concerns as well as the upholding of human rights and the combating of bribery and corruption. The content of the Deka Group's sustainability report also reflects the extensive information interests of sustainability rating agencies and other stakeholders.

See also: 2021 sustainability report

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 (https://www.deka.de/deka-group/our-responsibility/how-we-practice-sustainability/sustainability-reports-and-ratings), where it will remain accessible for at least ten years.

Business divisions, sales units and corporate centres

There is a clear separation in the Deka Group at Board of Management level between asset management and banking. Nevertheless, the divisions, sales units and corporate centres work closely together in operational terms, reflecting the integrated business model. They form the basis for the Deka Group's segment reporting under IFRS (International Financial Reporting Standards) 8.

Asset Management Securities business division
The Asset Management Securities business division offers high-quality asset management solutions for every market environment.

Customers can choose from the following range of products to meet their needs:

- 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),
- asset management solutions such as asset management funds, fund-based asset management, wealth management, online asset management and robo-advisory investing, sustainable asset management concepts and individual security-based asset management,
- pension products (e.g. fund-based 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 also features bespoke and standardised securities services such as macro research for individual stocks and funds, support with designing investment strategies and processes, order desk and fund reporting services. These are also offered to external customers in some cases.

The business division continues to significantly expand its existing range of products and services and is giving greater consideration to sustainability aspects in its processes relating to funds, investment and business risks. With its product and service range for sustainable securities investments, the business division plays an important role among German asset managers and is the leading asset manager within the savings bank association.

Following the acquisition of the fund manufacturer IQAM Invest GmbH in 2021, the range of quantitative asset management products has been expanded and enhanced, particularly for institutional customers.

The division's strategic objectives remain to expand its market position in the relevant product segments for savings bank customers and to achieve profitable growth in institutional business. Product and service quality is of particular importance, enabling the division to lead the competition with its high standards and support sustainable growth. Digitalising processes all along the value chain to further improve quality, efficiency and service levels is key to this. Sustainability is also taking centre stage at Asset Management Securities.

Asset Management Real Estate business division
The Asset Management Real Estate business division provides fund products and advisory services relating to real estate or real estate financing for the customer and proprietary business of savings banks and other institutional investors. The division concentrates 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.

The product range comprises:

- open-ended real estate mutual funds,
- open-ended and closed-ended special funds,
- real estate funds of funds,
- credit funds that invest in real estate, infrastructure or transport financing,
- residential property funds offered together with experienced external partners,
- advisory services for investments in real estate products.

Fund products are subject to appropriate cash flow management for the purpose of lasting risk limitation and reduction.

The division's 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. As part of the *Deka Immobilien-Kompass* service, the division offers savings banks and other institutional investors an extensive modular service package aimed at real estate fund investment, positioning itself as a strategic partner to institutional investors.

In order to fully address environmental and social aspects and meet investors' expectations, the Asset Management Real Estate business division is gradually expanding its range of sustainable products and taking sustainability aspects into account in fund and investment processes. An integrated approach that incorporates the producer, production and product level is constantly enhancing this further. Infrastructure funds of funds have been developed for the first time to better meet demand from institutional customers.

The division's mission is to provide the savings banks with lasting, high-quality and sustainable real estate- and real estate financing-based investment products for their customer business and proprietary investments. The aim is to at least maintain the market position in the retail and institutional business without compromising the proven quality or stability.

Asset Management Services business division

The Asset Management Services business division provides banking and other services that complement the offerings of the asset management divisions with asset management and online brokerage. Its services range from supporting the savings banks with multichannel solutions to managing custody accounts for customers and providing custodial services for investment funds.

The Digital Multichannel Management subdivision develops and implements digital solutions for the savings banks' securities business via all channels including the "internet branch" and for the savings bank apps (e.g. S-App and S-Invest App). The Deka Group provides the savings banks with a multi-platform online securities offering, including stock exchange and securities information tools, enabling multi-channel customers to complete transactions seamlessly using various channels. DekaNet acts as the central information and sales platform, offering automation solutions that enable processes to work efficiently. OSPlus neo – the central software solution for the savings banks – is used to provide and enhance the relevant securities processes. In the retail segment, the subdivision takes legal responsibility for the management of DekaBank custody accounts, in which Deka funds, investment solutions, ETFs and certificates can be held. The S Broker range supplements these services. *S ComfortDepot* offers a solution for savings banks that want S Broker to take legal charge of their retail customer custody accounts. S Broker's *DepotPlus* and *DirektDepot* serve online- or trading-savvy customers with minimal advisory needs.

The digital development platform bevestor is another module of the multichannel approach and is fast and agile at producing innovative solutions for the online securities business. bevestor GmbH acts as the savings banks' central robo-advisory product for retail customers.

Testing innovative solutions, ideas and trends in the securities business, such as the use of artificial intelligence and data analytics, remains a focus for DekaBank. Seamless, multichannel integration of branch and online sales in the securities business continues to be an important part of this. Innovative online solutions are providing digital customer interfaces to attract new customers and maintain customer loyalty.

The Depositary subdivision offers an extensive range of depositary services. These include the regulatory control function under the German Investment Code (*Kapitalanlagesetzbuch* – KAGB), securities settlement and reporting. The subdivision offers services to investment management companies both inside and outside the Deka Group and to asset managers. Depositary functions are additionally offered to institutional end investors. The Asset Management Services and Capital Markets business divisions work closely together on services such as commission business, collateral management and securities lending.

Crypto securities and asset-referenced tokens are becoming increasingly important, and the subdivision is implementing the resulting requirements. It maintained a crypto securities register for two issues in 2021. Management of crypto securities is incorporated into the depositary function.

As in previous years, the Depositary subdivision is aiming to maintain a strong competitive position and to constantly grow the volume of assets under custody in its business involving mutual and special funds, third-party mandates and investment managers.

Capital Markets business division

The Capital Markets business division is the central product, solution and infrastructure provider while also acting as a service provider and driving forward innovation in the Deka Group's customer-focused capital markets business. As such, the business division provides the link between customers and the capital markets. It offers investment solutions to both retail and institutional customers and helps them to put their asset and risk management decisions into practice.

With its tailored range of services relating to securities repurchase transactions, securities lending and foreign exchange trading, the business division provides the central securities and collateral platform for the savings bank association. In addition to its function as a commission agent for all relevant asset classes, it serves as a centre of competence for trading and structuring capital market products as well as for DekaBank's certificate issues. Institutional customers are provided with clearing services and support with the efficient fulfilment of regulatory requirements.

The business division is pursuing ongoing digitalisation initiatives to increase customer utility and efficiency. The main product remains the Deka Easy Access (DEA) platform, which helps savings banks to manage their proprietary portfolios effectively. DEA allows the savings banks to trade popular capital market products and offers broad access to information and research. As of the end of 2021, 304 savings banks used this established tool. The finledger platform, created with other market participants to process digital promissory note loans with the help of distributed ledger technology (DLT), was further enhanced in 2021.

The activities of the Capital Markets business division are divided into three subdivisions:

- The Collateral Trading & Currency subdivision brings together securities lending products, securities repurchase transactions and customer-oriented currency trading.
- The Trading & Structuring subdivision 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 for the certificates issuing business.
- The Commission Business subdivision executes trades in securities and exchange-traded derivatives in its own name on behalf of third parties. These services can be used by business partners inside and outside the *Sparkassen-Finanzgruppe*.

As a product, solution and infrastructure provider, the Capital Markets business division provides savings banks and institutional customers with access to capital markets and (central) counterparties. Customers benefit from synergy effects and economies of scale. The business division is responding to regulatory requirements by optimising the business portfolio on an ongoing basis and by efficiently managing regulatory capital requirements. The business division's activities are focused on the increased use of DEA and, more broadly, the development of digital business models.

Financing business division

The Financing business division concentrates on specialised and real estate financing – segments in which it has the relevant market knowledge and long-standing expertise.

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*.

The Specialised Financing subdivision concentrates on financing energy, grid, utilities and public infrastructure projects (infrastructure and renewable energy financing), on aircraft, ship and rail financing (transport financing), on financing covered by export credit agencies (ECAs), and on financing of the public sector. It also has a leading position in the funding of German savings banks. The remainder of the legacy portfolio, which does not conform to the current strategy, was almost completely wound down in 2021. The portfolio was dissolved on 1 January 2022.

The Real Estate Financing subdivision provides lending for commercial real estate in the office, logistics, retail and hotel segments. It focuses on marketable properties in markets of relevant size, transparency and liquidity, especially in Europe and North America.

The Financing business division actively implements the sustainability strategy by specifically providing sustainable financing and contributes to achieving the United Nations Sustainable Development Goals, which are part and parcel of the sustainable corporate governance of the Deka Group.

The Financing business division is aiming its new business activities at defined core segments, a greater depth of products in existing asset classes and increased regional breadth for Deka's financing business. It also aims to strengthen Deka's position in liquid markets and as a sought-after financing partner for the most important international real estate investors. In real estate financing, decisions on business relationships and structuring place special emphasis on ESG aspects. The Deka Group continues to act as a dependable refinancing partner for the savings banks.

Sales

Sales is responsible for the Deka Group's sales activities across all business divisions and the overall customer relationship with savings banks and other investors. It works across business divisions to generate and maintain business. The approach to sales and service provision depends on the end customer. Sales is therefore divided into Savings Banks Sales & Marketing and Institutional Customer Sales.

Savings Banks Sales & Marketing

Savings Banks Sales & Marketing focuses on comprehensive sales support for the savings banks for business with retail and business customers in all sales channels.

There is a clear division of tasks in market cultivation: The savings banks have sole responsibility for directly contacting, advising and serving retail and business customers. To provide the savings banks with optimal support, the Deka Group offers systematic, in-depth assistance, provided by dedicated contacts, along with a structured product range of solution-focused, customer-friendly investment concepts. Deka therefore also aims its marketing activities directly at end customers so as to nurture their active demand for savings banks' services.

Sales Management & Marketing and Private Banking & Product Management systematically analyse the needs of customers and savings banks as well as competitor and market developments. Based on their findings, they develop measures to support sales and marketing and a corresponding product range for the savings banks. The product universe encompasses all funds, certificates, asset management solutions, private and company pension solutions, and private banking services throughout the product lifecycle. Among other things, Private Banking offers solutions and services for asset optimisation, generation management, protection against life's risks, pensions and sustainable investment. These are specially tailored to the target group.

To ensure nationwide support, Sales in Germany is divided into six sales regions. Sales directors maintain regular dialogue on markets and customers with the savings banks and savings banks associations. As a point of contact for the savings banks' management boards and sales managers, they focus on strategic aspects of the securities business. In addition, the savings banks have access to Deka sales managers to support their operations. Deka specialists assist at local level with marketing and sales activities and offer training and coaching as the topic or occasion requires. Deka's sales directors and managers engage in continuing professional development. In 2021, for example, Deka held its first training course aimed specifically at these Deka employees. This will be repeated annually in future, covering the fundamentals and the latest topics. This training is externally certified, with the trainees taking part in an audit at the end of the process. In the private banking and corporate customer segment, heads of private banking and corporate customers at the savings banks can call directly upon the specialist Deka sales managers in Private Banking.

The well-established modular securities concept is a web-based application that helps the savings banks to efficiently expand their securities business in a way that makes full use of their potential. Savings banks can independently perform planning simulations for multi-year periods, giving them transparency around segment planning and earnings, portfolio and sales structures.

The Deka Group offers the savings banks a web-based sales support and information platform in the form of DekaNet. This acts as a central port of call for up-to-date product, sales and marketing information and also provides advisers with various tools and services for the investment and advisory process. In addition to this, DekaNet serves the savings banks as a centralised front end for data retrieval and data entry for customers and securities transactions in DekaBank custody accounts.

Together with the savings banks, Deka aims to be a market leader in terms of its comprehensive coverage of the sustainable securities culture in market and brand communications and to draw attention to the work of the *Sparkassen-Finanzgruppe* in this area. Focusing on ethical investment, sustainability is explored in all its dimensions, looking both at purely environmental aspects and the macroeconomic context. Ethical asset structuring, future-proof securities saving and future trends such as digitalisation are also an important part of this initiative, which can inspire new ideas for sales activities. The overarching aim is to put the securities expertise of Deka Investments front and centre of marketing efforts.

Products and solutions for retail customers are predominantly marketed under the Deka Investments sales brand, while those for high net worth private clients are provided in the form of bespoke solutions under the Deka Private Banking brand.

Institutional Customer Sales

The Institutional Customer Sales unit supports the savings banks with proprietary business and serves institutional investors in Germany and, in a number of cases, abroad. Customer advisers are responsible for the overall relationship with institutional customers and adopt a comprehensive approach that covers all products and services offered by the Deka Group across all business divisions. In addition, Deka provides institutional customers with important functions such as reporting and order placement through online channels. Sustainability, in particular, is an important topic when advising and supporting customers.

In our business with savings banks, the Institutional Customer Sales team is available as a management partner and adviser. It 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. Support for savings banks and financial institutions is divided into two sales regions. Another team looks after the largest savings banks and financial institutions with special requirements. Employees in the Strategic Proprietary Business & Asset Liability Management team develop methods and applications for interest rate book management and asset allocation for institutional customers – primarily savings banks – and advise them on these topics. There are also dedicated teams for the ETF sales business, the sale of bonds and structured products and direct business with asset managers. These teams work across customer groups.

For the business with institutional investors in Germany, there are three teams, each responsible for a different customer group: insurance companies (investors subject to the German Insurance Supervision Act (*Versicherungsaufsichtsgesetz* – VAG)), public sector/non-profit organisations and corporates & family offices. This specialisation enables Institutional Customer Sales to incorporate the Deka Group's expertise into investment solutions in a way that meets the needs of investors in each target group. The Client Analytics & Solutions team develops methods and solutions for customer-specific analysis of ideal investment opportunities, manages relationships with consultants and handles requests for proposal.

The Deka Group brings together all its solution expertise for institutional customers under the Deka Institutionell brand, reinforcing its clear focus on the needs of the institutional target group.

Corporate Centres

The corporate centres provide support to our sales teams and business divisions. As at the reporting date, these comprised the Corporate Office & Communications, Internal Audit, Legal, Compliance, Corporate Development, Human Resources, Organisational Development, Risk Control Capital Market Funds, Risk Control, Finance, IT, Business Services, Credit Risk Management, and Treasury corporate centres.

Influencing factors and market position

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 influence business development and profit performance. These factors have an impact on the sale of products 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.

With fund assets (according to the BVI, the German Investment Funds Association, as at 31 December 2021) of €161.6bn and a market share of around 12%, Deka is the fourth largest provider of mutual securities funds in Germany. It is Germany's second-placed provider of mutual property funds with fund assets (according to the BVI, as at 31 December 2021) of €38.7bn and a market share of 30.9%.

Deka's consistently good performance was confirmed once again in the Capital-Fonds-Kompass 2021 awards organised by the business magazine Capital together with the fund analysis firm Scope Analysis and the service experts at Tetralog Systems. The study by the business magazine saw Deka build on its strong ratings from the previous year and improve its overall ranking by two positions to fifth place out of 100 companies. Among those providers with at least 31 funds distributed in Germany (universalists), Deka made it into the top three.

The German Fund Championship 2021 rewarded the best fund companies for private investors in five categories: equities, bonds, mixed funds, ESG/sustainability and ETFs. Deka was crowned Fund Champion in the mixed funds and bonds categories and Most Improved Player in the mixed funds category.

At the Scope Alternative Investment Awards in November 2021, Deka Immobilien Investment GmbH was again honoured as Best Asset Manager in the Retail Real Estate Europe category. Deka also won in the Institutional Real Estate Europe category, and Deka Investment GmbH was crowned Best Asset Manager in the Bond Fund category.

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 securities markets impacts upon the certificate issuance 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.

Real estate financing focuses on properties in Europe and selected locations in North America. The specialised financing business has an international orientation and is rounded off by its services for German savings banks. Having worked for decades in every segment, DekaBank has extensive market knowledge and experience at its disposal. In the savings bank sector, DekaBank is market leader in the segment for the financing of German federal states.

The Deka Group's certificates are sold through the German savings banks. According to statistics from the German Derivatives Association (DDV), Deka has confirmed its very good position as an issuer of structured products in Germany, with a 24.5% market share at the end of September 2021.

At the Scope Zertifikate Awards 2021, presented in November 2021, DekaBank was recognised as the best certificate issuer in the primary market for the sixth time.

In addition, at the end of November, DekaBank was voted best certificate issuer of 2020/2021 by the magazine Der ZertifikateBerater together with n-tv, Börse Frankfurt Zertifikate and the Stuttgart Stock Exchange. The expert jury put Deka in second place in the primary market, capital protection certificates and Certificate Issuer of the Year categories. In the Certificate of the Year category, Deka took third place.

DekaBank once again successfully underwent the exacting evaluation process by the rating agency Scope in 2021. A top score of AAA (ZMR) in the Scope Zertifikate Management Ratings recognised DekaBank's excellent quality and expertise as an issuer of investment certificates in the primary market for the fifth time in a row.

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

See also: Economic report: page 20 ff.

Risk and profit management at the Deka Group

The structure and content of the section on risk and profit management correspond to the relevant section published in the Group management report of the Deka Group. Risk and profit management are oriented towards the Deka Group, while Group management is aligned with the business divisions, thereby incorporating all business divisions and legal entities. Financial and non-financial performance indicators are defined and managed solely at Group level, and not at the level of individual institutions. Therefore, no separate section on risk and profit management has been prepared for DekaBank on an individual basis.

The Deka Group has a consistent system of targets at both Group and business division level. At Group level, success is measured against three outcomes: sustainably increasing enterprise value, generating value added for the *Sparkassen-Finanzgruppe* and corporate growth.

Financial and non-financial performance indicators are used in the Bank's management. These can be divided into key management indicators and other relevant indicators. The Board of Management and management committees that support the Board in its management role are informed through comprehensive reporting whether the strategic and operational measures used to manage the Deka Group are successful and whether the Deka Group risk/reward ratio is within the target range.

Financial performance indicators

The financial performance indicators relate to the Deka Group's earnings position, capital adequacy and liquidity adequacy.

The economic result is the key in-house management indicator within the meaning of the provisions of IFRS 8 (Operating Segments) 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. Interest expense for the AT1 (Additional Tier 1 Capital) bond, which is recognised directly in equity, is also taken into account in the economic result. Furthermore, the economic result takes into account 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 economic result is therefore a control variable on an accrual basis with a high level of transparency that enables recipients of the external financial reporting to consider the company from the management perspective.

The economic result has been used in external reporting at Group and business division level since 2007. A reconciliation of the economic result to the total profit or loss before tax under IFRS can be found in the segment reporting in note [3] of the Deka Group's consolidated financial statements, 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: Capital adequacy: page 69 ff.

The Internal Capital Adequacy Assessment Process (ICAAP) is based on two perspectives. In the normative perspective, the Common Equity Tier 1 capital ratio is the key management indicator. 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. Other relevant indicators comprise own funds, Tier 1 capital, risk-weighted assets and the leverage ratio exposure, along with the corresponding capital ratios, the (RWA- and LRE-based) MREL ratios, the (RWA- and LRE-based) subordinated MREL requirements and utilisation of the large exposure limit. Risk-weighted assets are managed in line with the Deka Group's strategy, the targeted balance sheet structure and the capital market environment.

As the key management indicator in the economic perspective, risk appetite is defined 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. It forms the basis for allocating risk capital. The monthly risk-bearing capacity analysis involves comparing the Deka Group's risk appetite and allocated risk capital with total risk determined across all risk types that have an impact on profit or loss. This makes it possible to establish whether risk limits have been adhered to at Group and divisional level.

See also: Liquidity adequacy: page 72 ff.

The Internal Liquidity Adequacy Assessment Process (ILAAP) is also based on two perspectives. From the normative perspective, the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) serve as the relevant indicators. The funding matrix (FM) has been defined by the Board of Management as the risk measure to be used as an indicator in the quantification, management and monitoring of liquidity risk in the economic perspective.

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.

Net sales is the key management indicator of sales performance in the fund and certificates business. This figure essentially consists of the total direct sales volume of 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 key management indicator total customer assets comprises the income-relevant volume of mutual and special fund products (including ETFs), direct investments in the funds of partner organisations, the portion of fund-based asset management activities attributable to cooperation partners, third-party funds and liquidity, advisory/management mandates, master funds and certificates. Total customer assets have a significant impact on the level of net commission income.

See also: Business development and profit performance in the Deka Group: page 26 ff.

The performance indicators are reported by customer segment and product category at Deka Group level and for the Asset Management Securities and Asset Management Real Estate business divisions. For the Capital Markets business division, they are reported by customer segment.

Economic report

Economic environment

Macroeconomic conditions

The coronavirus pandemic continued to have a material economic impact in 2021. The end of lockdowns resulted in very high demand over the summer months, which businesses had not planned sufficient capacity to meet. This overwhelmed production chains and meant that companies increasingly faced the issue of supply shortages and shipping problems. While some expectations about the pandemic were met in 2021, such as the development of effective vaccines and an end to the lockdowns, the difficult public health situation has continued globally. The significant rise in infection rates starting in autumn 2021, and concerns about the Omicron variant of the virus, have increasingly unsettled market participants again. Despite this, there was a significant year-on-year rise of 6.0% in global gross domestic product over 2021 as a whole, marking a continuation of the economic recovery process following the pandemic-induced recession in 2020.

Inflation trends attracted the focus of market participants from the start of 2021. Prices of commodities and intermediate goods in particular rose considerably more sharply than had been expected at the start of the year. With supply unable to keep pace with demand, there was upward pressure on prices. Energy commodities and industrial metals saw particularly high inflation rates on the back of the deep recession in spring 2020. Companies also saw themselves in a position to pass significant price increases on to customers again. This drove consumer price inflation for 2021 to an annual average of 2.6% in the eurozone and 3.2% in Germany. Macroeconomic growth also improved the situation on the labour market, reducing the number of people on short-time working (the German version of furlough) and the unemployment rate. The US economy grew more strongly than the eurozone, leading investors to anticipate a divergence in monetary policy between the US Federal Reserve (the Fed) and the European Central Bank (ECB). This resulted in a noticeable depreciation of the euro against the US dollar in the second half of the year.

Higher inflation rates presented major challenges for central bank monetary policy. The major central banks were largely confident that mainly temporary causes were behind the faster-than-expected inflation. They expected upward pressure on prices to ease again in the medium term and were therefore prepared to accept higher inflation rates in the interim. ECB communications continued to emphasise the need to support the economic recovery from the pandemic. To ensure sufficiently favourable financing conditions for the real economy, the ECB stepped up the pace of its asset purchases under the Pandemic Emergency Purchase Programme (PEPP) in March, confirming this decision again in June. The US central bank, the Fed, also continued apace with its asset purchases in the first half of the year, judging particularly the recovery on the labour market to be insufficient. By late autumn 2021, both central banks were nevertheless signalling a reduction in their monetary stimulus over the medium term. The Fed reduced its monthly bond-buying programme in its interest rate decision in November. The following month, it announced a faster wind-down of the programme starting in January 2022. The Bank of England went even further, implementing an initial interest rate hike in December.

Economic environment for asset management

As in the previous year, developments in the capital markets were heavily influenced by the wholesale intervention of major central banks. Historically low key interest rates, but above all the enormous asset purchase programmes of the ECB and Fed, kept bond yields at very low levels. With negative yields all along the Bund curve at times, as well as for other eurozone sovereign bonds and high-quality corporate bonds, investors switched to riskier asset classes, especially equities. The shift in capital from bonds to equities was also fuelled by companies' strong fundamentals given the swift economic recovery from the slump of 2020. So fast and significant was the rise in sales and corporate profits that they even considerably outperformed pre-crisis levels. The majority of European indices responded with noticeable gains. The DAX and STOXX Europe 600 reached new historic highs. US indices also hit record levels, driven primarily by gains for major technology companies. Even severe supply chain disruption and shortages of materials, particularly computer chips, had no more than a temporary effect on stock markets. The same applied to the fast-rising inflation rates.

Bond markets were more volatile from late summer due to higher inflation rates and, above all, higher inflation expectations. Market participants also increasingly anticipated the likelihood of a turnaround in interest rates by major central banks. In the US, two-year Treasury yields climbed noticeably higher, while yields on longer maturities saw only a moderate rise. In the eurozone, meanwhile, the ECB was able to convince market participants that much of the recent rise in inflation would be temporary and that no rate hikes were on the cards. However, there was a noticeable increase in yields on longer-term Bunds for a time following the ECB's announcement that it would be ending its Pandemic Emergency Purchase Programme (PEPP) in March 2022. Bond yields in the eurozone periphery were even more heavily affected, as these countries had been particular beneficiaries of asset purchases by the central bank. Amid significantly increased infection rates in the autumn and concerns about the Omicron variant of the virus, however, market participants took the view that the ECB would continue large-scale bond purchases. Bund yields at the long end of the curve therefore fell considerably again, though they remained above the level seen at the end of 2020.

Real estate funds continued to offer an attractive risk/reward ratio in the low interest rate environment. Given high real estate prices and limited availability of suitable properties, however, the investment opportunities open to them remained limited. This restricted their ability to attract new investor funds, particularly given that it was not possible to generate positive margins from liquidity investments. The effects of the coronavirus pandemic put continued pressure on the real estate markets in 2021. Low vacancy rates enabled markets for office space to weather the crisis relatively well, with only isolated rent reductions. Retail and hotels recovered in the second half of the year after lockdowns ended. However, they were hit again by rising infection rates towards the end of the year as a new wave of the coronavirus led to further restrictions. The logistics market, by contrast, benefited from the growing trend towards online shopping and increased demand for space, which was needed to safeguard supply chains. On the investment market, turnover increased significantly year-on-year. The global transaction volume in 2021 was substantially up on the previous year's level.

Private household wealth in Germany increased in 2021. Households increased their financial assets to €7,399bn (30 September 2021), up almost €426bn from the end of 2020, due to high new inflows and growth in value. The high level of uncertainty due to the coronavirus pandemic continued to drive households towards liquid assets such as currency and deposits. Investments in equities and investment funds also contributed to increased wealth. Compared against year-end 2020, the share of these investments in the total financial assets of private households increased by around two percentage points to approximately 19%.

The market performance seen in 2021 was also reflected in the investment statistics of the German Investment Funds Association BVI. Net assets in open-ended mutual funds amounted to €1,471.3bn as at 31 December 2021 (year-end 2020: €1,179.9bn), while the net assets of open-ended special funds stood at €2,187.5bn (year-end 2020: €1,990.6bn). At €118.3bn, net inflows into open-ended mutual funds significantly exceeded the previous year's figure (€43.2bn). Equity funds and mixed funds made a particular contribution to this increase. At €131.3bn, the sales figure for open-ended special funds for institutional investors was significantly up on the comparative figure for the previous year (€78.6bn).

Economic environment for the banking business

Excess liquidity in the banking system increased further in the first half of 2021 through the ECB's extensive asset purchases and strong demand for its longer-term refinancing operations. The resulting downward pressure on short-term interest rates thus also continued to grow. Nevertheless, longer-term money market rates in particular moved slightly upwards. At the long end of the yield curve, yields on ten-year German government bonds remained in negative territory all year and saw only a slight, fluctuating increase.

In the credit markets, rising government bond yields had only a minor impact. Financial institutions reaped very considerable benefits from the generous support provided by the ECB, which had a significant impact on new covered bond issues in particular. As was already the case in the previous year, only a very small number of covered bonds were placed on the freely tradable market, noticeably reducing risk premiums on outstanding covered bonds. The corporate bond market was substantially bolstered again by continued high levels of central bank purchases in 2021. The strong economic recovery also gave a major boost to corporate profits, which contributed to increased operating cash flows. This led businesses, having raised extensive liquidity on the capital market in the previous year, to slightly reduce new issues. Companies' improved liquidity situation meant that the majority of rating changes in 2021 were positive in a reversal of the previous year's ratings trend.

Capital market business was hit by the continued expansionary monetary policy of central banks. As expected, the Commission Business unit came under pressure in terms of the margins achievable under the market conditions. It failed to match its prior-year result, which had been driven by high market volatility. The third-party issues business generated stable turnover in the context of rising indebtedness, particularly in the public sector. Sales of structured issues developed very positively in 2021 given the low interest rates.

The coronavirus pandemic continued to dominate market activity in the financing business in the reporting year. Due to the market environment in the context of the coronavirus pandemic, real estate financing remained characterised by subdued investment volumes, which were also reflected in a relatively small number of completed purchases and sales. The effects of the crisis were also evident in the declining portfolio volume and the continued slow volume of new business in transport financing. The hotel and retail segments of the portfolio, which were particularly hard hit by the coronavirus pandemic, saw their position improve for a time in 2021 but were affected at the end of the year by the worsening pandemic situation.

Regulatory environment

Changes to regulations, both those already initiated and those in the pipeline, influenced the business model and profitability of the Deka Group during the 2021 financial year as in the preceding year. Higher capital requirements for banks could emerge from supervisory interpretations of existing legal standards and from the results of the annual Supervisory Review and Evaluation Process (SREP), for example in the context of the supervisory review of the internal models under Pillar 1 of the Basel capital framework.

Implementing the regulations described makes major demands on costs and resources. These are the key regulatory issues for the Deka Group.

Regulatory topics

In response to the coronavirus crisis, supervisory authorities and regulators enacted the following relief measures, among others. However, DekaBank has opted not to apply them.

- In 2020, the ECB permitted the institutions under its supervision to temporarily operate below the capital level defined by the capital conservation buffer, the Pillar 2 Guidance (P2G) and the liquidity coverage ratio (LCR). DekaBank has not adjusted its relevant internal thresholds for capital and liquidity management.
- The Capital Requirements Regulation (CRR) has been amended in European law (CRR quick fix). This allows banks to temporarily adjust their regulatory capital for the effects of increased risk provisioning. Other relief measures relate to the measurement of unrealised losses on banks' holdings of public debt and to the capital deduction for capitalised software. Even if applied, the measures in the CRR quick fix would still not offer significant relief for DekaBank at the current time.
- The ECB announced in June 2021 that central bank deposits could be excluded from the leverage ratio exposure. The relief applies for a limited period until 31 March 2022.

In the EU, the reform of Capital Requirements Regulation II (CRR II) and Capital Requirements Directive V (CRD V) was published in June 2019. From Deka's perspective, the key new rules under the CRR related primarily to the leverage ratio (LR), the net stable funding ratio (NSFR), the standardised approach for counterparty credit risk exposure (SA-CCR), and the requirements that apply to large exposures, the trading book and the treatment of credit risks resulting from guarantee funds and Riester products. DekaBank was required to apply these starting on 28 June 2021.

As part of the reform of CRR II, the rules on applying credit risk mitigation techniques in the large exposure regime were also revised. Among other things, collateral recognised in the solvency regime must also be recognised in the large exposure regime when using credit risk mitigation techniques. The collateralised exposure is counted towards the large exposure limits for the collateral provider or issuer of the financial collateral (collateral substitution). More detail on the scope of collateral substitution was published in an EBA Q&A on 21 January 2022. This indicates that collateral substitution must continue to be implemented with master netting agreements, including for repo/lending transactions. The implications for the affected business processes will be analysed in the coming months.

As the United Kingdom continues to apply the CRR even after leaving the EU, at least until the initial application date of Basel IV of 1 January 2025, the United Kingdom still has an equivalent supervisory regime in this respect. As a result, UK institutions are still considered to be institutions as defined by the CRR for the purposes of calculating RWA.

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 had planned initial application on 1 January 2022 but has now postponed this until 1 January 2023. In October 2021, the European Commission published a draft CRR III to implement Basel IV in the EU. This largely adopted the proposals of the Basel Committee. More specifically, the gradual introduction of an output floor is planned. This will stand at 50% upon introduction at the beginning of 2025 and increase to its final level of 72.5% in 2030. The output floor will limit the benefit of internal models as compared to the standardised approach. Deka currently uses the IRB approach for the majority of its lending. 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, the draft CRR III contains new rules on calculating RWAs for CVA risk and operational risk, which may also increase RWAs. Initial application of the new rules is planned at EU level for the beginning of 2025.

The Fundamental Review of the Trading Book (FRTB) contains amended provisions on the calculation of market risk. The European Commission adopted the final Delegated Regulation in mid-December 2019 and thereby partially integrated the changes under the 2019 Basel standard into CRR II. Further implementation details have been published via EBA regulatory technical standards and guidelines. At EU level, the reporting obligation for the FRTB standardised approach has been in place since 30 September 2021. The draft CRR III contains new regulations on the definition of the trading book. The start of the new market risk capital requirements at EU level was postponed to 2025 with the option of a further two-year postponement via an EBA delegated act.

In the addendum to the ECB guidance to banks on non-performing loans published in March 2018 and updated in August 2019, the ECB details the calculation of the prudential provisioning for loans classified as non-performing exposures (NPEs) from 1 April 2018 onwards. In the event of a shortfall in cover, the banks are required either to make a deduction from their Common Equity Tier 1 capital on their own initiative or to provide the supervisory authorities with adequate justification of their divergence from the prudential provisioning expectations. If the ECB does not accept the justification, this could result in higher capital requirements. For non-performing exposures originated from 26 April 2019 onwards, the CRR provides for a mandatory deduction from Common Equity Tier 1 capital if a bank's actual provisioning falls short of the minimum supervisory requirement. Article 47c CRR specifies the factors to be used in calculating supervisory provisioning requirements for secured and unsecured parts of new non-performing exposures. A distinction is made based on the type of security and duration of the status as a non-performing exposure. The aim is to ensure that every new non-performing exposure is fully covered by capital within a prescribed time period.

In October 2020, the European Banking Authority (EBA) issued an opinion on the treatment of capital instruments that are no longer eligible as own funds from 2022 onwards ("legacy instruments"). This holds that legacy instruments have the potential to infect other (non-legacy) capital instruments to the extent of disqualifying them. This may be the case if the legacy instruments have certain detrimental features (e.g. equal ranking with the non-legacy capital instrument). At DekaBank, this applied to atypical silent capital contributions, which would have infected the subscribed capital (as a CET1 instrument) including the capital reserve. To avoid infection, the atypical silent capital contributions were dissolved in early November 2021 and transferred to DekaBank. The atypical silent capital contributions were contributed in kind to the capital reserve in conjunction with a cash capital increase.

The European Banking Authority (EBA) conducted a stress test in 2021. As on the previous occasion in 2018, this covered all risk types. The results were published on 30 July 2021. DekaBank was not among the banks taking part in the EBA stress test. As a bank subject to ECB supervision, however, it was subjected to a stress test by the ECB in 2021, which was carried out in accordance with EBA methodology. The results of the ECB stress test feed into the calculation of the Supervisory Review and Evaluation Process (SREP) ratios. DekaBank passed the stress test with a satisfactory result; in the adverse stress scenario, DekaBank remains well above the SREP minimum requirements for the Common Equity Tier 1 capital ratio.

Sustainability-related regulatory proposals

Adopted in 2018, the EU Action Plan on Financing Sustainable Growth has three aims: reorienting capital flows toward sustainable investment, managing financial risks stemming, for example, from climate change and fostering transparency in financial and economic activity. The expectations associated with this EU Action Plan have been translated into various legal standards with a material impact on the financial sector. Deka Group engaged intensively with these in 2021.

Reorienting capital flows from private and institutional investors towards sustainable investment can only be achieved if these investors are offered attractive investment products that meet high sustainability standards. This is particularly the case where private investors are concerned. When advising such investors, banks must actively enquire about their preferences in relation to sustainable investment. In the context, the Deka Group once again significantly expanded its range of sustainable investment opportunities in the reporting year.

The Level 1 regulatory requirements set out in the Sustainable Finance Disclosure Regulation (SFDR), which is particularly relevant from an investor perspective, were implemented on time in March 2021. Among other things, a statement about how the adverse impacts of investment decisions on sustainability factors ("principal adverse impacts") are taken into consideration was issued for all companies and published in German on the website. The regulation makes a distinction between legal entity-related and product-related disclosure obligations. Companies must continue to follow through on the work done to implement Level 1 with a view to the upcoming Level 2 requirements in early 2023. As part of this, the consideration of sustainability factors in Deka's sustainable financial investments is further increasing transparency for investors.

From a sustainability perspective, the following regulatory reporting initiatives were relevant for DekaBank in 2021: the future requirement to disclose the taxonomy alignment of new and existing business (in accordance with the EBA proposal on Article 8 of the EU Taxonomy), the associated phased publication of ESG risks, including the disclosure of the Green Asset Ratio in the CRR disclosure report (based on the EBA technical implementation standard on Article 449a CRR), and the fundamental revision of sustainability reporting (Corporate Sustainability Reporting Directive, CSRD).

With regard to the extended disclosure requirements stipulated by the regulator (pursuant to Article 8 of the EU Taxonomy, the EBA standard on Article 449a CRR and the CSRD), changes must be implemented in both non-financial and financial reporting for the years from 2021 to 2023. As a result, the regulator expects to see closer links between financial and non-financial content in the Group management report. Individual aspects of the implementation of Article 8 of the EU Taxonomy already need to be included in the 2021 sustainability report. In particular, these include quantitative and qualitative information on the taxonomy eligibility of business financed by the Deka Group. Provisions also have to be made to meet the requirements of the EBA standard pursuant to Article 449a CRR II for the 2022 reporting year and those of the CSRD for the 2023 reporting year.

In terms of the dynamic prudential expectations regarding the handling of climate-related and environmental risks, the ECB is planning extensive activities for 2022. In particular, these include the ECB climate stress test announced for 2022, which DekaBank has been preparing for since the 2021 reporting year. The climate stress test is planned for the first half of 2022 and aims to examine the extent to which SSM (Single Supervisory Mechanism) banks are affected by climate risks. The results of the stress test are to be taken into account in bank SREP processes.

In addition, the Bank expects an extensive review of the implementation of the ECB guide on climate-related and environmental risks in 2022. The ECB guide comprises 13 expectations relating to the management and disclosure of climate-related and environmental risks and resulted in the reporting year in a two-part survey, which requested a self-assessment of the status quo and information on the measures planned by all SSM banks. For 2022, the ECB has announced another self-assessment and a full supervisory review. In future, this will also be part of the SREP process.

Separately from the ECB assessment, Deka initiated numerous activities to enhance the management of climate-related and environmental risks in 2021. The planning of internal measures was refined in a targeted manner taking account of supervisory feedback.

Product- and service-related regulatory proposals

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. The European institutions are working and coordinating with each other on the exact shape of this and the future timetable.

Business development and profit performance in the Deka Group

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

The coronavirus pandemic continued to affect global economic development in 2021. The economy was hit particularly at the beginning and end of the year by lockdown measures in response to high infection rates. There were also indirect impacts from supply chain and transport disruption and significantly increased inflation rates. Looking at 2021 as a whole, however, the economic recovery process from the previous year's pandemic-induced recession essentially continued. The continued expansionary measures by the central banks made a noticeable contribution to this.

Deka continued its systematically prudent approach in this environment, always adapting its business operations and management processes to events. The crisis team created by the Board of Management worked with the departments to analyse the situation and formulated cross-divisional measures. The Deka Group remained fully operational at every stage. Employees largely worked remotely from home. Covid measures including social distancing and hygiene rules were in place at all sites. Free FFP2 masks and self-testing kits were provided to employees for every day they worked on our premises. This was in addition to the legal rules requiring proof of vaccination, recent recovery or a negative test to visit workplaces in Germany, which applied from November onwards. The Deka Group also offered the vaccine to employees and their relatives in 2021, with 1,500 vaccinations taking place in the summer alone. This was followed by booster vaccinations at the end of the year.

Supporting the savings banks and institutional customers remained the focus in the second year of the pandemic. Events largely took place in digital or hybrid formats. Giving good advice in times like these has been particularly important, whether face to face or through new technologies. The expert advice offered by the savings banks, both online and in branches, again helped customers to keep investing in 2021.

See also: Information about the Deka Group: page 3 ff.

The Deka Group generated an economic result of €847.8m in the reporting year, significantly improving on the previous year's figure of €269.4m. We are very satisfied with business development and profit performance and are well positioned to turn the Deka Group into an even more customer-focused, innovative and sustainable *Wertpapierhaus* and to invest in key areas for the future, such as digitalisation. This result will also ensure that DekaBank is able to distribute profits and make the reinvestments needed to strengthen its capital.

Income increased significantly to €2,019.5m (2020: €1,387.9m). A strong increase in net commission income and an almost evenly balanced risk provisioning result contributed to this. There were also high actuarial gains on pension provisions due to the prevailing market conditions. Net commission income remains the primary component of income, accounting for 80%.

Expenses increased by 4.8% to €1,171.8m and thus rose only slightly compared with 2020 (€1,118.5m) despite moderate increases in personnel and operating expenses and a noticeably higher bank levy.

The Deka Group improved net sales by a total of €3.6bn year-on-year to €35.7bn in the 2021 reporting period.

The Group increased net sales in the retail customer segment by €12.4bn compared with 2020 to €25.0bn. Retail fund sales rose significantly from €8.0bn to €17.9bn, with equity funds (€7.8bn), bond funds (€2.8bn), real estate funds (€2.5bn) and mixed funds (€2.3bn) accounting for a particularly significant share of this figure in the reporting period. Sales of certificates to retail customers totalled €7.1bn (2020: €4.6bn).

Net sales to institutional customers came to €10.7bn as against €19.5bn in the previous year. The lower figure was due to a major master funds client changing investment management company in the second quarter. As a result, the institutional investment fund business accounted for net sales of €8.8bn (2020: €17.4bn). Certificate sales to institutional customers came to €1.9bn (2020: €2.2bn).

Deka Group net sales *in €m (Fig. 4)*

	2021	2020
Net sales	**35,735**	**32,148**
by customer segment		
Retail customers	25,032	12,600
Institutional customers	10,703	19,548
by product category		
Mutual funds and fund-based asset management	18,721	7,905
Special funds and mandates	6,736	16,945
Certificates	9,002	6,743
ETFs	1,277	555

Investors signed up to around 1,063,000 (net figure) new Deka investment savings plans in 2021 (year-end 2020: approximately 776,000), meaning that Deka managed approximately 6.9 million contracts at the end of 2021.

Net sales, coupled with positive performance and the integration of the total customer assets of IQAM Invest GmbH (around €7bn), fuelled an increase in total customer assets of €56.0bn to €395.1bn (year-end 2020 €339.2bn).

Deka Group total customer assets *in €m (Fig. 5)*

	31 Dec 2021	31 Dec 2020	Change	
Total customer assets	**395,148**	**339,160**	55,987	16.5%
by customer segment				
Retail customers	196,485	167,159	29,326	17.5%
Institutional customers	198,662	172,001	26,661	15.5%
by product category				
Mutual funds and fund-based asset management	195,877	161,226	34,650	21.5%
Special funds and mandates	161,553	144,695	16,858	11.7%
Certificates	24,498	23,712	786	3.3%
ETFs	13,220	9,527	3,693	38.8%

See also: Capital adequacy: page 69 ff.

The Common Equity Tier 1 capital ratio at the close of 2021 stood at 15.2% (year-end 2020: 14.2%). The increase compared with the end of 2020 was due to higher Common Equity Tier 1 capital and lower risk-weighted assets (RWAs). The regulatory requirement was exceeded at all times.

Compared with the previous year, Common Equity Tier 1 capital increased by €279m to €4,716m. This rise was due primarily to the inclusion of year-end effects from 2020 (profit retention and inclusion of the risk provisions set up in 2020 in the comparison of provisions) and the increase in capital reserves connected to the transformation of atypical silent capital contributions.

RWAs declined overall by €362 m from the year-end 2020 figure of €31,307m to €30,944m. As expected, credit risk increased by €3,894m as against the end of 2020 to €21,499m, mainly due to the first-time application of CRR II in June 2021. This resulted in higher RWAs for the backing of guarantee products due to the application of the CCF (credit conversion factor) approach. For credit risk, there was also an increase in RWAs from lending business due to changes in creditworthiness and new business. The increased credit risk was offset by a drop in market risk of €3,990m to €5,588m. This was mainly attributable to a decline in general market risk as a result of lower spread volatilities and to a drop in specific market risk resulting from the adjustment to reflect the new interpretation of the use of offsetting options in specific interest rate risk. RWAs from operational risk remained almost unchanged at €3,500m. CVA risk came to €358m (2020: €638m).

At 6.2%, the leverage ratio (fully loaded) exceeded the previous year's figure of 5.6%. The increase was due to higher Tier 1 capital combined with a lower leverage ratio exposure. The minimum leverage ratio of 3.0% applicable from June 2021 onwards was thus adhered to at all times.

European banks must hold a minimum volume of own funds and MREL-eligible liabilities in order to provide sufficient loss coverage and recapitalisation in the event of resolution. The MREL requirements were changed to an RWA- and LRE-based calculation method in the middle of 2021 in accordance with supervisory requirements. This expresses the total of own funds and MREL-eligible liabilities in relation to RWAs and LRE. As at the reporting date, the MREL ratio in line with the RWA-based approach amounted to 59.7%, while the figure according to the LRE-based approach came to 21.7%. Both ratios were well above the minimum ratios that will apply as of 1 January 2022.

Institutions and entities should meet the MREL with own funds and other subordinated liabilities to the extent necessary to prevent their creditors from incurring greater losses in the event of resolution than they would incur under normal insolvency proceedings (subordinated MREL requirements). The subordinated MREL requirements were changed to an RWA- and LRE-based calculation method in the middle of 2021 in accordance with supervisory requirements. Eligible or total own funds and all subordinated liabilities eligible based on statutory requirements are added together and expressed in relation to RWAs and LRE. As at the reporting date, the subordinated MREL requirements under the RWA-based approach were 42.4%, while the figure under the LRE-based approach came to 16.4%. Both ratios were well above the minimum ratios that will apply as of 1 January 2022.

See also: Liquidity adequacy: page 72 ff.

The Deka Group had ample liquidity, measured using the liquidity balances and liquidity coverage ratio (LCR), throughout 2021. Compared with the end of 2020 (185.6%), the LCR fell by 25.3 percentage points to 160.3%. This was mainly because, in percentage terms, the increase in net cash outflows was greater than that in holdings of high-quality liquid assets. The LCR in the reporting period was always significantly above the minimum limit of 100% applicable in 2021.

The net stable funding ratio (NSFR) came to 118.9% and, at the end of December 2021, was thus significantly above the minimum of 100% to be adhered to from June 2021 onwards. The ratio expresses available stable funding in relation to required stable funding. The NFSR is thus designed to ensure stable long-term funding for assets in relation to their degree of liquidity. A period of one year forms the basis for the assessment.

Economic risk-bearing capacity was at a non-critical level overall as at the end of 2021. The utilisation of risk appetite (43.3%) was down significantly on the end of the previous year (70.5%) due to lower total risk. This was mainly attributable to a significant drop in counterparty, market price and business risk. At 32.6%, utilisation of risk capacity was also below the level seen at the end of 2020 (53.9%).

Comparison of forecast and actual growth

Expectations regarding the Deka Group's key performance indicators in 2021, as set out in the forecast report of the 2020 Group management report and updated in the 2021 interim financial report, were exceeded overall. This was partly due to forecasting uncertainty around potential negative market developments in connection with the global impact of the coronavirus pandemic, which did not materialise as predicted.

Development of key performance indicators in the Deka Group *(Fig. 6)*

		31 Dec 2020	Forecast 2021 in the Annual Report 2020	Forecast 2021 in the Interim Report 2021	31 Dec 2021	Change	
Economic result	€m	269.4	Around 400	20% to 40% above previous forecast	847.8	578.3	214.7%
Total customer assets	€bn	339.2	Moderately above the previous year	Moderately above the previous year	395.1	56.0	16.5%
Net sales	€bn	32.1	Significantly below previous year	Significantly below previous year	35.7	3.6	11.2%
Common Equity Tier 1 capital ratio	%	14.2	Over 13	Over 13	15.2	1.1%-Points	
Utilisation of risk appetite	%	70.5	Slightly above previous year	Remains at non-critical level	43.3	−27.2%-Points	

Profit performance of DekaBank

The total of net income from interest and equity investments, commission income, trading profit and other operating profit came to €1,678m (previous year: €1,579m). At €752m, net income from interest and equity investments was down €119m year-on-year. Net interest income stood at €149m (previous year: €128m). The main component of this was the earnings contribution by specialised financing and real estate financing. Net interest income includes refinancing gains totalling approximately €20m from the ECB's TLTRO III programme. Net income from equity investments declined by €140m to €604m. The previous year's figure was particularly affected by the high distribution made by Deka Verwaltungsgesellschaft Luxembourg S.A. The decline in net income from equity investments was partially offset by higher income from profit transfer agreements in connection with commission from the investment fund business. Net commission income increased slightly to €339m (previous year: €313m). Trading profit of €226m was significantly higher than in the previous year (€157m). A key component was income from the Trading & Structuring unit, which increased strongly year-on-year, primarily due to improved certificate sales to retail customers. Other operating profit was €361m (previous year: €237m). Actuarial gains on pension provisions had a positive effect and resulted mainly from the strong increase in plan assets.

General administrative expenses as the total of personnel expenses and other administrative expenses including depreciation and amortisation rose from €885m in the previous year to €997m in the year under review. At €456m, personnel expenses were significantly up on the previous year's figure (€385m), primarily due to allocations to provisions for pensions. At €541m, other administrative expenses including depreciation and amortisation were also slightly higher than the prior-year figure (€500m), which was mainly due to higher expenditure for IT information services and the bank levy. All in all, this produced a result before risk provisioning of €682m (previous year: €694m).

The overall valuation result from the lending, securities and investment business for the past financial year was €– 42m (previous year: €– 144m). The change was primarily attributable to lower risk provisions in the lending business. The previous year's figure was hit by the particular impact of the coronavirus pandemic on the transport and real estate financing sectors. Changes in creditworthiness led to reversals of provisions in the reporting year. After allocations of €161m to the fund for general banking risks to strengthen tier 1 capital (previous year: €337m) and deduction of income taxes of €279m (previous year: €139m), DekaBank achieved an operating result after tax of €200m (previous year: €74m).

DekaBank performance *in €m (Fig. 7)*

	2021	2020	Change	
Net interest income and net income from equity investments	752	871	– 119	– 13.6%
Net commission income	339	313	26	8.2%
Trading result	226	157	69	43.6%
General administrative expenses	997	885	111	12.6%
Risk provision/valuation	– 42	– 144	102	70.8%
Income taxes	279	139	139	100.0%
Net income after tax	**200**	**74**	127	171.8%

Business development by business division

Business development in the Asset Management Securities business division

The economic result for the Asset Management Securities business division was €606.3m (previous year: €365.8m). The environment for the business division was favourable, despite the continuing coronavirus pandemic. At €23.0bn, net sales again exceeded the previous year's already high figure of €22.0bn. For retail customers, they more than doubled year-on-year, while a one-off effect led to a significant decline in net sales in business with institutional customers. Total customer assets increased to €320.4bn as at year-end 2021 (previous year: €269.7bn).

Net sales and total customer assets

The division's net sales totalled €23.0bn (previous year: €22.0bn). Business with retail customers performed better than in the previous year due to increased demand for mutual funds. Sales of mutual securities funds reached €16.5bn (previous year: €7.1bn). Sales of equity, bond and mixed funds were particularly positive. In fund-based asset management, however, investor caution was still in evidence, with net redemptions and maturities of €0.6bn. However, this was lower than the previous year's figure of €1.9bn. Business with institutional customers amounted to €7.6bn (previous year: €16.5bn). The decline in net sales in the institutional fund business in the reporting year was caused by a major client changing investment management company. Net sales of special funds and mandates thus stood at €5.8bn (previous year: €16.3bn). However, sales of advisory/management mandates developed positively. Demand for ETFs came to €1.3bn (previous year: €0.6bn).

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

	2021	2020
Net sales	**23,032**	**22,006**
by customer segment		
Retail customers	15,440	5,540
Institutional customers	7,593	16,466
by product category		
Mutual funds and fund-based asset management	15,919	5,176
ETFs	1,277	555
Special funds and mandates	5,837	16,276

Total customer assets in this business division increased by €50.7bn to €320.4bn due to strong sales, a positive investment performance, the inclusion of the portfolio of IQAM Invest GmbH (around €7bn) and distributions to fund investors.

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

	31 Dec 2021	31 Dec 2020	Change	
Total customer assets	**320,419**	**269,716**	50,703	18.8%
by customer segment				
Retail customers	143,952	118,436	25,516	21.5%
Institutional customers	176,467	151,280	25,187	16.6%
by product category				
Mutual funds and fund-based asset management	156,369	124,721	31,649	25.4%
thereof: equity funds	59,409	42,257	17,152	40.6%
thereof: bond funds	29,072	27,312	1,760	6.4%
thereof: mixed funds	24,726	18,726	5,999	32.0%
ETFs	13,220	9,527	3,693	38.8%
Special funds and mandates	150,830	135,469	15,361	11.3%

Business development in the Asset Management Real Estate business division

At €188.6m, the economic result in the Asset Management Real Estate business division significantly exceeded the previous year's figure of €149.9m. At €3.7bn, net sales also increased year-on-year. Thanks in part to the solid investment performance, the business division's total customer assets climbed to more than €50bn for the first time.

Net sales and total customer assets

The division's net sales increased to €3.7bn (previous year: €3.4bn). As in previous years, the tried-and-tested quota system for sales to retail customers was maintained. This allows the inflow of funds into the products to be managed effectively, even in the face of high demand. What is more, the funds' liquidity resources can be limited in the current low interest rate environment. This also helps to prevent excessive investment pressure arising in view of the continuing high real estate prices. The sales quotas that had been set were largely met by the end of the year.

Mutual funds accounted for around 76% of the division's net sales. WestInvest InterSelect, which focuses on Europe, continued to register particularly high demand. The Deka-ImmobilienMetropolen fund launched in 2019 proved very popular along with Deka-ImmobilienGlobal and Swiss Life REF (DE) European Living.

At €1.2bn, net sales in open-ended mutual property funds for institutional customers, special funds, individual property funds, credit funds and mandates significantly exceeded the previous year's figure of €0.9bn. Special funds accounted for a particularly significant proportion of sales.

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

	2021	2020
Net sales	**3,701**	**3,399**
by customer segment		
Retail customers	2,506	2,469
Institutional customers	1,195	930
by product category		
Mutual property funds	2,802	2,729
Special funds, individual property funds and mandates	899	669

Total customer assets in the Asset Management Real Estate business division increased by 9.8% in the reporting year, despite distributions of €0.9bn and the coronavirus pandemic, to reach €50.2bn. A yield-focused cash management policy and the introduction of new products, such as the Domus Megatrends Europa special fund oriented on European markets and the Deka-Immobilien Fokus Logistik Deutschland special fund focused on German logistics real estate, once again contributed to this growth. Of the total customer assets, mutual property funds accounted for €39.5bn, of which approximately 89% was from retail products. Euro-denominated mutual property funds achieved an average volume-weighted return of 2.1% (previous year: 2.3%).

Total customer assets in the Asset Management Real Estate business division *in €m (Fig. 11)*

	31 Dec 2021	31 Dec 2020	Change	
Total customer assets	**50,231**	**45,732**	4,499	9.8%
by customer segment				
Retail customers	35,986	33,397	2,588	7.8%
Institutional customers	14,246	12,335	1,911	15.5%
by product category				
Mutual property funds	39,507	36,505	3,002	8.2%
Special funds, individual property funds and mandates	10,724	9,227	1,497	16.2%

High prices and the ongoing effects of the coronavirus pandemic meant that the volume of real estate purchase and sale transactions in 2021 was below the previous year's level, amounting to €4.4bn (previous year: €5.7bn). Around 83% of the overall transaction volume concerned a total of 39 contractually secured property purchases. There were 16 disposals, representing 17% of the transaction volume. Business activities continue to centre on properties in the office, retail, logistics and hotel asset classes. With this transaction volume, the Deka Group remains one of the world's biggest property investors.

Business development in the Asset Management Services business division

The Asset Management Services business division achieved an economic result of €21.4m (previous year: €33.4m). There were renewed increases in the number of securities accounts and in custody account volume in Digital Multichannel Management. Assets under custody in the Depositary subdivision also saw a positive trend, rising by 17% year-on-year in 2021.

Business development in the Asset Management Services business division

Based on the favourable market trend in 2021, custody account volume in the Digital Multichannel Management subdivision rose to €174.5bn (previous year: €144.8bn). The number of custody accounts for which the division is the legal provider increased by almost 242,000 in the reporting year to 5.2 million. At 99.1 million, the number of securities transactions was also up on the previous year's figure of 89.8 million. This was due to the high sales figures throughout the year, with over a million additional savings agreements in 2021, and the rise in the number of transactions via S Broker, the Deka Group's online broker. By the end of 2021, the robo-advisory service of bevestor GmbH had been integrated into the sales of 324 savings banks (previous year: 314) as part of the cooperation partner model. bevestor had arranged an investment volume of around €175m and managed around 23,000 customer custody accounts as of year-end 2021.

Assets under custody rose in line with the development in Asset Management to €270.3bn (previous year: €230.8bn). Regular savings products remained a key driver.

Business development in the Capital Markets business division

At €122.8m, the economic result in the Capital Markets business division was significantly up on the previous year's figure of €48.1m. The business division has enhanced its profile as the Deka Group's provider of products, solutions and infrastructure by developing the DEA and finledger platforms.

Business development in the Capital Markets business division

The Collateral Trading & Currency subdivision remains well positioned in the repo/lending business. Despite the still low interest rates and still high level of market liquidity, it fell short of the prior-year figure.

The Commission Business subdivision was unable to match the previous year's figures in business with shares, bonds, exchange-traded derivatives and supplementary services, which were driven by high market volatility and turnover particularly in the first quarter of 2020.

In the Trading & Structuring subdivision, business was up on the previous year. At €9.0bn, net sales of certificates at year-end 2021 exceeded the previous year's figure of €6.7bn. At €7.1bn, retail customers accounted for the lion's share of demand (previous year: €4.6bn). Net sales of certificates to institutional customers totalled €1.9bn (previous year: €2.2bn).

Business development in the Financing business division

The economic result in the Financing business division was well into positive territory at €94.9m (previous year: €–87.0m). The division's gross loan volume increased slightly from the end of 2020 (€24.8bn) to reach €25.7bn.

Business development in the Financing business division

Gross loan volume in the Specialised Financing subdivision declined to €14.4bn (year-end 2020: €14.6bn). Of the portfolio at the end of 2021, €4.1bn related to infrastructure financing (year-end 2020: €3.7bn), €3.5bn to public sector financing (year-end 2020: €2.9bn), €1.4bn to export financing (year-end 2020: €1.4bn) and €3.7bn to transport financing (year-end 2020: €3.9bn). The transport financing segment comprised ship financing of €1.3bn (year-end 2020: €1.0bn and aircraft financing of €2.4bn (year-end 2020: €2.9bn). Gross loan volume for savings bank financing fell as expected by €0.8bn compared with the end of 2020 to €1.8bn.

The remainder of the legacy portfolio, which does not conform to the current strategy, was almost completely wound down in 2021. The portfolio was dissolved on 1 January 2022.

Gross loan volume in the Real Estate Financing subdivision increased to €11.3bn (year-end 2020: €10.3bn). The volume of commercial property loans rose significantly to €8.6bn (year-end 2020: €7.8bn). In relation to the gross loan volume in the Real Estate Financing subdivision, around 8% was attributable to the retail use type and around 4% to the hotel use type, as was also the case at the end of 2020. Financing volume in open-ended real estate funds came to €2.7bn, compared with €2.5bn at the end of 2020.

Compared with the end of the previous year, the average rating for the loan portfolio as a whole according to the DSGV master scale deteriorated by one notch to 7 due to the continuing effects of the coronavirus pandemic. This corresponds to a rating of BB on S&P's external rating scale. The average rating for Specialised Financing dropped by one notch from 6 at the end of 2020 to 7 (S&P: from BB+ to BB). The rating for Real Estate Financing also changed by one notch from 5 at the end of the previous year to 6 (S&P: from BBB– to BB+). Taking account of collateralised assets, the average rating for Real Estate Financing (on the DSGV master scale) deteriorated from AA– (S&P: A+) to A– (S&P: A–).

At €5.1bn, the volume of new business in the Financing business division in the reporting year was up €1.2bn on the previous year's figure of €3.9bn. There had been considerable restraint in lending in 2020 in the context of the pandemic. This helped new business of €2.2bn in Specialised Financing (year-end 2020: €1.7bn) and €2.9bn in Real Estate Financing (year-end 2020: €2.2bn) to exceed the previous year's figures. Loans to savings banks accounted for 2% of total new business in the division, matching the prior-year figure.

At €0.5bn, the total volume of placements was below the previous year's figure of €0.7bn. The lion's share of this amount continued to be successfully placed within the *Sparkassen-Finanzgruppe*.

Financial position of the Deka Group

Financial management principles and objectives

Via its Treasury corporate centre, DekaBank pursues an integrated approach aimed at the active management of group-wide liquidity, thus ensuring that flexibility and investor trust are retained even in difficult market situations.

The Treasury corporate centre acts as a resource manager for the Deka Group. On behalf of the Board of Management, Treasury manages group liquidity and Deka Group refinancing across all maturities and is responsible for asset-liability management. Treasury manages the liquidity management portfolio in the context of compliance with regulatory requirements and safeguarding the Bank's liquidity at all times. This portfolio comprises the liquidity buffer, which contains securities held for short-term liquidity management, and the securities in the proprietary securities portfolio (Strategic Investments portfolio). The Strategic Investments portfolio is used to invest surplus financial resources and balance out differences in maturity structure.

Treasury manages market price risks in the banking book, counterparty risks in its own banking book and equity. By setting transfer prices for the whole Group, Treasury helps to ensure both that the balance sheet is evenly structured and in line with strategy, and that transactions are managed and calculated on a source-specific basis. It also assists the Board of Management with the handling of guarantee risks from funds and fund-related products.

DekaBank supports cash pooling for the savings banks and other companies of the *Sparkassen-Finanzgruppe*. It 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.

For the securities that constitute the strategic investments, liquidity investing is focused on investments in investment-grade bonds, including from public sector issuers, financial services providers and corporates. Given the targets for the liquidity buffer, investment here concentrates on investments in bonds issued by German federal states, German development banks, German run-off institutions, German covered bonds (*Pfandbriefe*), supranational institutions, investment-grade corporate bonds and, where appropriate, credit balances held with central banks. Securities suitable as cover assets for the two covered bond programmes can be taken from the liquidity buffer and Strategic Investments.

Refinancing is carried out in a diversified manner using domestic and international money market and capital market instruments. This includes issues of covered bonds, 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, as well as the programmes for structured issues and certificates. These activities are supplemented by placements of registered debt securities along with promissory note loans and DekaBank's range of sustainable certificates. DekaBank also uses the repo and lending markets as well as call money and time deposits to raise liquidity, and participates in the various central bank tenders (including TLTROs) as necessary.

See also: Green Bonds

DekaBank offers sustainable products and certificates in line with the Deka Group's sustainability strategy and expanded its product range in 2021. As part of its continuing efforts in the field of sustainability, DekaBank has developed a Green Bond Framework in line with the ICMA Green Bond Principles 2018. This framework enables the issue of green bonds and certain certificates as required as part of ongoing issuing activities. The funds raised are used to fully or partially finance appropriate green loans – new or existing lending in renewable energy and green buildings.

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.

Changes in the DekaBank balance sheet

Thanks in part to its business model, the Deka Group significantly increased its assets under management in 2021 in a general market environment primarily affected by the policy of low interest rates. This was also associated with an increase in liquid funds within the investment funds, which resulted in higher deposits on the liabilities side at DekaBank. This increase was, in turn, central to the increased deposits with Deutsche Bundesbank and the increase of 3.5% in total assets to €90.8bn.

Amounts due from banks and customers increased by €0.6bn in the reporting period to €31.0bn and equated to 34% of total assets. In contrast, bonds and other fixed-interest securities fell by €1.3bn to €9.0bn. This was mainly due to securities in the liquidity reserve maturing during the financial year. The trading portfolio (assets) declined from €34.7bn to €32.7bn and accounted for 36% of total assets in the reporting year. This was due in particular to the reduction in bonds in synthetic lending transactions as a result of lower volumes.

Securitised liabilities and amounts due to banks and customers increased overall to €46.0bn (previous year: €44.4bn) and thus equated to 51% of total assets. Securitised liabilities increased due to the issue of commercial papers, but this effect was largely offset by lower call and time deposits by banks. Meanwhile, there was a €1.8bn increase in amounts due to customers as a result of higher current account deposits by investment funds. The trading portfolio (liabilities) increased by €0.5bn to €36.3bn, equating to 40% of total assets.

Changes in the DekaBank balance sheet *in €m (Fig. 12)*

	31 Dec 2021	31 Dec.2020	Change	
Total assets	**90,756**	**87,676**	3,080	3.5%
Selected asset items				
Due from banks and customers	31,009	30,437	572	1.9%
Financial assets at fair value	8,966	10,237	–1,271	–12.4%
Financial investments	32,730	34,745	–2,015	–5.8%
Selected liability items				
Due to banks and customers	36,243	36,531	–287	–0.8%
Securitised liabilities	9,752	7,826	1,926	24.6%
Financial investments	36,295	35,782	513	1.4%

Capital and liquidity adequacy

Full details of capital and liquidity adequacy in the 2021 financial year are provided in the risk report section of the Group management report.

See also:
Risk report:
page 46 ff.

Development of capital market ratings

At year-end 2021, DekaBank's capital market rating remained among the best in its peer group of German commercial banks. This enables access to the money and capital markets on stable and competitive terms.

The rating assessments from Standard & Poor's (S&P) and Moody's 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.

Ratings overview *(Fig. 13)*

	Standard & Poor's	Moody's
Bank Ratings		
Issuer Rating	A (stable) Issuer Credit Rating	Aa2 (stable) Issuer Rating
Counterparty Rating	N/A	Aa2 Counterparty Risk Rating
Deposit Rating	N/A	Aa2 Bank Deposits
Own financial strength	bbb Stand-alone Credit Profile	baa2 Baseline Credit Assessment
Short-term rating	A–1 Short-term Rating	P–1 Short-term Rating
Issuance Ratings		
Preferred Senior Unsecured Debt	A Senior Unsecured Debt	Aa2 (stable) Senior Unsecured Debt
Non-Preferred Senior Unsecured Debt	A– Senior Subordinated Debt	A1 Junior Senior Unsecured Debt
Subordinate Debt (Tier 2)	N/A	Baa1 Subordinate Debt
Additional Tier 1 Debt	N/A	Baa3 (hyb) Preferred Stock Non-cumulative
Public Sector Covered Bonds	N/A	Aaa Public Sector Covered Bonds
Mortgage Covered Bonds	N/A	Aaa Mortgage Covered Bonds

S&P published its first ESG credit indicators for DekaBank in January 2022. These are aimed chiefly at increasing transparency around the rating criteria but do not involve any new analytical approaches. The ESG credit indicators highlight the potential impact of ESG factors on credit ratings. The ESG credit indicators for DekaBank are neutral, i.e. ESG factors do not currently affect the credit rating in S&P's view. This is underlined by the E-2 (Environmental), S-2 (Social) and G-2 (Governance) scores.

Human resources report

The total number of employees at the end of 2021 stood at 4,854 and was slightly up on the previous year (year-end 2020: 4,711). 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.

See also: 2021 sustainability report

At 4,243, the number of earnings-relevant full-time equivalents as at 31 December 2021 was slightly higher than at the end of 2020 (4,131). The number 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. At the year-end, approximately 77% of the workforce were employed in full-time posts. The average age of active employees (excluding apprentices and inactive staff members) was 45.3 years (previous year: 45.1 years). Further key indicators regarding sustainable HR management can be found in the sustainability report.

The implementation of topics from the management agenda had an impact on structures, processes, roles and tasks throughout the Group. For example, interdisciplinary teams worked on enhancing talent management, on the organisational focus and on a new understanding of leadership. This work is accompanied by regular surveys to take the pulse of the workforce, which cover the Deka Group's attractiveness as an employer and employee satisfaction. The November survey backed up previous findings. It showed that 87% are happy or very happy at the Deka Group and that 80% of employees believe that Deka will remain an attractive employer in future.

Ever more digitalisation in the world of work is placing new demands on managers, employees and the ways in which they work together. This has been accelerated by the consequences of the coronavirus pandemic. Deka continued to expand its virtual learning offerings in 2021 in order to meet these demands. This allowed it to offer professional development opportunities to its employees, even with many of them working from home during the pandemic. There was a particular focus on the "Deka Way", which combines the use of agile and traditional working methods. The Deka Way describes the Deka Group's development into an even more modern and adaptable organisation. At its heart is the empowerment of employees and managers through the integration of agile and traditional working methods, which enables them to respond quickly and flexibly to changing customer and market needs. A Deka Way team in HR helps to implement this with extensive information, training and workshops for employees, managers and teams.

To minimise the infection risk to employees during the coronavirus pandemic, Deka has been making increased use of mobile working since spring 2020. More than 80% of employees on average worked from home in 2021. The support measures offered to employees in 2020 were further enhanced throughout 2021. In addition, all employees were given the opportunity to get vaccinated against coronavirus (first, second and booster doses). To ensure future flexibility in remote working and facilitate the work-life balance, new agreements have been reached with employee representatives. For example, all employees will be able to work at least 40% of their hours remotely in future. The Deka Group has invested significantly in equipment at its premises and in IT in order to support mobile working. Employees are generally provided with a laptop and softphone and can connect to audio visual equipment at any time, especially at the new building in Frankfurt-Niederrad. The Deka Group has introduced Microsoft Teams as a platform for collaborating in hybrid teams.

The Deka Group received awards from the "career and family audit" *Audit berufundfamilie* for its family-friendly HR policy for the sixth time in 2021. To review and enhance its existing health management offering, DekaBank underwent a thorough, multi-stage corporate health audit in the reporting year. The audit was conducted by EUPD Research and the Handelsblatt newspaper and was based on a quality standard that enabled sound analysis across different industries to find out where our own management system stands. The initiators judged DekaBank to have outstanding corporate health management and awarded us their seal of excellence.

The objectives of the Equality Plan were updated in 2021 and will apply until the end of 2024. The updated Equality Plan is being accompanied by increased measures to support career advancement for women at different stages of their career. This will also be supported by the Diversity element of the Management Agenda. A new diversity manager position has been created in HR to work exclusively on promoting diversity in all HR processes and implement the newly formulated diversity strategy for the Deka Group.

Forecast and opportunities report

The structure and content of the forecast and opportunities report section correspond to the relevant section published in the Group management report of the Deka Group. Group and business division planning are oriented towards the Deka Group, while Group management is aligned with the business divisions, thereby incorporating all business divisions and legal entities including DekaBank in its capacity as an individual institution. Therefore, no separate forecast and opportunities report has been prepared at individual institution level.

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 2022 are subject to uncertainty.

Actual trends in the international money, capital and property markets and in the Deka Group may diverge significantly from our assumptions, which are partly based on expert estimates.

See also:
Risk report:
page 46 ff.
Opportunities report:
page 45

The Deka Group's risk position is explained in full 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 2022 financial year. Conversely, opportunities may result in expectations being exceeded. The opportunities for the Deka Group are set out in the opportunities report.

The global impacts of the coronavirus pandemic on the economy in 2022 cannot yet be reliably predicted. There thus remains a high degree of uncertainty regarding future market developments. At least in the short term, there also still remains a possibility of further setbacks in tackling the pandemic. These may be caused by an insufficient vaccination rate or the spread of mutated variants. In addition, the military escalation of the conflict between Russia and Ukraine is creating geopolitical tensions whose effects cannot yet be fully predicted. If the uncertainty manifests itself in a lasting hit to growth and the capital markets, or the war in Ukraine persists or worsens further, there is a possibility that the earnings, risk and capital situation, and the corresponding key management indicators, will be less favourable than predicted in the forecast report.

Expected macroeconomic trends

Even though the coronavirus pandemic has not yet been overcome, DekaBank expects the economic recovery process to continue in most regions of the world in 2022. DekaBank anticipates that economic pressures such as the coronavirus pandemic, energy price spikes and supply chain problems will gradually reduce later in the year. However, high energy price and trade disruption due to the economic sanctions in response to the war in Ukraine are likely to slow economic recovery. Despite this, global gross domestic product is predicted to rise by 3.5% in 2022. Favourable financing conditions and extensive government spending – despite high sovereign debt levels – will contribute to this economic growth. Increasingly, government investment will be aimed less at tackling the coronavirus pandemic than at the structural transformation towards a digital and sustainable economy.

Many of the factors that drove higher prices in 2021, such as energy price inflation, are likely to abate as 2022 progresses. DekaBank does not expect stability to be threatened by second-round effects, as there are no signs of any changes in the collective bargaining process that would bring about a wage-price spiral. DekaBank therefore expects the inflation rate in the second half of 2022 to be lower than in the previous year but higher than before the coronavirus pandemic. For 2022 as a whole, DekaBank expects an average inflation rate of 5.4% in the eurozone (Germany: 5.5%). DekaBank also expects core inflation to rise but not to the extent that would materially force the hand of central banks.

The aim of the central banks this year is to steadily unwind the ultra-expansionary stance. 2022 will decide whether second-round inflation effects set in. This could either mean central banks sticking to their gradual tightening or responding with faster interest rate hikes. The ECB has defined a clear trigger for tighter monetary policy: a sustained achievement of the 2% mark within the next two years along with a sufficiently established medium-term inflation trend. DekaBank expects the eurozone to near the 2% mark by the end of this year. The ECB is thus likely to be willing to implement an initial rate hike at the end of 2022. In the case of the US Fed, a more rapid normalisation of monetary policy is expected, involving a series of key interest rate hikes this year.

Expected environment for asset management

The main uncertainties for the bond markets remain the inflation outlook for the coming years and the impact of the war in Ukraine, along with the reaction by major central banks. In the US, the Fed has already begun reducing its bond purchases and is expected to have moved key rates much of the way to a neutral stance by the end of 2022. Yields on US Treasuries, especially for short maturities, are likely to rise noticeably in anticipation of key rate changes. The ECB will replicate the turnaround in interest rates at a later stage. While the individual Governing Council members have different ideas about the pace of the shift in monetary policy, they agree that the net bond purchases under the Asset Purchase Programme (APP) should come to an end before the first rate hike. We therefore do not expect an initial increase in the deposit rate until December 2022. This is likely to be reflected in rising bond yields, especially for longer maturities, as the ECB's first move in unwinding its stimulus will be to end its asset purchases. The environment therefore remains favourable for high-risk asset classes. As real yields on risk-free, interest-bearing investments are likely to remain in negative territory for a very long time to come, investors are focussing on returns on corporate bonds and equities. Even though the pace of growth has slowed somewhat, corporate profits will benefit in the coming year from pent-up demand and the expected normalisation of supply chains.

Real estate asset management remains an appealing asset class. However, investment opportunities for real estate funds remain limited, meaning that restraint is still called for when attracting new inflows. The office real estate markets have weathered the crisis relatively well and are likely to benefit from rising demand and rents in 2022. This will likely increase the purchase prices of office properties. DekaBank also expects a continued rise in prices for logistics real estate and neighbourhood retail centres, which are in very high demand. Given the expected continuing market recovery, DekaBank anticipates stable or slightly increasing prices for shopping centres and hotels. In the ongoing low interest rate environment, yields will nevertheless remain at low levels for the foreseeable future, presenting fund management with particular challenges.

Expected environment for the banking business

Despite high infection rates, the ECB is likely to end its net asset purchases under the pandemic emergency purchase programme (PEPP) at the end of March 2022. However, this does not necessarily mean a material tightening in monetary policy. The ECB may well stick to its low interest rates and continue securities purchases under the APP. Likewise, the end of the TLTRO III transactions in 2022 inherently marks a move away from the ECB's highly expansionary monetary policy while doing little to change the favourable overall financing conditions for companies. Corporate and government issuing activities will not match the 2021 level, as governments will run lower deficits and companies have already raised large amounts of liquidity in recent years. DekaBank therefore expects an increase in money market rates such as EONIA and EURIBOR in 2022 with the prospect of a rate hike at the end of the year. Given the continuing very low interest rates, securities with premiums are likely to remain in high demand, even though the positive economic development is already largely priced into spreads.

The capital markets business will continue to be influenced by high market liquidity and low interest rates throughout the remainder of the year. Governments and corporates also face record indebtedness. In this market environment, DekaBank expects only moderate changes for the Capital Markets business division.

In the financing business, further increased market liquidity compared with 2021, along with investment pressure among institutional investors, will put rising pressure on margins, which may be reflected in the terms and conditions offered. The performance of the Financing business division will also depend on the evolution of the coronavirus pandemic.

Overall assessment of the expected economic trends

Overall, DekaBank expects a positive economic environment for asset management in the 2022 financial year due to a moderate economic recovery and negative real interest rates. Amid significant fluctuation throughout the year, this could result down the line in high prices for shares and real estate, with a positive effect on the Deka Group's total customer assets. Moreover, the high levels of financial assets held by private households in general, and savings bank customers in particular, offer potential for fund sales. In the Capital Markets business division, certificates business with equities could also benefit from the low interest rates. In the Financing business division, margins on the financing portfolio will remain under pressure.

Expected business development and profit performance

The Management Agenda sets the strategic and operational direction to make the Deka Group an even more customer-focused, innovative and sustainable *Wertpapierhaus*. This agenda is focusing, among other things, on innovative processes and platforms for sales, products and distribution channels as well as broader themes such as digitalisation and sustainability.

The global coronavirus pandemic and its impacts on economies, growth and capital markets mean it is not yet possible to reliably predict the effects on the Deka Group in 2022. There is thus still uncertainty about future market trends. In addition, the military escalation of the conflict between Russia and Ukraine is also creating geopolitical tensions whose effects cannot yet be fully predicted.

After the exceptionally strong result in 2021, the forecast for 2022 anticipates an economic result of approximately €550m. This is once again slightly above the average of the last five years. Net commission income will remain the primary component of income, accounting for over 80%, partly due to the positive outlook for the development of total customer assets and net sales. The forecast economic result will ensure that DekaBank remains able to distribute profits and to make the reinvestments needed to strengthen its capital.

Sales plans continue to concentrate on an investment fund business that maintains lasting value. This includes regular securities saving and an expanded range of sustainability-related products and services. The Deka Group anticipates a moderate year-on-year rise in total customer assets in 2022. At approximately €30bn, total net sales are predicted to remain roughly on a level with 2020.

The Asset Management Securities business division will continue its proven strategic direction in 2022 and focus on continuing to develop its range of high-quality products and services in close coordination with the sales departments. Expanding the range of sustainability-related products and services in accordance with the regulatory requirements and Group strategy is a particular priority. Net sales in the retail segment should reach a high level again. The focus will be on an investment fund business that maintains lasting value and products for regular saving. Deka Vermögensverwaltung Premium established itself as an anchor product in Private Banking in 2021. The aim is to continue this growth in the coming years. In institutional customer business, Deka intends to maintain a high level of sales and benefit from the addition of IQAM Invest GmbH asset management solutions to the product portfolio for German customers and from the expansion of digital sales channels.

Risks may arise from the military escalation of the conflict between Russia and Ukraine and the further evolution of the coronavirus pandemic with its economic impact on fund business. In the medium term, there are potential negative impacts from additional political risks, significantly more volatile economic development and an increase in inflation rates. This may hit investors' risk appetite and result in outflows of funds and reluctance to invest. In addition, a pronounced stock market correction could negatively affect total customer assets.

The Asset Management Real Estate business division will continue in 2022 to pursue its aim of being the first choice for savings banks and their customers when investing in commercial property. Portfolio and (real estate) risk management will be constantly developed, taking advantage of potential for digitalisation. In open-ended real estate funds for retail customers, the aim is to build further on what is already an excellent market position without compromising on quality or stability. Using a combination of both existing and new products such as infrastructure funds of funds, the division aims to improve its market position in institutional business. Consistently taking sustainability criteria into account in property purchases and portfolio management will ensure that Deka remains attractive to sustainability-oriented investors. The product range in the area of sustainability will also be gradually expanded. The business division aims to further improve its net sales performance among retail and institutional customers and increase total customer assets. It will drive further digitalisation of business processes and collaboration with sourcing partners to further improve process efficiency and resource use.

There are risks to the performance of the Asset Management Real Estate business division from the military escalation of the conflict between Russia and Ukraine and from fierce competition in the transaction markets, which have been additionally impacted by the coronavirus restrictions. This makes transaction planning difficult. The measures revived to varying degrees in order to tackle the pandemic are also creating more volatile business conditions in parts of the economy and affecting tenants' income. The business division still aims to take a constructive approach to each individual solution and find viable long-term solutions that enable the funds to maintain profitable rental relationships. For office properties in popular locations, we do not so far expect reduced demand for space, for instance due to increased use of remote working. More generous shared space will compensate for potential lower demand for individual offices, and we expect the strong economic growth to lift demand. There are risks from continued strong regulatory pressure and the further consideration of sustainability criteria, though the impacts cannot be fully predicted here.

For 2022, the Asset Management Services business division again aims to increase assets under custody in line with the targeted asset management growth. The Digital Multichannel Management subdivision will continue with its strategic direction, pushing ahead with the expansion of the multichannel offering, which involves the integration of physical branches and other sales channels for the securities products offered by the savings banks. Combined with contemporary, innovative services such as the bevestor GmbH robo-advisory product (digital asset management), this will ensure and expand access to the customer interface in the *Sparkassen-Finanzgruppe*.

The Depositary subdivision will continue to work on expanding its depositary function through growth in the Deka Group investment companies' mutual funds and new third-party mandates, focusing on developing a comprehensive asset servicing solution (master KVG and depositary). The aim is to further enhance its market position in Germany. Custody of crypto securities has been implemented in the Depositary subdivision as part of the digitalisation initiative.

Risks to Digital Multichannel Management arise principally from a delayed implementation of the multichannel strategy due to an insufficiently developed multichannel offering. Risks may arise for custody account business from disruption to product development with a knock-on effect on custody account sales. Risks to business performance in the Depositary subdivision include rising pressure on margins as well as market-induced outflows of assets under custody. The consequences of the military conflict between Russia and Ukraine could also trigger a pronounced correction on stock markets, negatively impacting assets under custody and thus the income achievable in this subdivision.

In 2022, the Capital Markets business division will maintain its proven strategic direction as a customer-centric product and solution provider focused on DekaBank's structured products and the derivatives, issuance and trading business. In so doing, the division will encounter regulatory requirements and current market developments in its own business as well as that of the savings banks. It intends to maintain its position as an infrastructure provider with international capital market access through systematic digitalisation and further development of the existing platform solutions. In the certificates business, retail products will be the focus again in 2022.

Risks to the performance of the Capital Markets business division arise particularly from negative capital market trends and recessionary fears due to exogenous shocks such as the military conflict between Russia and Ukraine, the coronavirus pandemic or trade disputes that result in reduced customer activity. Additional risks arise from regulatory intervention in the design of products and definition of terms and conditions and further increased market pressure on fees. Regulatory or adverse monetary policy escalations leading to additional capital backing or reporting obligations may also affect business performance.

For its business activities in 2022, the Financing business division will continue to concentrate on its defined and well-established segments: specialised financing and real estate financing in liquid markets. Being a sought-after financing partner for the savings banks will remain its main aim. The division will seek to generate new business where this contributes to its objectives and to appropriate management of the balance sheet structure. The business division is pushing ahead with its stability-focused and risk-conscious strategy in a market environment that continues to be shaped by the coronavirus pandemic.

Risks to the Financing business division arise especially from the potential further repercussions of the coronavirus pandemic on the quality of loan exposures, especially in the particularly affected sectors of transport and real estate financing. There are also risks from the military escalation of the conflict between Russia and Ukraine. Further risks may arise from specific creditworthiness risks on the part of borrowers and from further political crises, which could adversely affect the economic outlook for lending segments in which we operate. This could also lead to a need for higher loan loss provisions, or to increased capital adequacy requirements as a result of a rating downgrades. Business performance may be negatively affected by increasing competitive pressure for project and infrastructure financing due to institutional investors acting as direct lenders.

Expected financial and risk position

The Deka Group anticipates a continued sound financial position for 2022. Total assets will be subject to the usual business-related fluctuations over the course of the year. The planning assumption is for total assets of slightly less than €100bn at year-end 2022.

Balance sheet management is geared towards ensuring compliance with an appropriate leverage ratio well above the minimum ratio of 3%, as well as compliance with the requirements for RWA- and LRE-based MREL and with the subordinated MREL requirements.

The Deka Group expects to maintain an adequate capital and liquidity base in both the normative and economic perspective for 2022. To retain sufficient flexibility in the event of unfavourable market developments, the Deka Group aims for a Common Equity Tier 1 capital ratio at an appropriate level above the strategic target of 13%.

In terms of risk-bearing capacity analysis, risk appetite utilisation is expected to remain at a non-critical level. With regard to risk development, however, elevated uncertainty regarding the further development of the market environment cannot be ruled out.

The Group's liquidity position is forecast to remain at a comfortable level. Likewise, all relevant ratios such as LCR and NSFR are expected to be comfortably adhered to with sufficient flexibility.

Forecast development of key performance indicators in the of Deka Group *(Fig. 14)*

		31 Dec 2021	Forecast 2022 in the Annual Report 2021
Economic result	€m	847.8	Around 550
Total customer assets	€bn	395.1	Moderately above the previous year
Net sales	€bn	35.7	Around 30
Common Equity Tier 1 capital ratio	%	15.2	Over 13
Utilisation of risk appetite	%	43.3	At uncritical level

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 risks and earnings and probability of occurrence. Continuous and intensive market observation and the feedback processes established with the savings banks ensure that the assessment of the opportunities portfolio is regularly updated. 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 the strategy implementation programme, which is designed to put the *Wertpapierhaus* strategy into practice. Positive effects linked to the growth initiatives may be more extensive or occur sooner than assumed in the forecast report.
- Other opportunities lie in greater than anticipated process improvements or positive earnings effects from efficiency initiatives.

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, trends may turn out better than the baseline scenario assumes. Low interest rates, major investment in the structural transformation towards greater digitalisation and sustainability, increased confidence and significant productivity gains could lead to surprisingly high growth without any significant rise in inflation, despite high capacity utilisation. Thanks to the reduction of debt, the recovery of financial systems would continue apace. In this scenario, it is possible that a more substantial than expected rise in index levels could lead to strong growth in total customer assets and have a positive impact on net commission income. The resulting somewhat stronger 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 from market developments could also be generated by an even stronger shift towards funds, ETFs and certificates for financial savings. However, the Deka Group anticipates that this process will continue to take place only gradually. Nonetheless, if the popularity of funds, ETFs and certificates should increase by more than forecast in planning, this would have a beneficial impact on net sales and total customer assets.

There are strategic and other opportunities associated with the strategy implementation programme. The resultant effects have already been incorporated into the planning for 2022, meaning that any further positive impacts on the Deka Group's business and results are unlikely.

Risk report

The structure and content of the following risk report correspond to the risk report published in the Group management report of the Deka Group. Risk management and risk control are oriented towards the Deka Group, thereby incorporating all business divisions and legal entities including DekaBank in its capacity as an individual institution. Therefore, no separate risk report has been prepared at individual institution level.

Risk policy and strategy

The basic principles underlying the Deka Group's risk policy 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 units 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 (Internal Capital Adequacy Assessment Process (ICAAP)/Internal Liquidity Adequacy Assessment Process (ILAAP)) and is an integral part of the Deka Group's strategy system. The aim of the ICAAP and ILAAP is to help ensure the Deka Group's continued existence by maintaining adequate capital and liquidity and to contribute to effective risk management. To this end, there is a distinction within the ICAAP and ILAAP between the economic and normative perspective.

A strong risk culture for the Deka Group is key to the lasting achievement of the business policy objectives set out in the business strategy. Without risk-appropriate behaviour and a sensible approach to risks, it would be impossible to limit them through overall risk management and ensure the Deka Group's lasting business success. The concept of risk appetite and the procedures for monitoring compliance with it form one of the three fundamental pillars of the Deka 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 Deka Group has adopted a risk culture framework laying down binding guidelines for the responsible handling of risks in the Deka Group and for compliance among employees, managers and Board of Management members in relation to this. The framework also sets out the guiding principles that detailed rules on processes and tools have to adhere to. All Deka Group employees receive information and undergo awareness-raising measures on risk culture-related topics through mandatory annual training. The Deka Group conducts a regular survey of the risk culture. The findings from this and other more in-depth survey tools are addressed and feed into the ongoing evolution of the risk culture.

See also: Opportunities report: page 45

The risk position of the Deka Group presented in the risk report 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.

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 at least once a year. 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 risk data aggregation strategy fleshes out the risk strategy in terms of the general requirements and specifications for effectively aggregating risk data and for risk reporting. As part of the risk strategy, it is an integral part of the strategic architecture and systematic strategic process.

Sub-risk strategies are formulated for significant types of risk identified during the risk inventory: counterparty risk, market price risk, operational risk, business risk and liquidity risk. These risk strategies are derived from the Deka Group's risk strategy as well as the strategies of the business divisions and 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.

Developments in risk management
Whereas the first quarter of 2021 was still dominated by the coronavirus pandemic and its impact on both the real economy and the financial markets, a clear economic recovery emerged starting from the second quarter. As the market situation continued to ease, the changes made in 2020 to the methods used were reviewed to ensure that the models employed by the Deka Group for economic risk management continue to reflect the corporate and market situation in an appropriate and timely manner. For example, at the end of the third quarter of 2021, the risk-bearing capacity calculation for the Deka Group returned to the normal phase. The management concept was then adjusted so that AT1 capital was not included in internal capital for either the current situation or macroeconomic stress testing. For the calculation of market price risk, the extension of the observation period for determining historical volatilities from one to three years was retained in order to include sufficient stress periods in the risk calculation. Furthermore, the averaging period for calculating the bond segment curves in order to determine the economic counterparty risk was permanently increased from 20 days to 60 days, as this approach reduces fluctuations resulting from short-term changes in the curves so that they do not overshadow the view of actual portfolio developments.

The coronavirus pandemic no longer had any material effects on the refinancing markets in 2021. The experience gained throughout the period of stressed refinancing markets in 2020 in terms of the enforceability of collateral in the custody of tri-party agents was put into practice in 2021 with a more conservative modelling of the potential liquidity from this collateral in the funding matrices. The sixth amendment to MaRisk created the option of short-term prolongation for deposits by financial sector companies used to maintain these companies' business operations (operational deposits), thereby harmonising MaRisk with the LCR/NSFR. The Deka Group has been using this relief measure since November 2021 to enhance deposit base modelling for operational deposits of its own and third-party funds in the first week.

The extensively revised model for quantifying business risk went live for the Asset Management Securities business division at the end of August 2021 and for the Asset Management Real Estate and Asset Management Services business divisions at the end of November 2021. The revised model has a refined and, as a result, more accurate modelling system at its core, making it possible to replace some of the conservative assumptions previously used. The effects differed for each business division, with a significant overall reduction in business risk.

The Deka Group continued to press ahead with the project initiated in the previous year to implement the vision adopted by the Board of Management for the establishment of an integrated management system for non-financial risks (NFR). This involved working on the fundamentals across the different risk types and on approaches to risk appetite. At the end of June, for example, we placed an operational limit on the sub-types of operational risk and made changes to the qualitative risk tolerance rules and quantitative risk appetite statements in the form of risk indicators combined with corresponding thresholds. We also began gradually rolling out the methodological guidelines for ensuring consistent risk assessment to all risk sub-types in the design, testing and initial risk identification stages. For the purposes of developing a holistic reputational risk management system, we also put together guidance for the management of reputational risks and implemented it across the Group at the end of the year. This was based on the methods, processes and responsibilities which we had refined during a trial stage.

Given how important sustainability risks are from a macroeconomic perspective and in light of the corresponding marked increase in regulatory expectations, the Deka Group has recently significantly stepped up its activities in this area. Sustainability risks are not seen as a type of risk in their own right, but rather as a driver of existing types of risk. The Deka Group had already performed a comprehensive analysis of the handling of climate and environmental risks in the previous year. Taking regulatory expectations into account, this involved drawing up a comprehensive action plan for business strategy, governance, risk management and disclosure based on an analysis of the status quo. The Deka Group conducted an initial analysis of the climate and environmental risks relevant to it as part of the risk inventory in 2021. This showed that sustainability risks as a whole, climate and environmental risks in particular, are not currently a significant driver materially impacting the existing risk types for the current portfolio in the short- and medium-term perspective. The information available at this time (primarily sectoral breakdown, residual terms to maturity, degree of liquidity and mitigating factors) was taken as a basis and subjected to an expert-led assessment of significance by business division and risk type. The experts used an assessment of the asset- and portfolio-specific impact and of the economic significance of the portfolio and segments. In addition, initial strategic and operational foundations for the handling of climate and environmental risks were created and a structured analysis of the business environment was carried out. The aim was to provide transparency around the changes being driven here by climate and environmental risks and their impact on the business model and product segments of the Deka Group over various time horizons. With regard to the inclusion of sustainability aspects in DekaBank's lending processes, extensive measures were taken in line with regulatory requirements (primarily the EBA Guidelines on loan origination and monitoring) in order to adapt rules and procedures appropriately, particularly in the areas of governance, loan origination and collateral management. The development of segment-specific ESG scorecards, which have been in use for new business and renewals since 1 July 2021, are worthy of particular mention in this regard. More extensive activities relating to the handling of sustainability risks are planned for the coming years. In particular, these include refining the analysis of the business environment and risk drivers with special focus on climate and environmental risks, developing Deka-specific sustainability indicators, especially in the form of key performance indicators (KPIs) and key risk indicators (KRIs), and enhancing internal and external reporting.

Building on the results of the risk inventory, the stress testing programme is also being gradually expanded to enable climate and environmental risks to be handled appropriately. A special type of scenario – climate stress scenarios – is being introduced for this purpose. Calculated annually, these scenarios will particularly reveal sector-specific impacts based on chosen indicators. The climate stress scenarios were calculated for the first time as at the reporting date 31 December 2021. This extension to the internal stress testing programme also forms part of the preparation for the ECB climate stress test in the first half of 2022.

In the wake of the ECB guide to internal models published back in November 2018, more supervisory reviews of internal models under Pillar I of the Basel Accord (Targeted Review of Internal Models, TRIM) were conducted. The reviews aimed to reduce the variability of model results and thereby increase confidence in internal models. They affected the internal rating models for credit risk (IRBA), internal market risk models (IMA) and internal models for estimating exposure to counterparty risk (IMM). With regard to the IRB approach, suitable measures to fulfil the requirements were initiated based on the findings of the 2019 on-site audit of the fund rating module as part of the TRIM and are currently being worked through. TRIM audits concerning counterparty risk did not affect DekaBank.

In addition, as part of the implementation of the EBA Guidelines on PD estimation, LGD estimation and treatment of defaulted assets, further IRB reviews are currently being carried out for four modules in connection with the corresponding model change notifications. In the coming year, more of these reviews will be conducted until all IRB rating modules have been reviewed by the supervisory authority.

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 to the Fundamental Review of the Trading Book (FRTB). The measures necessary to meet the requirements of the new FRTB standardised approach have already been implemented and the first prescribed report has been submitted to the supervisory authority. The planned introduction of the Standardised Measurement Approach (SMA) for calculating operational risk capital, which could also affect Pillar II of the Basel framework under certain circumstances, is also being monitored. The expected effects for Basel IV have been taken into account in normative capital planning.

Concept of risk appetite

Overview

The key component of the concept of risk appetite is the risk appetite statement (RAS), which provides the framework for the ICAAP and ILAAP. Within the ICAAP and ILAAP, there is a distinction between the economic and normative perspective.

The first starting point for the RAS is a description of the desired risk profile that is implied by our customer-centred business model. A Group-wide risk inventory enables the Deka Group to maintain 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 assess which risks could have a significant negative impact on its financial position (including in terms of capital adequacy, earnings or liquidity). Particular consideration is given here to risk concentrations to which the Deka Group consciously exposes itself in connection with its business model. The assessment has further implications for backing risks with capital, for the holding of liquidity, and for validation. Inclusion of the relevant companies is checked as part of the risk inventory.

The second starting point for the RAS, 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. Risk appetite is defined, within the scope of this risk capacity, 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. There are different measures of risk capacity and risk appetite depending on the perspective and the nature of the risks (affecting profit or liquidity).

The RAS also incorporates medium-term planning, which specifies and quantifies details of the business and risk strategy. Medium-term planning involves an integrated planning process for profits, balance sheets, funding, capital and risk for the next three budget years, with account being taken of potential adverse developments.

The concept of risk appetite also covers procedures for monitoring compliance with risk appetite. 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.

Risk definitions, concentrations and measurement

The individual risks and 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 capital in the context of the ICAAP, include counterparty risk, market price risk, operational risk and business risk. Liquidity risk is also classified as significant and is managed and monitored as part of the ILAAP. Liquidity is maintained to cover the main drivers of liquidity risk (in the sense of insolvency risk). Other risk types or risk drivers can also be included in the ICAAP or ILAAP.

The risk types relevant for the Deka Group also include investment risk, step-in risk and reputational risk. Model uncertainties and sustainability risks are regarded as relevant risks but not as standalone risk types.

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 narrower and broader senses. Country risk in the narrower 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.

Pension risk is regarded as a sub-type of counterparty risk. It comprises potential losses from pension benefits payable that are not already covered by the provisions recognised for pensions. This also includes the counterparty risk for the plan assets. Management of this risk is not assigned to a specific business division. It is taken into account as a deduction from internal capital.

Market price risk

Market price risk describes the potential financial loss from future market price fluctuations (and from relevant valuation parameters) 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- and tenor-specific swap curves, with different fixed-rate periods having an effect as well, and from changes in cross-currency spread curves. 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 market's assessment of 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 in the economic perspective does not differentiate between the trading book and banking book; the same procedures are applied for all Deka Group portfolios, irrespective of the portfolio type. Market price risks relating to guarantees that the Deka Group has provided for individual investment funds are part of market price risk and are backed by capital as part of the ICAAP.

CVA risk and pension risk are regarded as sub-types of market price risk:

Credit valuation adjustments (CVAs) are valuation adjustments on derivative contracts which represent the expected loss from counterparty risk and are reflected accordingly in the result. CVA risk is the risk of a corresponding financial loss due to potential future changes in the risk factors determining the valuation adjustments. In the normative perspective, there is a regulatory requirement to report separate RWAs for CVAs. In the economic perspective, CVA risk is quantified as an integral part of market price risk.

Pension risk comprises potential losses from pension benefits payable or similar commitments due that are not already covered by the provisions recognised for pensions or similar commitments. This also includes market price risks in the sense of an additional shortfall in cover on the risk horizon. Management of this risk is not assigned to a specific business division. It is taken into account as a deduction from internal capital.

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. In accordance with its overarching definition in the Deka Group's non-financial risk taxonomy, it can be broken down into the following sub-types: compliance risk, service provider risk in the narrower sense, information and communication technology and security risk, personnel risk, project risk in the narrower sense, process risk and legal risk.

Business risk

Business risk concerns potential adverse variances from plan that result from changes in the behaviour of customers or sales partners, or from market conditions, legal requirements or competitive conditions and for which the causes are not already covered by other risk types.

Investment risk

The Deka Group defines investment 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 investment risk. Currently, however, this risk has only a minor influence on the Group's risk-bearing capacity.

Step-in risk

Step-in risk describes the risk of providing support, for reputational reasons or due to other considerations in connection with a stress scenario, to affiliated companies that are not fully consolidated for regulatory or balance sheet purposes and to business partners, despite the absence of a contractual obligation to do so.

The identification and evaluation process as part of the 2021 risk inventory showed no current need for the Deka Group to maintain capital or liquidity to cover step-in risk given the mitigation measures taken or the lack of plausibility.

Reputational risk

Reputational risk describes the danger that loss events or developments resulting from Deka's business activities or in connection with other types of risk may have a negative impact on the external image of the Deka Group. This may lead to a deterioration in capital or liquidity levels in addition to that incurred through other risk types. Reputational risks therefore form part of the Deka Group's risk universe but are regarded, given their effects, as comprising part of or potentially exacerbating business and liquidity risks.

As part of the holistic approach to reputational risks, proactive reputational risk management processes, which are designed to facilitate the management of reputational risk for relevant business processes, are complemented by portfolio-oriented reputational risk management. This aims to ensure transparency along with adequate capital and liquidity backing in the relevant risk types. Qualitative assessment of reputational risks as a basis for managing them takes place in both proactive and portfolio-oriented reputational risk management. It is performed by the risk-owning units in the first line of defence in accordance with standard, Group-wide criteria based on the risk appetite set, the potential losses and the probability of occurrence. If proactive reputational risk management identifies a critical level of risk, the first line of defence must obtain a second opinion on the activity from the second line of defence. In case of doubt, however, the first line of defence is also free to obtain a second opinion for less critical risks. As part of portfolio-oriented reputational risk management, the Risk Control corporate centre coordinates with the support of the Corporate Office & Communications corporate centre on an annual inventory of reputational risks for all units of the business divisions and corporate centres.

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 stress-tested funding matrix.

Model risk/model uncertainty

Risks arising from the deliberate selection, specification, calibration or use of models, or from the choice of parameters, are described as model uncertainty. They can lead to unforeseen financial losses and shortcomings in the ICAAP or ILAAP, and thus to flawed decisions or other damage. They do not represent a standalone risk type for the Deka Group but are examined in conjunction with the individual risk and valuation models.

Model risks in the narrower sense are distinguished from model uncertainty. They are defined as part of process risk, a sub-type of operational risk, and arise from errors in the implementation, use or application of valuation or risk models, or from the incorrect choice of parameters for these models.

Model uncertainty combined with model risks in the narrower sense (i.e. the totality of potential negative effects resulting from the use of models) is also referred to by the term model risk in the broader sense of the term. Model risk thus refers to potential losses arising from errors in the design, implementation or use of models.

In the economic perspective, annual capital and risk planning uses a buffer when setting risk appetite in order to take account of uncertainty in the modelling of risks affecting profit and loss. In the context of liquidity risk, model uncertainty is mitigated using the liquidity buffer. In the normative perspective, model uncertainty from valuation models is deducted from Common Equity Tier 1 capital as part of the additional valuation adjustments under Article 34 CRR.

Sustainability risk

Sustainability risk describes the danger that business activities with climate, environmental, social or corporate governance implications lead to sustainability-related developments or events that result either directly, or indirectly via reputational damage, in a deterioration in capital or liquidity levels. Sustainability risks in connection with the climate and environment include both physical and transitory risks and are also referred to as climate and environmental risks. Physical risks comprise the financial impacts of individual extreme weather events and their consequences as well as long-term changes in climatic and environmental conditions. Transitory risks comprise financial losses that the Deka Group may directly or indirectly incur as a result of the transition to a lower-carbon, more sustainable economy.

Sustainability risks act as drivers of relevant risk types that are significant enough to warrant special attention. Sustainability risks are always viewed in the context of the relevant risk types rather than treated as a standalone risk type.

Procedural measures specific to individual business activities are used to manage sustainability risks. Where sustainability risk arises in connection with counterparty risk, the Deka Group manages this risk by means of a blacklist created as part of the credit risk strategy and by involving the Sustainability Management unit in lending decision processes as appropriate. A sustainability filter is also applied in the context of counterparty and market price risks (exclusion criteria for proprietary investments developed with the help of a sustainability rating agency). The Deka Group combats potential sustainability risks arising in connection with business risk through measures such as regular dialogue with sales partners to identify and meet customer requirements, the use of exclusion criteria (e.g. controversial weapons or coal) and special investment universes for sustainably managed funds.

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 between 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.

Risk profile of the Deka Group and its business divisions

To successfully realise its mission as a *Wertpapierhaus*, the Deka Group draws on the advantages of combining asset management and banking business. It focuses on services that are in demand from savings banks and their end customers, that add value to the Deka Group, that involve limited risks and that match Deka's expertise. 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.

These activities give rise principally to counterparty, market price, business and operational risks, as well as to liquidity risk (which does not directly affect the income statement). The Deka Group also consciously exposes itself to risk concentrations in the context of its business model. The main examples of this in the context of counterparty risk 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. With respect to market price risk, the Deka Group's business model focuses primarily on spread risks. In addition, (general) interest rate risks from guarantee products make a significant contribution to the Deka Group's market price risk. Large positions in collateralised derivatives give rise to concentrations of liquidity risk, as high sensitivity to specific market movements can trigger liquidity outflows due to the provision of collateral. 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.

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 addition to these, the Treasury corporate centre also exposes itself to risk in the course of its activities. 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 by the fast pace of sustainability-driven developments in customer behaviour and regulatory affairs. Counterparty and market price risks arise particularly in relation to the guarantee funds and pension products managed by the business division. These are fund-based guarantee products, where either the investment management companies themselves issue guarantees (with a letter of comfort from DekaBank for these liabilities) or DekaBank makes use of the investment management companies' funds for its own guarantee products (Riester products). The division also faces investment 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. They may be exacerbated by reputational and sustainability risks in view of customer expectations and tighter regulatory requirements. 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 investment 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 AG Co. KG, which is included in this division. The counterparty risks primarily result from S Broker's proprietary investments. The division also faces investment risks.

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 may be exacerbated by sustainability risks, for instance through impairments on investments in industries affected by climate and environmental risks, but also by changes in customer preferences. Counterparty risks arise primarily from currency, securities lending, securities repurchase and derivatives transactions and from trading in financial instruments in all asset classes with financial institutions, savings banks, funds and companies. 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. In relation to the division's business activities, credit spread risks, share price risks, general interest rate risks and to a lesser extent also currency risks, including associated option risks, arise in relation to the market price risk. 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. 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 business partners, primarily in relation to the world's largest banks and to 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 savings bank financing, financing of the public sector, infrastructure and transport financing, ECA-backed financing and real estate financing) create corresponding focal points, primarily in counterparty risk, which may be exacerbated by sustainability risk, resulting for example in a deterioration of borrowers' creditworthiness due to increased climate and environmental risks or in a loss in the value of collateral. In accordance with the business model, this also leads to regional concentrations of counterparty risk in Germany and western Europe, as well sector-based risk concentrations in relation to financing of real estate, infrastructure, savings banks and the public sector. The division also faces investment risks.

Treasury

The Treasury corporate centre's various functions, especially management of the liquidity management portfolio (consisting of strategic investments, the liquidity buffer and other liquid assets) give rise to counterparty and market price risks. The securities that constitute the strategic investments are currently focused on investments in investment-grade bonds, including from public sector issuers, financial services providers and corporates. In light of the targets for the liquidity buffer, investment here concentrates on investments in bonds issued by German federal states, German development banks, German run-off institutions, German covered bonds (*Pfandbriefe*), supranational institutions and investment-grade corporate bonds. Given the strategic focus, risk is concentrated on the public sector and domestic counterparties. Market price risk chiefly involves spread risks, which are closely monitored and reduced if required through disposals or credit derivatives. Currency risks, general interest rate risks and share price risks also arise to a limited extent. Operational risks also exist to a small degree.

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, including the nature and implementation of the risk appetite concept. It defines the amount of overall risk permitted at Group level and sets the capital allocations for the different types of risk and the business divisions, including the Treasury corporate centre. The Board also sets the thresholds used for internal management purposes for the Common Equity Tier 1 capital ratio, the Tier 1 capital ratio, the total capital ratio, the leverage ratio (LR), the Minimum Requirement for Own Funds and Eligible Liabilities (MREL), the subordinated MREL requirements, the utilisation of the large exposure limit, the liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR). 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 business division 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 role of the Risk Management Committee (*Managementkomitee Risiko* – MKR) is to address and analyse circumstances, developments and methodological issues that could have a material impact on the Deka Group's current or future total risk profile and/or profitability.

It helps the Board of Management to set the framework for managing capital and liquidity adequacy. The committee thus makes an important contribution to promoting a Group-wide risk culture. The meetings of the MKR are generally divided into the following parts. In part A, the risk round table on non-financial risks (NFR), the discussion centres on current NFR-related risk topics for each unit or business division. This usually takes place four times a year. In part B, the risk round table on financial risks, methods and models and current risk reporting, geopolitical risks and the economic environment, along with the regular reports from sub-committees in the context of financial risks, are presented to the committee and discussed. Part B, which usually takes place once a month, also discusses the handling of model risks. The permanent voting members of the MKR include the member of the Board of Management responsible for risk control and the head of the Risk Control department and, depending on responsibilities and the part of the meeting concerned, the heads of Credit Risk Management, Finance, and Risk Control Capital Market Funds, 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 Compliance, Legal, IT, Human Resources, Business Services, Treasury, Corporate Office & Communications, Corporate Development, Sales Management & Marketing, Digital Multichannel Management, Institutional Customer Sales, Organisational Development, Information Security Management, Capital Markets, Real Estate Financing, Specialised Financing and Macro Research. 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) primarily drafts resolutions on matters relating to the management of interest rates, currency, liquidity and refinancing, to fund-based guarantee products (combined in part G of the MKAP) and to the capital and balance sheet structure. It assists the Board of Management with the operational management of capital and liquidity adequacy. Measures to be taken in the event of a liquidity crisis are also confirmed in the course of the MKAP's regular review. Meetings of the MKAP are usually held once a month. Those of part G of the MKAP take place every two months. The MKAP is supported by various sub-committees, including a Pricing Committee. The permanent voting members of the MKAP comprise the departmental heads responsible for Treasury, Finance, Risk Control and Capital Markets and the heads of the Treasury, Finance, Risk Control and Capital Markets 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 job of the Models Committee is to regularly analyse and address issues relating to DekaBank's valuation and risk models (in both the economic and normative perspective). This involves regular examination of their adequacy using model monitoring and assessment of current trends and validation issues. In this function, the Models Committee takes decisions within the scope of the authority granted to it or prepares decisions to be taken by the full Board of Management with the involvement of the MKR. The committee thus makes an important contribution to ensuring overarching consistency in the models employed. Furthermore, the Models Committee represents the central body for assessing model risks, with the aim of ensuring appropriate treatment of model risk.

See also: Counterparty risk: page 74 ff.

Additional committees that are relevant to counterparty risk management include the Country Risk Committee, which assesses and monitors country risk, the Monitoring Committee, which monitors and manages non-performing loans and loans on the watch list, the Risk Provisioning Committee, which performs regular analysis and examination of matters relating to the planning, monitoring and management of risk provisions as well as monitoring and managing restructuring and liquidation cases, and the Rating Committee, which analyses and monitors the internal rating procedures and processes (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 corporate centres

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. On behalf of the Board of Management, the Treasury corporate centre also manages group liquidity, Deka Group refinancing across all maturities, the liquidity management portfolio, market price risks in the banking book, counterparty risks in its own banking book and the equity of the Deka Group within these limits. The Equity investments department in the Corporate Development corporate centre has overall responsibility for the management of equity investments involving investment risk. This also includes monitoring in respect of compliance and other risks and liaising in this context with the relevant functions in the second line of defence.

The Risk Control and Finance corporate centres have particular responsibility for developing a standardised and self-contained system to quantify and monitor all significant risks associated with the Deka Group's business activities. The two corporate centres each concentrate on different tasks as part of this work. Risk measurement procedures evolve on an ongoing basis in line with economic and regulatory requirements.

The Risk Control corporate centre, which is independent of the business divisions, is primarily responsible for the economic perspective and, across both perspectives, for coordinating and choosing the parameters for macroeconomic stress testing. It also monitors compliance with the limits approved by authorised decision makers, and immediately reports any limit breaches to them.

The Finance corporate centre is responsible for the normative perspective and also monitors compliance with the thresholds set for the regulatory ratios.

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

On behalf of the Deka Group, the Compliance corporate centre 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 (7) KWG. Furthermore, the Compliance corporate centre fulfils the roles of Group Money Laundering Officer, of the party responsible for processes (*Verfahrensverantwortlicher*) under section 24c KWG, of the independent body (*Unabhängige Stelle*) under sections 70 and 85 KAGB, and of the officer for the safeguarding of client financial instruments and funds under section 81 (5) WpHG.

The specialist functions for monitoring selected non-financial risks are consolidated in the Information Security Management department, which reports directly to the Board of Management, along with the functions of Information Security Officer, Business Continuity Management Officer and Data Protection Officer.

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 bank 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. 15)*

		Counterparty risk	Market price risk	Operational risk	Business risk	Investment risk	Step-in risk	Liquidity 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 - Defines risk appetite in the economic perspective and thresholds for regulatory ratios - 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 (Managementkomitee Risiko – MKR)	- Assists the Board of Management in matters relating to significant existing and prospective risks and in defining a framework for management in the context of the ICAAP and ILAAP - 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 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 non-performing loans and 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 risk 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	●	●					
Management Committee for Assets and Liabilities (Managementkomitee Aktiv-Passiv – MKAP)	- Supports the Board of Management in matters relating to interest rate and FX management, liquidity and funding management, fund-based guarantee products (combined in part G of the MKAP) and the capital and balance sheet structure - Supports the Board of Management with operational ICAAP and ILAAP management - Evaluates the measures planned for liquidity crises - Prepares draft resolutions for the Board of Management - Has various sub-committees (including the Pricing Committee)	●	●	●	●	●	●	●
AM Securities business division	- Conducts transactions in line with strategic guidelines	●	●		●	●		●
AM Real Estate business division	- Conducts transactions in line with strategic guidelines	●	●		●	●		●

		Counterparty risk	Market price risk	Operational risk	Business risk	Investment risk	Step-in risk	Liquidity risk
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 proposed by the MKAP and established by the Board of Management 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 (economic perspective and both perspectives for the purposes of stress testing) - Reports to Board of Management and Administrative Board - Determines/monitors risk-bearing capacity - Monitors approved limits - Responsible for general controlling of operational risks	●	●	●	●	●	●	●
Finance (Corporate Centre)	- Develops and updates system to quantify, analyse and monitor risks (normative perspective based on actual situation) - Reports to Board of Management and Administrative Board - Determines regulatory ratios - Monitors thresholds in the normative perspective	●	●	●	●	●	●	●
Credit Risk Management (Corporate Centre)	- Market-independent second recommendation - Sets limits for trading and capital market counterparties - Prepares and approves ratings - Ongoing portfolio management for certain financing - Administrative office for early risk identification - Management of troubled and non-performing loans (work out) - Loan administration - Responsible for lending-related processes	●						
Equity investments (Corporate Centre for Strategy and Equity Investments)	- Manages equity investment portfolio					●	●	
Compliance (Corporate Centre)	- 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 - Party responsible for processes under section 24c KWG - Independent body under sections 70, 85 KAGB - Officer for the safeguarding of client assets (Single Officer) under section 81 (5) WpHG			●				
Information Security Management (ISM) (reports directly to the Board of Management)	- Monitors selected non-financial risks through specialist functions (information security management, BCM, data protection and central outsourcing management)			●			●	
Internal Audit (Corporate Centre)	- Audits and evaluates all activities/processes (especially risk management system)	●	●	●	●	●	●	●
All business divisions and Corporate Centres	- Identifies, measures and manages 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 the Deka Group. This also promotes clear-cut governance.

The Three Lines of Defence model practised by the Deka Group 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 financial risks involved in any business conducted. This also includes transactions to minimise total risk at Group level in day-to-day operations. In terms of the non-financial risks that are inherent in the general business activities but not incurred in direct connection with individual transactions, each unit should be treated as part of the first line of defence. The controls forming the first line of defence are supplemented and enhanced by the independent downstream organisational units that carry out control functions as part of the second line of defence (e.g. the Risk Control, Credit Risk Management and Compliance corporate centres). These units monitor compliance with the requirements of corporate policy independently of front office and trading operations. For financial risks, the need for an independent monitoring function results from the conflict between responsibility for earnings and responsibility for risks. Translated to non-financial risks, it is therefore necessary to create a specialist function for at least those areas of risk in which the first line of defence can be assumed to have an incentive to accept higher risks with the goal of minimising costs. In addition, an overarching function defines methodological standards that ensure the risks are assessed in a comparable way, reported consistently and taken fully into account in the capital adequacy assessment. 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.

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, DekaBank 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 at DekaBank – 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.

Framework and tools for managing capital adequacy
The Deka Group has defined risk capacity and risk appetite as follows, depending on the perspective.

In the economic perspective, the risk capacity for profit-affecting risks is set in the course of the 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 total internal capital. The risk appetite for profit-affecting risks is defined in the economic perspective as part of the risk-bearing capacity analysis as the allocated risk capital (allocation) for the total risk at Group level. The maximum permissible risk appetite is equal to risk capacity less a management buffer.

In the normative perspective, thresholds are set that take into account the regulatory requirements. It is important that the chosen thresholds provide sufficient notice to allow for the preparation and initiation of management measures. Escalation and information processes are triggered for governance purposes when individual thresholds are hit. The thresholds are also reviewed and adjusted as necessary as part of an annual revision process. The maximum level of risk corresponds to the red threshold for the Common Equity Tier 1 capital ratio used for internal management purposes. In the current situation, this is based on the overall capital requirements (OCR) and the Pillar 2 Guidance (P2G) as part of the SREP process. For internal management purposes, there are also red thresholds as of the end of 2021 for the Tier 1 capital ratio, the total capital ratio, the leverage ratio, the MREL ratio, the subordinated MREL requirements and utilisation of the large exposure limit.

In the normative perspective, the level of risk that the Deka Group is willing to accept in relation to profit-affecting risks is the amber threshold for the Common Equity Tier 1 capital ratio used for internal management purposes, which is comprised of the overall capital requirements (OCR), the Pillar 2 Guidance (P2G) and a management buffer. For internal management purposes, there are also amber thresholds for the Tier 1 capital ratio, the total capital ratio, the leverage ratio, the MREL ratio, the subordinated MREL requirements and utilisation of the large exposure limit. The management buffer has been determined taking into account the ECB guide to the ICAAP and is essentially based on the results of the annual risk inventory and strategic considerations as to how to respond flexibly to potential business opportunities without jeopardising capital adequacy.

In order to take account of the particular features of non-financial risks, which are quantified as sub-types of operational risk, qualitative risk tolerance rules are also defined for these risks in addition to the quantitative risk appetite relating to the overall risk position. This also applies to reputational risk.

See also:
Individual risk types:
page 74 ff.

The Deka Group makes use of a variety of tools to manage the risks and risk concentrations resulting from its business activities and thereby ensure capital adequacy. In the course of the ICAAP, 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 for the economic perspective in the sections covering the individual risks. Alongside the risk inventory, the tools used by the Deka Group for overall management and monitoring of the risks mainly comprise risk and capital planning, the economic perspective in the current situation with the monthly risk-bearing capacity and capital allocation, the normative perspective in the current situation with adherence to regulatory ratios, and macroeconomic stress testing, which covers both the economic and normative perspectives. Key performance indicators are integrated into both the recovery plan and the remuneration system.

Risk and capital planning

Medium-term planning involves an integrated planning process for profits, balance sheets, funding, capital and risk for the next three budget years, with account being taken of adverse developments. For profit-affecting risks, risk and capital planning in the economic perspective calculates risk-bearing capacity for the next three years. Based on the planned business activities and the risks associated with them, and taking into account the available risk capacity in this perspective, the Board of Management sets the risk appetite for operational activities. In accordance with the planning assumptions, certain items are not taken into account. Based on the risk appetite, the Board of Management also allocates 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 adopted by a resolution of the Board of Management.

The regulatory ratios (Common Equity Tier 1 capital ratio, Tier 1 capital ratio, total capital ratio, leverage ratio, MREL ratio and subordinated MREL requirements) are determined for each year as part of the normative risk and capital planning.

The Common Equity Tier 1 capital ratio should exceed the target ratio or at least show medium to long-term adherence to the strategic target ratio. The strategic target ratio is determined based on the supervisory requirements (OCR and P2G) plus a strategic premium and is set annually as part of the planning work by the Board of Management. The lower limit is the amber threshold used for internal management purposes for the relevant year. This is calculated based on the OCR and P2G expected to apply in the relevant year plus a management buffer.

In addition to planning based on expected economic developments (base scenario), appropriate scenarios are used to assess whether the regulatory ratios can be adhered to even under adverse circumstances within the planning horizon. To this end, the Board of Management sets its own annual thresholds that deviate from the base scenario.

Economic perspective (current situation): Risk-bearing capacity and capital allocation

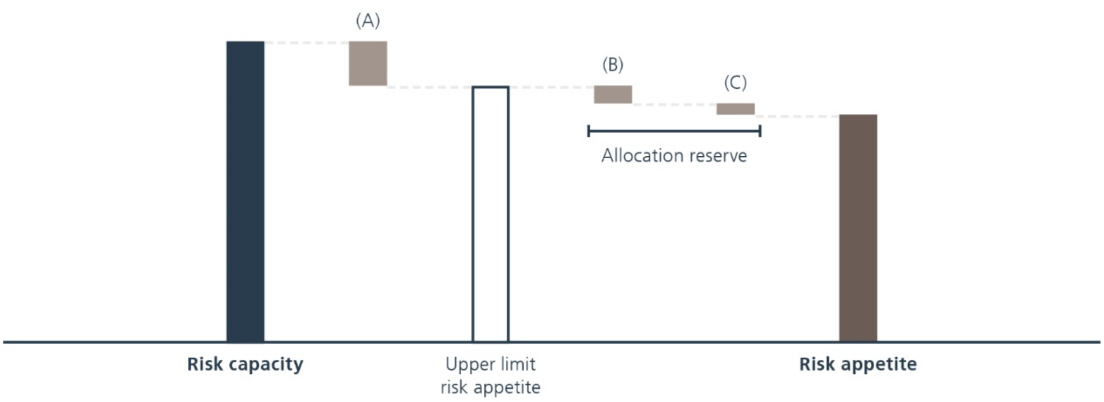
As a basic principle, internal capital is used to determine the maximum level of risk that can be incurred (impacting the income statement), taking into account risk concentrations. Risk capacity is analysed monthly. In the course of the risk-bearing capacity analysis, the risk capacity (in the form of internal capital) and the current risk level (current situation) are determined, and compliance with the guidelines and limits is monitored. 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, adjusted using amounts to correct for specific capital components, such as intangible assets or risks arising from pension obligations. This internal capital is available as risk capacity – in the sense of a formal total risk limit – to safeguard risk-bearing capacity as a whole.

Based on this risk capacity, a management buffer is set whose amount must at least correspond to the buffer for model uncertainty (depending on the risk models used). Risk appetite is the primary control parameter. In addition to the Group-level analysis, risk is also limited, based on the risk appetite, by business division (including the Treasury corporate centre) and risk type (including investment risk) in the form of allocated risk capital.

Risk capacity and risk appetite *(Fig. 16)*



(A) Deduction of maximum of buffer for model uncertainty and minimum management buffer
(B) Hidden losses and reserves and own credit rating effects (if positive)
(C) Allocation reserve after deduction of (B)

The utilisation ratios for risk capacity and the risk appetite may not exceed 100%. For the utilisation of the risk appetite, an early 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.

Normative perspective (current situation): Compliance with regulatory ratios

The regulatory ratios are calculated monthly or quarterly. Adherence to the internal thresholds is ensured using an ongoing monitoring process, which additionally includes a monthly plan/actual comparison and a regular forecast process. The regulatory ratios are reported monthly to the Board of Management and quarterly to the Administrative Board. If the amber threshold is undercut in internal management, the Board of Management has to be informed using ad hoc reports as part of an agreed escalation process. The Board decides on measures to resolve this. Unless decided otherwise by the Board of Management, the Administrative Board is informed of the fact that the amber threshold has been undercut as part of the regular quarterly reporting process and is notified of the measures initiated. If the red threshold is undercut in internal management (i.e. if the alarm threshold for the corresponding recovery plan indicator is reached), this triggers governance measures under the integrated recovery plan.

In addition to adhering to these internal thresholds, the business divisions and Treasury corporate centre are required, within the framework of this overall plan, not to exceed the target RWAs specified in the medium-term planning as a general rule. In the event that individual business divisions or the Treasury corporate centre may conceivably exceed these targets, the affected business divisions and the Treasury and Finance corporate centres examine whether measures to reduce RWAs are required.

Macroeconomic stress tests (both perspectives)

Macroeconomic stress testing for all risk categories is used as an additional tool to manage capital adequacy along with the indicators for the current situation. Capital adequacy is regularly assessed by way of macroeconomic stress tests, which enable an estimate to be made of how it would be affected by extreme market developments. Macroeconomic stress tests enable action areas to be identified at an early stage as soon as crisis situations emerge.

The macroeconomic stress tests examine extraordinary but nonetheless plausible scenarios. These represent appropriate historical and hypothetical events and events relating specifically to the Deka Group's business model and associated risk concentrations. There are also scenarios for reputational and sustainability risks. When needed, the scenarios are supplemented with relevant ad-hoc analyses. Reverse stress tests relate to specific manifestations of scenarios that would lead, in the economic perspective, to the risk capacity being reached, and in the normative perspective to a Common Equity Tier 1 capital ratio at the level of the red threshold.

The effects of the various macroeconomic stress scenarios are calculated for the economic perspective for all relevant risk and earnings figures and compared to the internal capital determined for each scenario. Similarly, in the normative perspective, the effects of the stress scenarios on regulatory own funds and RWAs, the resulting capital ratios and the leverage ratio, MREL ratio and subordinated MREL requirements are calculated and compared to the regulatory requirements. Utilisation of the large exposure limit is also examined. The point in time for which the stress scenarios are calculated is generally a year in the future.

The results of the macroeconomic stress tests are usually determined quarterly, assessed by the Stress Testing Committee and reported to the Board of Management, the Risk and Credit Committee, and the Administrative Board. Selected scenarios, such as climate stress scenarios, form an annual part of this assessment and reporting process and focus in greater depth on specific aspects.

The regular annual review of the macroeconomic scenarios was carried out in the fourth quarter of 2021. In the light of current economic and regulatory developments, the scenarios were updated in this process as necessary and the description and choice of parameters particularly for the hypothetical and institution-specific stress scenarios adjusted accordingly. In the Deka Group's view, the scenarios examined continue to provide an appropriate reflection of all risks relevant to it.

The scope of the macroeconomic scenarios is also being expanded to include climate stress scenarios for the first time in order to reflect transitory and physical risks.

Framework and tools for managing liquidity adequacy

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.

With the ECB's approval of the liquidity waiver for DekaBank and S Broker, the liquidity subgroup consisting of these companies has been monitored in addition to the Deka Group since April 2020.

Liquidity risk in the narrower sense (insolvency risk) is not an immediate risk to the Group's profit that can be cushioned with equity capital. Liquidity risk management therefore forms an additional management level outside the ICAAP. Like the latter, it is based on the results of the risk inventory and integrated with the recovery plan and remuneration system. The central objective of liquidity risk management is to prevent liquidity shortfalls and thus ensure that the overall solvency of the Deka Group is guaranteed on a continuous basis. In the economic perspective, the key risk measure used in the integrated quantification, management and monitoring of liquidity risk is the relevant funding matrix (FM) defined by the Board of Management. In the normative perspective, the key risk measure is the liquidity coverage ratio (LCR) for regulatory purposes and the net stable funding ratio (NSFR). The LCR is the ratio of the holdings of high-quality liquid assets (HQLA) to the total net outflows for the next 30 days, as calculated under a stress scenario. The NSFR expresses the amount of available stable funding on the liabilities side of the balance sheet in relation to the amount of less liquid assets for which stable funding is required.

For liquidity risk (insolvency risk), risk capacity is defined in the economic perspective as the amount of free liquidity that is in principle available. It thus corresponds to the positive liquidity balance of the FM for normal business operations. For liquidity risk, the Deka Group has defined its risk appetite in the economic perspective such that an indefinite survival horizon exists under an extreme hypothetical stress scenario of a simultaneous institution-specific and market-wide stress event. This hypothetical stress scenario is illustrated in the "combined stress scenario" funding matrix. Permanent solvency and an unlimited survival horizon are achieved by setting a limit of 0 on the liquidity balances of all maturity bands.

In the normative perspective, thresholds are set that take into account the regulatory requirements. It is important that the chosen thresholds provide sufficient notice to allow for the preparation and initiation of management measures. Escalation and information processes are triggered for governance purposes when the thresholds are hit. The thresholds are also reviewed and adjusted as necessary as part of an annual revision process. The maximum level of risk corresponds to the red thresholds for the LCR and NSFR used for internal management purposes. In the current situation, this is based on the applicable regulatory requirement (currently 100%) plus a management buffer. In the normative perspective, the liquidity risk that the Deka Group is prepared to accept is the amber thresholds for the LCR and NSFR used for internal management purposes. These are comprised of the red thresholds used for internal management purposes plus a management buffer. The management buffer has been determined taking into account the ECB guide to the ILAAP and is essentially based on the results of the annual risk inventory and strategic considerations as to how to respond flexibly to potential business opportunities without jeopardising liquidity adequacy.

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 FM prohibit negative balances, meaning that maturity transformation is only possible to a very limited extent.

Market liquidity risk is reflected in the economic and normative perspective using discounts on the market value of liquid assets. A suitable stress scenario is used to monitor the market liquidity risk affecting the income statement as part of market price risk. As market liquidity risk is not considered significant, it is not currently necessary to hold capital for the purposes of risk-bearing capacity.

Liquidity positions are managed by the Treasury corporate centre. Liquidity management involves managing and monitoring short-term and structural liquidity and offsetting liquidity costs and benefits. The Treasury corporate centre also ensures an ample liquidity buffer of central bank-eligible collateral and deposits with the Bundesbank. In addition, it is in charge of managing the Deka Group's liquidity buffer as well as controlling the level of liquidity ratios. Operational liquidity management across all maturities is also handled centrally by the Treasury corporate centre.

The liquidity position and compliance with risk appetite are analysed, for the economic perspective, across the entire Group by the Risk Control corporate centre and monitored independently from the front office units in organisational and procedural terms. The Finance corporate centre is responsible for determining the LCR and NSFR and monitoring compliance with the thresholds set.

In the event of a liquidity emergency, a crisis committee assembles. 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. Continuous monitoring of market-wide and institution-specific early warning indicators and emergency triggers anticipate potential liquidity crises so that appropriate countermeasures can be quickly implemented in the event of adverse developments.

Medium term and funding planning

Medium-term planning involves an integrated planning process for profits, balance sheets, funding, capital and risk at Deka Group level for the next three years. This looks at liquidity adequacy in the economic and normative perspective for planning horizons, including under adverse scenarios.

Funding planning must sustainably fulfil the requirements relating to risk appetite, i.e. sustainably adhere to the limits of the combined stress scenario funding matrix and to the applicable regulatory ratios (including LCR and NSFR).

Funding planning is applied to both the going concern scenario and adverse scenarios. The liquidity subgroup is included in the Deka Group perspective.

Economic perspective: 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 range 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 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). The liquidity buffer is the responsibility 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. The Treasury corporate centre may independently propose a higher liquidity buffer. 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 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, sufficiently liquid funds are 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. The MaRisk requirements for liquidity management, including under stress scenarios, are thus fully implemented. A traffic light system in the "combined stress scenario" FM, consisting of early warning thresholds and limits, is used to manage compliance with risk appetite – i.e. to ensure that the Group is solvent at all times with an indefinite survival horizon in a stress scenario that is both institution-specific and market-wide – and is monitored daily. The use of limits means that the liquidity balance must be positive for all the maturity bands monitored. 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.

Liquidity risks in foreign currency are monitored daily based on the "combined stress scenario" FM in the relevant foreign currency using materiality and alarm thresholds.

Normative perspective: Liquidity coverage ratios

The Finance corporate centre monitors the internal amber threshold as part of the daily calculation of the LCRs for DekaBank Deutsche Girozentrale (which, together with S Broker, forms the liquidity subgroup). This enables proactive management of the LCRs. An NSFR is prepared on a monthly basis at Group- and sub-Group level along with a Group-wide LCR.

Tools for both perspectives

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 and NSFR). The use of a liquidity transfer pricing system for source-specific allocation allows liquidity to be proactively managed and efficiently allocated.

Macroeconomic stress testing for all risk categories is used to manage both capital and liquidity adequacy. For the economic perspective, the impact of the stress scenarios on liquidity balances is calculated and compared to the relevant funding matrix. Similarly, in the normative perspective, the effects of the stress scenarios on the LCR and NSFR are calculated and compared to the regulatory requirements.

The results of the macroeconomic stress tests in relation to liquidity adequacy, too, 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.

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 quarterly risk report in accordance with MaRisk to the Board of Management and the Risk and Credit Committee of the Administrative Board, as well as the monthly reporting on the economic risk situation and financial ratios to the Board of Management. The Board of Management also receives more extensive reports for individual risk types, which contain key information on the current risk situation. The Administrative Board receives a three-part quarterly report on the development of earnings, value drivers and risks at the Deka Group and in the individual business divisions.

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. If the liquidity balance exceeds the limit, the Board of Management is notified immediately. Moreover, the LCR is prepared daily and the NSFR monthly in the reporting system of the Finance corporate centre and provided to monitoring units.

Capital adequacy in financial year 2021

The coronavirus pandemic continued to shape events in 2021. While in the first quarter of the year, the negative effects associated with ongoing lockdowns to contain the coronavirus pandemic were still keeping the handbrake on the economy, a clear economic recovery emerged at the beginning of the second quarter. The positive economic environment overall, with expectations of rising corporate profits, was also reflected on the equity markets. Most European share indices rose noticeably and in some cases reached new historic highs. Combined with the support from the ECB, this resulted in largely unchanged low risk premiums on the credit and bond markets. Bond markets were more volatile, especially from late summer, due to higher inflation rates and, in particular, higher inflation expectations. Amid significantly increased infection rates in the autumn and concerns about the Omicron variant of the virus, however, there were expectations that the ECB would continue large-scale bond purchases after all. Bund yields at the long end of the curve therefore fell significantly again, though they remained above the level seen at the end of 2020. Mirroring the development in ten-year government bonds, long-term swap rates also saw a fluctuating increase.

Implementation of the benchmark reform initiated by the Financial Stability Board made substantial progress in the reporting year. This was partly due to external influences (such as the clear requirements of supervisory authorities particularly in the UK and US), the new market standards becoming established and the substantially higher liquidity in products using the new risk free rates (RFRs). However, it was also down to the completion of implementation work in DekaBank's systems, processes and methods. The implications of the necessary changes and product adjustments were closely examined but were not found to be significant. Technical implementation did not have a noticeable impact on operational processes either.

As of 31 December 2021, succession arrangements were operational for all benchmark rates being discontinued – for DekaBank, primarily pound sterling, Japanese yen and Swiss francs. These comprised a full replacement for the old market data universe and the necessary changes to the existing positions.

For 2022, the focus will be on the US dollar transition. Other market developments relating to interest rate products, especially interest rate options, are also expected, along with increased demand for the only recently available new term rate alternatives to the overnight-based RFRs.

Looking at the Deka Group, market development in 2021 was characterised by very strong performance on the stock markets and declining volatility. This contributed to very positive issuing business, especially for share certificates. Due to the neutral risk position, developments on the stock markets and rising swap interest rates, especially at the long end, had only a minor impact on the risk situation. The sideways trend in credit spreads also contributed to the low impact. By contrast, market developments resulted in a significant drop in risks from Riester products and pension obligations.

The Deka Group held adequate capital throughout the reporting period. In particular, the Common Equity Tier 1 capital ratio and utilisation of risk capacity and of the risk appetite remained at non-critical levels throughout.

Economic perspective (current situation)
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, taking into account the changes applied. The Deka Group's total risk exposure (value-at-risk, confidence level 99.9%, holding period of one year) at the 2021 reporting date was €1,731m, a significant reduction of €1,090m on the 2020 reporting date (€2,821m). Significantly reduced counterparty, market price and business risks were accompanied by a strong (in relative terms) increase in investment risk (which is not a material risk category overall) and almost unchanged operational risk.

At the same time, despite AT1 capital no longer being eligible, risk capacity remained almost unchanged year-on-year at €5,308m (year-end 2020: €5,236m). This was attributable in particular to the overall positive development in earnings components and to the changes in retained earnings, the revaluation reserve and various correction and deduction items, such as the lower deduction for risks resulting from pension obligations. Particularly as a result of the changes and developments described above, the utilisation of risk capacity (32.6%) was significantly lower than at the end of 2020 (53.9%) and thus remains at a non-critical level.

Utilisation of allocated risk capital was non-critical both at Deka Group level and in all business divisions. The risk appetite of €4,000m (unchanged since the end of 2020) was 43.3% utilised as at the 2021 reporting date (year-end 2020: 70.5%).

Change in Deka Group risk over the course of the year *€m (Fig. 17)*

	31 Dec 2021	31 Dec 2020	Change	
Counterparty risk	819	1,157	–338	–29.2%
Investment risk	30	20	9	46.4%
Market price risk	426	825	–398	–48.3%
Operational risk	280	279	1	0.4%
Business risk	176	541	–364	–67.4%
Total risk	**1,731**	**2,821**	–1,090	–38.6%

Normative perspective (current situation)
DekaBank made use of the exemption ("parent waiver") under Article 7 (3) CRR in conjunction with section 2a (5) of the German Banking Act (KWG) in the reporting year, opting not to meet the requirements laid down in Parts 2 to 5 CRR (Own Funds, Capital Requirements, Large Exposures, Exposures to Transferred Credit Risk) on an individual basis. The change in regulatory own funds at individual institution level is therefore not shown separately.

Capital adequacy is determined in accordance with the CRR. Alongside credit risk, market risk and operational risk, the credit valuation adjustment (CVA) risk is also taken into account.

The Deka Group's regulatory own funds as of 31 December 2021 stood at €6,075m (year-end 2020: €5,753m).

Compared with the previous year, Common Equity Tier 1 capital increased by €279m to €4,716m. This rise was primarily due to the inclusion of year-end effects from 2020 (profit retention and inclusion of the risk provisions set up in 2020 in the comparison of provisions) and the increase in capital reserves connected to the transformation of atypical silent capital contributions.

Additional Tier 1 capital was strengthened with a new issue of AT1 capital with the amount of €125m. Compared with the previous year, Tier 2 capital was down by €81m to €761m. This was primarily due to the reduced eligibility of Tier 2 capital instruments under the CRR in the last five years before maturity.

RWAs declined overall by €362 m from the year-end 2020 figure of €31,307m to €30,944m. As expected, credit risk increased by €3,894m as against the end of 2020 to €21,499m, mainly due to the first-time application of CRR II in June 2021. This resulted in higher RWAs for the backing of guarantee products due to the application of the CCF (credit conversion factor) approach. For credit risk, there was also an increase in RWAs from lending business due to changes in creditworthiness and new business. The increased credit risk was offset by a drop in market risk of €3,990m to €5,588m. This was mainly attributable to a decline in general market risk as a result of lower spread volatilities and to a drop in specific market risk resulting from the adjustment to reflect the new interpretation of the use of offsetting options in specific interest rate risk. RWAs from operational risk remained almost unchanged at €3,500m. CVA risk came to €358m (2020: €638m).

At 31 December 2021, the Common Equity Tier 1 capital ratio stood at 15.2% (year-end 2020: 14.2%). The Tier 1 capital ratio as of the reporting date was 17.2% (year-end 2020: 15.7%). The total capital ratio increased from 18.4% as of 31 December 2020 to 19.6%.

Taking account of the requirements of the SREP (Supervisory Review and Evaluation Process), DekaBank had to comply at Group level with a Common Equity Tier 1 capital ratio of at least 8.18% as at 31 December 2021. This capital requirement is made up of the Pillar 1 minimum requirement (4.5%) plus the Pillar 2 requirement (1.5%, reduced to 1.125% for the Tier 1 capital ratio and 0.844% for the Common Equity Tier 1 capital ratio, taking into account partial coverage of P2R by Tier 2 capital), the capital conservation buffer (2.5%), the countercyclical capital buffer (approximately 0.083% as at year-end 2021) and the capital buffer for other systemically important banks (0.25%). The capital requirement for the Tier 1 capital ratio was 9.96%. For the total capital ratio, it was 12.33%. These requirements were clearly exceeded at all times. The SREP Pillar 2 requirements remain unchanged for 2022.

Deka Group own funds *in €m (Fig. 18)*

	31 Dec 2021		31 Dec 2020	
	CRR II (without transitional provisions)	**CRR II (with transitional provisions)**	**CRR I (without transitional provisions)**	**CRR I (with transitional provisions)**
Common Equity Tier 1 (CET 1) capital	4,716	4,716	4,437	4,437
Additional Tier 1 (AT 1) capital	599	599	474	484
Tier 1 capital	**5,314**	**5,314**	**4,911**	**4,921**
Tier 2 (T2) capital	761	761	842	842
Own funds	**6,075**	**6,075**	**5,753**	**5,763**
Credit risk	21,499	21,499	17,605	17,605
Market risk	5,588	5,588	9,578	9,578
Operational risk	3,500	3,500	3,485	3,485
CVA risk	358	358	638	638
Risk-weighted assets	**30,944**	**30,944**	**31,307**	**31,307**
%				
Common Equity Tier 1 capital ratio	**15.2**	**15.2**	**14.2**	**14.2**
Tier 1 capital ratio	**17.2**	**17.2**	**15.7**	**15.7**
Total capital ratio	**19.6**	**19.6**	**18.4**	**18.4**

The leverage ratio, i.e. the ratio of Tier 1 capital to total assets adjusted in line with regulatory requirements (leverage ratio exposure), stood at 6.2% as at 31 December 2021 (year-end 2020: 5.6%). Taking account of the phase-in provisions, the leverage ratio for the Deka Group was 6.2% (year-end 2020: 5.6%). The increase was due to higher Tier 1 capital combined with a lower leverage ratio exposure. The minimum leverage ratio of 3.0% applicable from June 2021 onwards was thus adhered to at all times.

The MREL requirements were changed to an RWA- and LRE-based calculation method in the middle of 2021 in accordance with supervisory requirements. The total of own funds and MREL-eligible liabilities is expressed in relation to RWA and LRE. As at the reporting date, the MREL ratio in line with the RWA-based approach amounted to 59.7%, while the figure according to the LRE-based approach came to 21.7%. Both ratios were well above the minimum ratios that will apply as of 1 January 2022. Compared against 31 December 2020, there was a slight reduction of €0.7bn in own funds and MREL-eligible liabilities to €18.5bn. As of the reporting date, this figure was composed of own funds of €6.1bn, senior non-preferred issues of €7.7bn, senior preferred issues of €4.5bn and unsecured subordinated liabilities of €0.2bn.

The subordinated MREL requirements were also changed to an RWA- and LRE-based calculation method in the middle of 2021 in accordance with supervisory requirements. Eligible or total own funds and all subordinated liabilities eligible based on statutory requirements are added together and expressed in relation to RWA and LRE. As at year-end 2021, the subordinated MREL requirements under the RWA-based approach were 42.4%, while the figure under the LRE-based approach came to 16.4%. Both ratios were well above the minimum ratios that will apply as of 1 January 2022.

Macroeconomic stress tests

The in-depth analysis of the results of the macroeconomic stress scenarios in both perspectives also takes into account the probability of occurrence and lead time of the scenarios, calculated each quarter, as well as the possible mitigation measures available if necessary. Under this approach, the internal thresholds were complied with at all times during the reporting period and at the reporting date in all the scenarios examined, and no immediate action was required in relation to capital adequacy.

Liquidity adequacy in financial year 2021

The Deka Group continued to have ample liquidity, measured using the liquidity balances, LCR and NSFR, throughout the reporting period.

The coronavirus pandemic no longer had any material effects on the refinancing markets in 2021. There were no breaches of the internal limits and emergency triggers or the external minimum LCR and NSFR at any time.

Economic perspective

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 were complied with throughout the 2021 financial year, at both Deka Group and liquidity subgroup level.

As at 31 December 2021, 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 €9.4bn (year-end 2020: €5.2bn). In the maturity band of up to one month, the liquidity surplus totalled €9.2bn (year-end 2020: €8.2bn), and in the medium-term range (three months) it amounted to €6.2bn (year-end 2020: €12.0bn).

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 approximately €4.8bn on day 1, the Deka Group has a high liquidity potential (around €3.5bn) that is readily convertible at short notice. The Group had 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.

Changes in modelling had a significant effect on liquidity balances beginning in November 2021. In particular, the separate modelling of deposit bases for operational deposits, along with the modelling of a deposit base in the first week of the "combined stress scenario" funding matrix for these deposits, significantly increased the liquidity balances of the "combined stress scenario" funding matrix in the up-to-one-week range. By contrast, the multi-month maturity ranges were negatively affected by the more conservative treatment of received tri-party collateral.

"Combined stress scenario" funding matrix of Deka Group as at 31 December 2021 *€m (Fig. 19)*

	D1	>D1 to D5	>D5 to 1M	>1M to 3M	>3M to 12M	>12M to 5Y	>5Y to 20Y	>20Y
Liquidity potential (accumulated)	3,472	3,992	5,456	3,657	−1,682	−294	−75	−12
Net cash flows from derivatives (accumulated)[1]	−254	532	2,275	3,384	3,866	3,040	2,530	2,518
Net cash flows from other products (accumulated)	5,021	4,857	1,438	−855	8,427	6,550	1,326	−2,473
Liquidity balance (accumulated)	**8,239**	**9,381**	**9,169**	**6,186**	**10,611**	**9,296**	**3,781**	**33**
For information purposes:								
Net cash flows from derivatives by legal maturity (accumulated) [1]	−254	−264	−376	−430	−867	−1,719	−2,034	2,166
Net cash flows from other products by legal maturity (accumulated)	−5,024	−6,514	−8,463	−13,261	−10,567	−4,442	−4,180	−2,997
Net cash flows by legal maturity (accumulated)	**−5,277**	**−6,777**	**−8,839**	**−13,691**	**−11,434**	**−6,161**	**−6,214**	**−831**

[1] Including lending substitute transactions and issued CLNs

As at 31 December 2021, 55.0% (year-end 2020: 52.2%) 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 made up 71% of total capital market issues. The volume of commercial paper issued increased from €0.3bn to €2.5bn year-on-year but remained at a very low level, as it was before the crisis. 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. The proportion of money market refinancing attributable to funds stood at 39.6% (year-end 2020: 36.7%), while other financial institutions accounted for 23.5% (year-end 2020: 21.1%), savings banks for 10.3% (year-end 2020: 19.2%) and central banks for 9.1% (year-end 2020: 8.7%).

Some 57.3% of total refinancing was obtained in Germany and other eurozone countries. Approximately 36.9% of total refinancing was accounted for by issues of bearer securities that cannot be attributed to any buyer country.

Normative perspective

Together with a subsidiary, DekaBank uses a liquidity waiver in accordance with Article 8 CRR. With the ECB's approval of the liquidity waiver for DekaBank and S Broker at individual institution level, the liquidity subgroup consisting of these companies is monitored in addition to the Deka Group.

The regulatory LCR requirements were met throughout the period under review. The LCR as at year-end 2021 stood at 160.3% (year-end 2020: 185.6%). The LCR at Deka Group level declined by 25.3 percentage points compared with 31 December 2020. In percentage terms, the rise in net cash outflows was greater than the increase in holdings of high-quality liquid assets. The average LCR for the reporting year was 160.2% (previous year's average: 180.4%). The LCR fluctuated within a range from 144.8% to 198.8%. It was thus always significantly above the minimum limit of 100% applicable in 2021.

The net stable funding ratio (NSFR) came to 118.9% and, at the end of December 2021, was thus significantly above the minimum of 100% to be adhered to from June 2021 onwards. The ratio expresses available stable funding in relation to required stable funding. The NSFR is thus designed to ensure stable long-term funding for assets in relation to their degree of liquidity. A period of one year forms the basis for the assessment.

Both perspectives (macroeconomic stress tests)

The internal thresholds were complied with in both perspectives at all times, even in the macroeconomic stress testing.

Individual risk types

Counterparty risk

Strategic framework and responsibilities

The credit risk strategy stipulates the parameters for all Deka Group transactions that involve counterparty risk. It is based on the Deka Group's business strategy and risk strategy and applies across the board to all the Deka Group's organisational units. The Deka Group is committed to sustainable corporate governance and organises its lending business accordingly. The credit risk strategy serves in particular as the foundation for the Group's counterparty risk principles for loans as defined by section 19 (1) of the German Banking Act (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. Counterparty risks are monitored and managed in accordance with standard principles, regardless of whether the risks stem from trading or non-trading transactions.

The credit risk strategy outlines the Deka Group's risk culture. It aims to ensure that loans are only issued to borrowers who are able to fulfil the terms of the credit agreement and that lending is secured as required by adequate and appropriate collateral and in line with DekaBank's risk appetite. Sustainability risks, i.e. climate-, environment-, social- and governance-related factors (ESG factors) are also taken into account. Adherence to the overall objectives, risk determinants and minimum standards for lending ensures that lending decisions are taken in accordance with the risk culture.

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 functional separation in the lending business between the "front office" and the "back office" that extends to the responsible member of the Board of Management. The responsibilities performed by the "front office" particularly include monitoring risks at borrower and portfolio level, acting as the administrative office for early risk identification, reporting, reviewing specific items of collateral and managing non-performing and troubled loans (including making decisions regarding risk provisioning for major exposures). Responsibility for applying risk classification procedures, and for establishing, reviewing and monitoring those procedures, is also classified as a front office function.

Authority levels for lending decisions are based on the net total limit and the net 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 and monitoring 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 (non-performing loans and those 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. Among other things, it is responsible for discussing country ratings on both a regular and ad hoc basis, approving and defining country limits within its scope of authority, identifying countries to be excluded (blacklist for high-risk countries) and determining measures to reduce overruns of country limits as well as other risk-reducing measures.

Managing, limiting and monitoring risk

The Deka Group uses different tools to manage and monitor 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 and is subject to continuous monitoring. 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 separate monitoring and assessment 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 fund units in the Group's own investment portfolio and the risk of changes in specific provisions are also taken into account.

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.

The MKR monitors and assesses risk concentrations for individual counterparties, regions and industries.

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 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 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 Risk Talk 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 for counterparty risk. Scenarios include, for example, a rating downgrade by one notch or the ineligibility of physical 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 non-performing loans and those 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 risk provisions.

DekaBank determines risk 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, declined significantly in the reporting year to €819m (year-end 2020: €1,157m). Risk capital allocated to counterparty risk stood at €1,595m (year-end 2020: €1,630m) and was 51.3% utilised (year-end 2020: 71.0%). The level of risk capacity utilisation therefore remained non-critical.

The risk development was due predominantly to portfolio optimisation measures in the Capital Markets business division and in the Treasury corporate centre in the first half of the year. In addition, the positive market development already seen in the first half of the year, despite the ongoing coronavirus pandemic, continued in the second half of the year and led to a stabilisation in risk premiums, prompting a further reduction in risk.

The risk position of the cluster portfolio was assessed using an expected shortfall redistribution, which resulted in a significant decrease compared with the previous year. The relative share of the cluster portfolio in the overall portfolio also decreased slightly. Risk concentration thus remained in line with the Deka Group's credit risk strategy.

Gross loan volume increased by €3.8bn from the end of 2020 to reach €123.9bn. The largest contribution to this rise came from the state-affiliated and supranational institutions risk segment due to increased deposits with Deutsche Bundesbank and increased repo volumes with the same counterparty. In the funds risk segment, the gross loan volume increased due to more securities issued as collateral as part of borrowing transactions and also due to increased fund units. Volume in the lending business also exceeded the prior-year figure. This was due to a variety of financing loans for energy, infrastructure and real estate, the vast majority of which were secured. A lower bond volume in the commercial banks and public sector risk segments had the effect of reducing risks. Reduced promissory note loans in the savings banks risk segment and, primarily, lower market values of interest rate hedging instruments in the portfolio also had a downward effect on gross loan volume. The ship portfolio's share of gross loan volume rose slightly to 1.0% (year-end 2020: 0.8%). The aviation segment had a share of 2.2% (year-end 2020: 2.6%). As a result of the difficult market climate, the transport sector in particular is being closely followed and monitored on an ongoing basis.

Gross loan volume *€m (Fig. 20)*

	31 Dec 2021	31 Dec 2020
Commercial banks	16,834	18,275
Other financial institutions	26,114	26,664
Savings banks	5,957	7,574
Insurance companies	1,881	2,077
Industrial sector	5,671	5,082
Service sector	2,837	2,608
Public sector	9,642	13,491
State-affiliated and supranational institutions	19,395	12,123
Transport sector	4,364	4,401
Energy and infrastructure	7,104	6,405
Real estate sector (including real estate funds)	11,531	10,451
Retail sector	124	208
Funds (transactions and units)	12,460	10,797
Total	**123,913**	**120,155**

The net loan volume increased by €2.9bn compared with the end of 2020 to €64.0bn. This increase was smaller than the rise in gross loan volume. Collateralisation meant that the changes in gross loan volume observed for both repo lending (especially in the commercial banks, other financial institutions and funds segments) and bonds (especially in the public sector segment) had relatively small effects on the net loan volume. Increased deposits with Deutsche Bundesbank in the state-affiliated and supranational institutions risk segment also had a risk-increasing effect in net loan volume. There was a decline in the net volume of savings bank financing and in the net bond volume in the commercial banks and public sector segments. However, reduced collateral value for a variety of aviation financing in the transport sector risk segment, mainly due to the coronavirus pandemic, resulted in an increase in net loan volume.

Net loan volume *€m (Fig. 21)*

	31 Dec 2021	31 Dec 2020
Commercial banks	6,373	8,166
Other financial institutions	4,144	4,984
Savings banks	5,772	7,372
Insurance companies	208	268
Industrial sector	2,196	2,161
Service sector	1,401	1,464
Public sector	7,434	8,500
State-affiliated and supranational institutions	18,450	11,844
Transport sector	791	725
Energy and infrastructure	5,521	5,000
Real estate sector (including real estate funds)	2,937	2,658
Retail sector	124	208
Funds (transactions and units)	8,603	7,654
Total	**63,955**	**61,005**

The gross loan volume in the eurozone rose by a total of €9.8bn. This was due to increased deposits with Deutsche Bundesbank, the increase in repo transactions with counterparties in Germany and an increased lending volume in Germany and Luxembourg. Lower bond and securities lending volumes with French issuers had a risk-reducing effect. As a result, the percentage of gross loan volume increased from 72.5% at the end of 2020 to 78.3%. The volume movements in the EU countries outside the eurozone, as well as in the OECD excluding the EU, resulted primarily from the UK's exit from the EU and the shift particularly of high repo volumes from entities in the United Kingdom to countries such as Germany. In addition, the increase in the OECD countries was also due to greater exposure to repo lending business with US counterparties.

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

	31 Dec 2021	31 Dec 2020
Eurozone	97,001	87,165
EU excluding eurozone	838	16,848
OECD excluding EU	23,012	13,096
International organisations	54	24
Other countries	3,007	3,023
Total	**123,913**	**120,155**

The gross loan volume attributable to Germany increased by €10.2bn to €62.6bn and equated to a proportion of 50.5% of gross loan volume at the end of 2021. In the eurozone, 10.9% of the gross loan volume was attributable to counterparties in Luxembourg. Counterparties in France accounted for 5.9% of the gross loan volume, and counterparties in Belgium accounted for 4.5%.

Gross loan volume by regional concentration *in €m (Fig. 23)*

	31 Dec 2021	Percentage of Gross loan volume
Germany	62,591	50.5%
Luxembourg	13,557	10.9%
United Kingdom	9,344	7.5%
France	7,310	5.9%
Belgium	5,621	4.5%
Spain	2,810	2.3%
Netherlands	2,424	2.0%
Italy	469	0.4%
Other	19,787	16.0%
Total	**123,913**	**100.0%**

The gross loan volume relating to counterparties in Spain and Italy increased to €3.3bn, from €3.1bn at the end of 2020. 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, the net loan volume attributable to borrowers in Italy and Spain came to only around 24% of gross loan volume. The share of gross loan volume for counterparties in China totalled 0.4%. The gross loan volume for counterparties in Russia stood at €75m. Due to the securing of loans through ECA guarantees for energy supply financing, the net loan volume attributable to Russia was significantly lower than the gross loan volume at around €4m. There remained no gross loan volume attributable to counterparties in Ukraine or Belarus at year-end 2021 and no country limit.

Gross loan volume by risk segment for selected countries as at 31 December 2021 *€m (Fig. 24)*

	Germany	Luxembourg	United Kingdom	United States	France
Commercial banks	5,616	446	550	1,818	2,993
Other financial institutions	8,109	6,435	4,935	847	351
Savings banks	5,957	–	–	–	–
Insurance companies	273	–	1	–	621
Industrial sector	3,294	23	503	422	337
Service sector	354	34	156	1,177	410
Public sector	6,738	–	376	514	543
State-affiliated and supranational institutions	19,169	2	–	–	127
Transport sector	641	–	299	673	151
Energy and infrastructure	2,642	159	471	158	556
Real estate sector (including real estate funds)	3,886	1	2,052	2,384	1,214
Retail sector	124	0	–	–	–
Funds (transactions and units)	5,790	6,458	–	–	7
Total	**62,591**	**13,557**	**9,344**	**7,993**	**7,310**
Change vs. previous year					
Commercial banks	1,500	23	–3,113	–52	–474
Other financial institutions	3,566	–994	–3,743	646	81
Savings banks	–1,617	–	–	–	–
Insurance companies	35	–	–4	–2	–646
Industrial sector	515	12	69	17	–89
Service sector	3	–2	69	227	–65
Public sector	–1,517	–15	–822	–101	–1,059
State-affiliated and supranational institutions	7,113	–16	–	–	116
Transport sector	140	–	60	–126	–82
Energy and infrastructure	705	–6	39	2	77
Real estate sector (including real estate funds)	455	–76	81	61	73
Retail sector	–84	0	–	–	–
Funds (transactions and units)	–629	2,504	–	–	–92
Total	**10,184**	**1,431**	**–7,365**	**672**	**–2,159**

The gross loan volume remained focused primarily on the short-term segment at the end of 2021. The proportion of transactions with a maturity of less than one year was 40.2% (year-end 2020: 41.2%). The proportion of maturities longer than ten years was 6.2%, compared with 8.9% at 31 December 2020. The average legal maturity term of gross lending was 3.3 years (year-end 2020: 3.9 years).

Gross loan volume by maturity *€m (Fig. 25)*

	31 Dec 2021	31 Dec 2020
Up to 1 year	49,844	49,538
1 to 2 years	12,268	13,012
2 to 5 years	15,242	16,537
5 to 10 years	10,231	11,258
10 to 15 years	3,170	3,766
15 to 20 years	1,466	1,985
>20 years	3,048	4,937
No maturity	28,643	19,123
Total	**123,913**	**120,155**

There was no significant change in the level of risk concentration in the loan portfolio during the reporting year. As at 31 December 2021, 15.8% (year-end 2020: 19.9%) 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 reduced by 5 year-on-year to 23. Counterparties in the public sector, savings banks and state-affiliated and supranational institutions accounted for 30.5% of the total volume of the cluster portfolio. A total of 14.4% of net loan volume related to counterparty clusters (year-end 2020: 20.4%).

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 1% of net loan volume as at 31 December 2021 related to shadow banking entities under the principal approach (limit utilisation of total net risk position: 14%). There were no risk exposures to shadow banking entities under the fallback approach as at the end of 2021. The levels of utilisation are considered acceptable. The shadow banking entities had an average rating of 6 on the DSGV master scale.

Over the reporting period, the average rating for the gross loan volume deteriorated by one notch to a rating of 4 on the DSGV master scale. The average probability of default as at 31 December 2021 was 24 basis points (bps) (year-end 2020: 20 bps), which was partly attributable, in the context of the coronavirus pandemic, to deteriorating credit ratings for a central counterparty and to aircraft, ship and real estate financing. For the net loan volume, the average rating score remained unchanged at "A–". The probability of default remained at 10 bps. 84% of net loan volume remained in the same grouping (determined by rating class) as at the end of 2020. 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. 26)*

	Average PD in bps	Average rating 31 Dec 2021	31 Dec 2021	Average PD in bps	Average rating 31 Dec 2020	31 Dec 2020
Commercial banks	6	A	6,373	9	A–	8,166
Other financial institutions	7	A	4,144	10	A–	4,984
Savings banks	1	AAA	5,772	1	AAA	7,372
Insurance companies	6	A+	208	6	A	268
Industrial sector	14	2	2,196	17	3	2,161
Service sector	16	3	1,401	19	3	1,464
Public sector	3	AA	7,434	3	AA	8,500
State-affiliated and supranational institutions	1	AAA	18,450	1	AAA	11,844
Transport sector	220	9	791	126	8	725
Energy and infrastructure	27	4	5,521	31	4	5,000
Real estate sector (including real estate funds)	17	3	2,937	13	2	2,658
Retail sector	N/A	N/A	124	N/A	N/A	208
Funds (transactions and units)	12	2	8,603	11	2	7,654
Total	**10**	**A–**	**63,955**	**10**	**A–**	**61,005**

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).

Market price risks need to be considered in the Asset Management 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. Market price risk from guarantee products is managed by the Board of Management with the support of the Treasury corporate centre.

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. It also decides on limits for interest rate risk in the banking book in the earnings-based perspective. 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. The MKR issues recommendations on thresholds for the Common Equity Tier 1 capital ratio in the normative perspective and on limiting interest rate risks in the banking book in the earnings-based perspective. The MKAP gives recommendations on the operational management of interest rate risks in the banking book in the earnings-based perspective and on management measures in relation to the risks assumed on guarantee products. The latter is the role of part G of the MKAP, which focuses specifically on guarantee products. 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 analyses 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.

Managing, limiting and monitoring risk

In the economic market price risk calculation, risk ratios are calculated on a net-present-value basis using the value-at-risk approach and with scenario analyses. The basis for daily market price risk monitoring (including interest rate risk in the banking book) 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. The Group defines a stop-loss limit as another effective management tool for limiting losses. In addition to the net-present-value approach, interest rate risks in the banking book are also assessed using an earnings-based approach and limited for net interest income (NII).

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, particularly including non-linear 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.

The model ensures that all risk factors associated with the trading strategy are identified, including non-linear 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.

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 absolute or relative 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.

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 of the analysis of significant macroeconomic scenarios across all risk types.

Interest rate risk in the banking book in the earnings-based perspective
In the earnings-based perspective, interest rate risk in the banking book is measured using the net interest income from changes in interest rates. In the EaR approach, net interest income is simulated using various hypothetical shifts in the reference yield curve for each currency and compared to a reference scenario (using a reference yield curve applicable at the measurement date).

The scenarios used to measure interest rate risk in the banking book in the earnings-based perspective are also part of the net present value scenarios for the banking book. The various hypothetical shifts in the reference yield curve for each currency are used consistently in both approaches.

Interest rate risk in the banking book in the earnings-based perspective is calculated each quarter and monitored. The scenarios look at the three years following the date on which the calculation is based. The results of the change in net interest income at Group level are limited for each stress scenario in each of the three years. A dedicated escalation process must be adhered to in the event of any limit breaches.

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 (clean backtesting). 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 €426m. The reduction in this figure versus the end of 2020 (€825m) was primarily attributable to a lower risk from guarantee products. This was due in particular to the positive stock market performance in the first half of the year combined with a significant rise in interest rates and declining volatilities.

Utilisation of allocated risk capital for market price risk stood at €1,300m (year-end 2020: €1,255m). This represented a very comfortable utilisation level of 32.8%. In setting allocated risk capital, it was taken into account that guarantee products make a major contribution to market price risk and are highly sensitive to market movements. To limit the risks from guarantee products, sales have already been terminated for one of the Riester products. It was decided to end sales for the second product in mid-2022.

With a confidence level of 99% and a holding period of ten days, market price risk (value-at-risk), excluding guarantee risks, stood at €49.2m as at the reporting date (year-end 2020: €51.9m). The portfolio optimisation measures taken in response to developments in connection with the coronavirus crisis achieved the intended effect. As a result, the development of market price risk is less susceptible to market turbulence. This also included creating macro hedge positions to mitigate the effects of future adverse fluctuations. Utilisation of the operational management limit at Deka Group level (excluding guarantees) stood at €88.0m (year-end 2020: €91.0m). This represented a utilisation level of 56% and was therefore non-critical.

Deka Group value-at-risk excluding guarantee risks [1] (confidence level 99%, holding period ten days)
€m (Fig. 27)

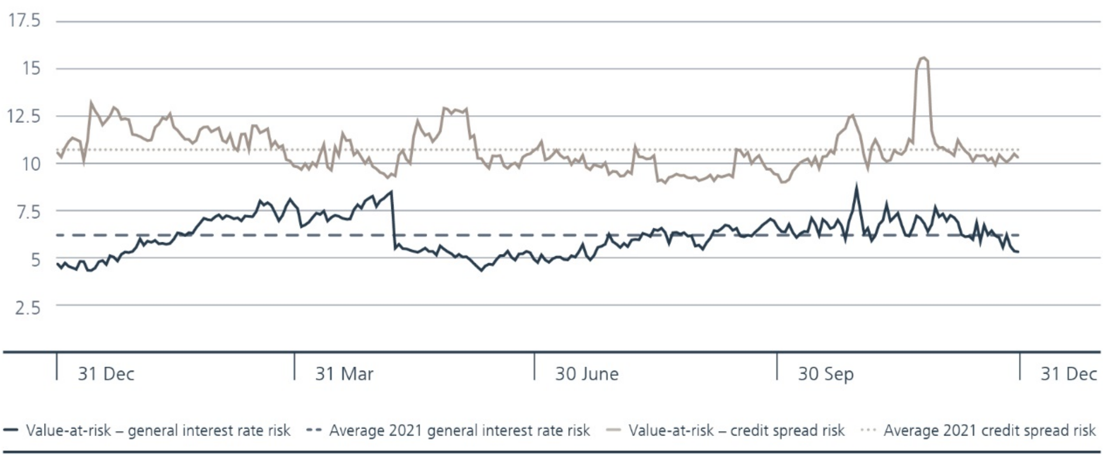
	31 Dec 2021						
Category	**Asset Management Securities business division**	**Asset Management Real Estate business division**	**Asset Management Services business division**	**Capital Markets business division**	**Treasury**	**Deka Group excluding guarantees**	Change in risk
Interest rate risk	4.0	0.0	5.2	11.2	37.8	49.0	−6.8%
Interest rate – general	0.3	0.0	4.7	5.1	7.3	10.8	−5.3%
Credit Spread	4.0	0.0	3.2	10.3	39.1	49.8	−7.4%
Share price risk	0.6	0.0	0.6	10.2	8.1	10.6	65.6%
Currency risk	0.4	0.0	0.0	0.5	10.7	10.8	103.8%
Total risk	**4.1**	**0.0**	**5.3**	**15.9**	**37.2**	**49.2**	−5.2%

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

At the end of 2021, the VaR for spread risk totalled €49.8m, which was moderately below the level seen at year-end 2020 (€53.8m). The drop was mainly due to a reduction in bond positions. Spread risk continues to substantially affect market price risk at Group level. In line with the business model, the largest risk drivers are variable and fixed-rate bonds issued by the public sector, financial institutions and corporates in Germany, western Europe and the US. Risk concentration for spread risk was consistent with the Deka Group's market price risk strategy.

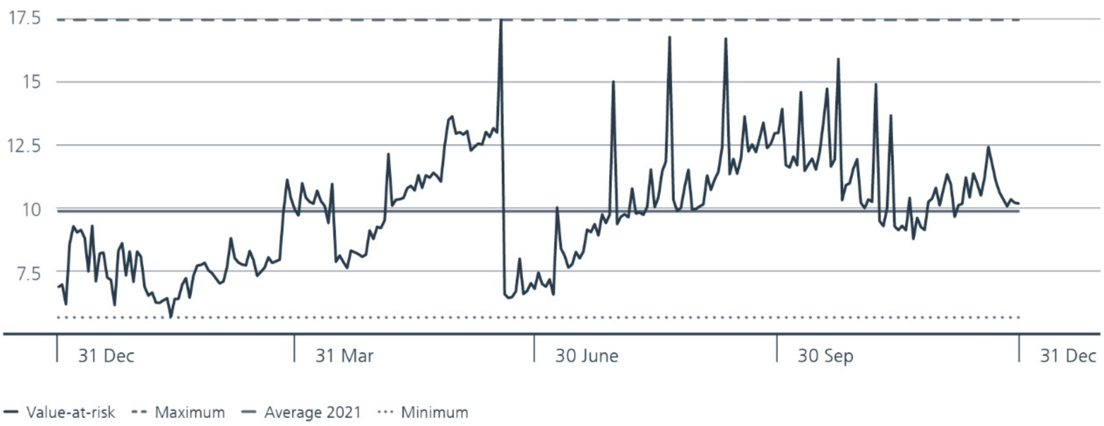
The VaR for general interest rate risk (excluding risks on guarantee products) decreased from €11.4m at year-end 2020 to €10.8m. The reduction began in the first quarter with a tighter management of risk.

Value-at-risk – General interest rate risk and credit spread risk in the Capital Markets trading book over the course of 2021 *€m (Fig. 28)*



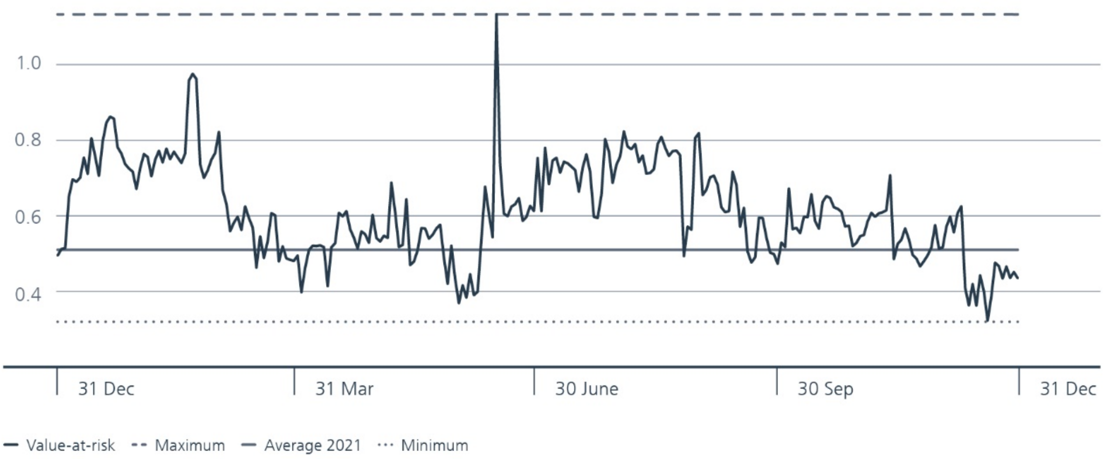
Share price risk rose sharply from €6.4m at the end of 2020 to €10.6m at the end of 2021. This was attributable to an expansion of share certificate business. Share price risk remains of low significance at Group level, however. The majority (€10.2m) of the risk was attributable to share price risk in the Capital Markets business division trading book (year-end 2020: €6.8m).

Value-at-risk – Share price risk in the Capital Markets trading book over the course of 2021 *€m (Fig.29)*



As in the previous year, currency risk resulted mostly from positions in US dollars and British pounds. At €10.8m, it was significantly up on the prior-year figure (year-end 2020: €5.3m) but continued to be of minor significance. The increase resulted mainly from changes in holdings in the Treasury corporate centre due to the IBOR reform. Currency risk in the Capital Markets business division trading book stood at €0.4m (year-end 2020: €0.5m).

Value-at-risk – Currency risk in the Capital Markets trading book over the course of 2021 *€m (Fig. 30)*



Operational risk

Strategic framework and responsibilities

The strategy for dealing with operational risks (OR strategy) is based on the Deka Group's overarching risk strategy. It sets out the Deka Group's basic approach to operational risks and guidelines for managing and controlling these risks. It defines the framework for the Group-wide establishment and operation of a standard system for identifying, assessing, managing and monitoring all operational risks. The OR strategy applies to all organisational units of the Deka Group.

Decentralised approach to risk measurement and management by the first line of defence

Operational risks differ considerably in nature to traditional financial risk types such as counterparty and market price risk. While the latter arise in connection with individual transactions and can largely be identified and quantified at central level, operational risks are inherent in general business activity and are thus highly process-specific. The Deka Group therefore uses a decentralised approach to identifying and measuring operational risks, i.e. to assessing future risks and examining any incidents that occur. In respect of operational risks, each unit is generally regarded as part of the first line of defence and must manage the risks arising in its area of responsibility. Units such as IT or Human Resources, whose role is to centrally provide infrastructure or processes, are a special case and are responsible for assessing risks related to their services across the Group.

In both cases, the relevant heads of department are responsible for managing operational risk within their area and cannot transfer this responsibility elsewhere. They form the first line of defence within the Deka Group's Three Lines of Defence model. Various pre-defined options for dealing with operational risk are at their disposal (accept, reduce, transfer, avoid). These options must be weighed up in terms of their costs and benefits while ensuring adherence to the law and taking account of the effect on the capital adequacy assessment at Deka Group level.

Central specialisation and overall aggregation and reporting by the second line of defence

The second line of defence sets and monitors adherence to relevant guidelines, thereby helping the units in the first line of defence to take only appropriate risks, and supports the decentralised units with methods for managing operational risks. The overarching view of the Operational Risk unit within Risk Control is complemented by specialist functions for the individual risk sub-types in the Compliance (compliance risk), Finance (tax law and tax compliance risk), Legal (legal risk), Information Security Management (ICT, security and service provider risk), Human Resources (personnel risk) and Organisational Development (process and project risk) units.

The specialist functions set specific requirements for the design of processes and controls for the selected risk sub-types classified as significant for the Deka Group in the results of the annual risk inventory. They also set qualitative and quantitative rules on risk appetite. As well as monitoring adherence to the above, the specialist functions help the units in the first line of defence with risk type-specific methods for identifying, assessing and managing the relevant OR sub-type and proactively liaise with the contacts specified by these departments.

The Operational Risk unit defines overarching methodological standards that ensure that the risks are assessed in a comparable way, reported consistently and taken fully into account in the capital adequacy assessment. It aggregates the information collected locally and reports this to the heads of department and Board of Management. The scenario assessments and loss documentation are validated and plausibility-checked, ensuring that risk assessments are performed to common standards across all departments and all risk sub-types.

Independent review by the third line of defence

The third line of defence is the Deka Group's Internal Audit department. It supports the Board of Management and the oversight bodies (Administrative Board, Audit Committee) with its objective and independent assessment of the appropriateness and effectiveness of risk management, of the controls put in place and of the management processes at the Deka Group.

Methods used
The Deka Group uses various methods for the management and control of operational risks. These complement each other and, taken together, enable a comprehensive management process for these risks.

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. Alongside the common methods described below, the specialist functions in the second line of defence also use their own methods to monitor selected non-financial risks.

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 potentially serious loss events from operational risks, which, due to their cross-unit nature and extremely high maximum loss potential, cannot be adequately identified or quantified 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 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. The results of the loss documentation are also used to support the ex-post validation of the risk assessments in the course of the self-assessment.

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.

In addition to the macroeconomic stress tests, which cover all types of risk, specific stress scenarios are examined for operational risk. These involve, for example, a sharp deterioration in the reliability of IT infrastructure, the occurrence of serious fraud involving an internal employee or the failure of critical control processes due to a shortage of staff. Sensitivity to isolated stress factors is also analysed and the OR scenarios with the highest contribution to risk are examined. 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.

Current risk situation
The VaR for operational risk (confidence level of 99.9%, holding period of one year) increased only marginally from €279m at year-end 2020 to €280m. On the ex-post side, there were slight risk-increasing effects from a relatively large number of actually incurred losses. The provisions and liabilities recognised due to the ruling by the German Federal Court of Justice (BGH) on the mechanism for amending general terms and conditions of business contributed to these. These effects were almost completely offset, however, by the on balance virtually unchanged assessments of the loss scenarios on the ex-ante side. For example, the scenario at the beginning of the year relating to potential construction delays at the new office site initially led to a moderate increase in risk, which fell away again at the end of the year with the completion of the project as planned and the on-time relocation. Moreover, there have been no major changes in the allocation of VaR to the business divisions and the Treasury corporate centre for internal management purposes.

Risk capital allocated to operational risk stood at €350m (year-end 2020: €335m). Utilisation of this amount was 80.0%. Utilisation thus remains at a non-critical level.

Value-at-Risk *€m (Fig. 31)*

	2019	2020	2021
Asset Management Securities business division	100	102	104
Asset Management Real Estate business division	47	51	50
Asset Management Services business division	55	62	68
Capital Markets business division	39	42	38
Financing business division	12	15	13
Treasury Corporate Centre	7	7	8
Total	**259**	**279**	**280**

At €69m, the OR loss potential identified in the Group-wide risk inventory was higher than the figure for year-end 2020 (€66m). The main drivers included the addition or adjustment of loss scenarios relating to the changed legal environment in view of the BGH ruling on the mechanism for amending general terms and conditions of business, increased risks in relation to computer sabotage, espionage and data manipulation, and compliance risks in the context of the still dynamic regulatory environment. There was no need, however, for any additional adjustments in connection with the coronavirus pandemic following its extensive consideration in the previous year. As things currently stand, there is no reason to expect any increased risk profile in this context in the future either, as the Deka Group has adapted to the new working situation through various measures and the projections already reflect the changes in the cost structure. 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)*

	2019	2020	2021
Asset Management Securities business division	7	10	9
Asset Management Real Estate business division	8	9	9
Asset Management Services business division	4	5	5
Capital Markets business division	6	7	7
Financing business division	4	4	4
Treasury Corporate Centre	1	1	1
Savings Banks Sales & Marketing	2	2	3
Corporate Centres	24	28	30
Total	**56**	**66**	**69**

In the loss documentation, nine major loss events (> €100 thousand) were newly recorded for the reporting period in 2020 and two were recorded retrospectively for previous periods. Legal risks as the trigger for two further events, in addition to the BGH ruling on the mechanism for amending general terms and conditions of business (noted above in relation to VaR), made up the largest share of the total losses. Beyond this, loss events in connection with process risk were of considerable importance again, as in the previous years, for example in the form of reimbursements to investment funds or customers due to process-related errors in the asset management business divisions. In the context of the coronavirus pandemic, updated costs for additional protective and disinfection measures, as well as for the provision of face masks and self-testing kits to employees, are worthy of note. In addition, effects that had previously been taken into account, with the effect of reducing losses, were no longer included in the quantification in line with the requirements on the treatment of the various cost components set out by the supervisory authorities at the end of the previous year.

On 15 July 2021, a revised Federal Ministry of Finance (BMF) circular dated 9 July 2021 was published on the tax treatment of share trades transacted around the dividend record date. Compared to the original BMF circular dated 17 July 2017, this BMF circular sets out more specific details regarding the requirements for relief from capital yields tax (*Kapitalertragsteuer*), as well as with regard to the legal consequences in the event of a refusal by tax authorities to allow relief for share trades transacted around the dividend record date. Based on the revised BMF circular of 9 July 2021 on the tax treatment of share trades transacted around the dividend record date, tax risks exist in connection with relief from capital yields tax on share transactions made around the dividend record date in the years 2013 to 2015. All matters are reported in the Group management report and consolidated financial statements as at 31 December 2021 in accordance with DekaBank's interpretation of the relevant tax regulations and accounting standards.

In addition, DekaBank has conducted voluntary investigations 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. Based on the findings available to it, DekaBank considers it unlikely that the tax authority will be able to make a claim in relation to these matters beyond what has been recognised in the financial statements as at 31 December 2021.

Business risk

The business risk strategy set by the Board of Management sets out the Deka Group's guidelines for dealing with business risk and the requirements for risk management and control. It provides the necessary framework for the creation and operation of a Group-wide standardised system for identifying, monitoring and managing business risks and incorporating them into the risk-bearing capacity analysis. Various mutually complementary tools are used for this purpose.

Adverse variances from plan in terms of the result relevant for business risk purposes form the basis for calculating business risk. Various risk factors specific to the business activity in question are taken into account.

Business risk is driven to a large extent by the fund business. In the asset management business divisions, value-at-risk is calculated based on the deviation in the business risk-relevant components of the economic result (i.e. a large part of net commission income and expenses) from the proportionate planned contribution to annual profit. The corresponding components of net commission income determine the significant fluctuations in the economic result.

Commissions directly depend on total customer assets (for the AM Securities business division and AM Real Estate business division) or assets under custody (for the depositary in the AM Services business division), which are among the elementary risk factors. Both the risk factors and net commission income depend on the behaviour of customers or sales partners as well as on changes in market conditions, legal requirements or competitive conditions.

In the Capital Markets and Financing banking divisions, the fluctuation of commission income is examined taking into account individual risk factors (e.g. the margin on commission business), and potential adverse variances from planned commission income are reported as VaR. This approach is currently being reviewed as part of the development of the business risk model. There are currently no business risks to be considered in the Treasury corporate centre.

In addition to regular risk measurement, risk type-specific stress tests are performed for business risk to examine its sensitivity in relation to changes in the behaviour of customers or sales partners, the economic and regulatory environment and competitive conditions. Major risk drivers have a negative impact on the corresponding risk factors and thus on the net commission income relevant for business risk. Sensitivity analyses examine, for example, the effect of a stock market shock or a decline in net inflows. The effects of hypothetical scenarios are also analysed, such as reputational damage or equity stress (exceeding that already observed during the crisis), introduced due to the coronavirus pandemic. Alongside the sensitivity analyses and hypothetical scenarios, the stress tests also involve historical scenarios including market crashes akin to those seen after the terrorist attacks in 2001 or during the financial crisis in 2008. The results of the stress tests are determined quarterly and the impacts examined. They serve primarily to identify areas for action.

In the year under review, the VaR for business risk decreased significantly to €176m (year-end 2020: €541m). The significant reduction in risk was due in the first half of the year to lower volatilities against the backdrop of the market recovery following the coronavirus crisis, with effects in the Asset Management Securities, Asset Management Services and Capital Markets business divisions. There was a further significant reduction in risk in the second half of the year due to the switch to the new business risk models in the asset management business divisions. Risk capital allocated to business risk was reduced from €750m at the end of 2020 to €710m. Utilisation was 24.8% and thus at a non-critical level. In the event of increases in market volatility due to the coronavirus pandemic, which is still ongoing, or to geopolitical events, a renewed increase in business risk cannot be ruled out.

Other risks

Investment risk

Equity investments 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 counterparty risk. 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 investment 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.

The VaR of investment risk was €30m at year-end 2021, up significantly on the level of €20m at the end of the previous year. The significant increase in risk was primarily due to the acquisition of a new equity investment in September 2021. The treatment of additional contribution obligations consistent with the risk quantile also had a risk-increasing effect. The risk capital allocated to investment risk was increased overall to €45m (year-end 2020: €30m) and was 66.2% utilised at year-end. Large-scale impacts of the coronavirus pandemic on investment risk have not been observed to date. However, negative effects cannot be completely ruled out in the still uncertain situation.

Annual financial statements

Balance sheet *as at 31 December 2021*

Assets	€	€	€	31 Dec 2021 €	31 Dec 2020 €'000
1. Cash reserves					
a) Cash on hand			6,890.23		6
b) Balances with central banks			15,898,331,346.83	15,898,338,237.06	9,128,209
of which:					
with Deutsche Bundesbank	15,896,243,609.71				(9,126,113)
2. Due from banks					
a) due on demand			2,572,948,939.23		3,349,068
b) other claims			3,674,831,471.76	6,247,780,410.99	4,243,620
of which:					
public sector loans	36,501,359.96				(26,218)
3. Due from customers				24,760,971,973.79	**22,844,166**
of which:					
mortgage loans	1,693,369,702.21				(1,671,867)
public sector loans	3,645,530,497.57				(3,171,579)
4. Bonds and other fixed-interest securities					
a) Bonds and debt securities					
aa) from public sector issuers		2,110,714,961.70			3,334,068
of which:					
eligible as collateral with Deutsche Bundesbank	2,097,560,304.30				(3,321,907)
ab) from other issuers		6,665,938,234.74	8,776,653,196.44		6,701,985
of which:					
eligible as collateral with Deutsche Bundesbank	3,605,163,071.45				(3,944,229)
b) own bonds			189,536,129.44	8,966,189,325.88	201,420
Nominal amount	188,812,000.00				(199,441)
5. Shares and other non fixed-interest securities				585,654,273.50	**808,881**
6. Trading portfolio				32,730,420,105.56	**34,745,071**
7. Equity investments				26,173,989.99	**17,932**
of which:					
in banks	7,867,903.91				(118)
8. Shares in affiliated companies				509,315,729.70	**481,405**
of which:					
in banks	22,987,733.45				(22,988)
in financial services providers	68,023,429.02				(60,913)
9. Trust assets				154,169,856.10	**132,448**
10. Intangible assets					
a) Concessions, industrial property rights, and similar rights and values as well as licences there to, acquired for a consideration			10,365,754.00		12,395
b) Goodwill			202,093,332.00		229,563
c) Advance payments			0.00	212,459,086.00	0
11. Tangible assets				24,718,153.76	**18,870**
12. Other assets				237,255,112.04	**968,925**
13. Prepaid expenses and accrued income					
a) from underwriting and lending business			74,933,026.28		75,752
b) other			327,722,742.51	402,655,768.79	381,957
Total assets				**90,756,102,023.16**	**87,675,741**

Liabilities	€	€	€	31 Dec 2021 €	31 Dec 2020 €'000
1. Due to banks					
a) due on demand			1,408,464,502.10		2,248,416
b) with agreed maturity or period of notice			11,094,470,935.25	12,502,935,437.35	12,295,546
of which:					
registered mortgage Pfandbriefe	20,000,339.73				(20,000)
registered public sector Pfandbriefe	248,311,724.39				(211,832)
2. Due to customers					
Other liabilities					
a) due on demand			19,801,467,892.05		14,833,124
b) with agreed maturity or period of notice			3,938,994,535.49	23,740,462,427.54	7,153,603
of which:					
registered mortgage Pfandbriefe	5,008,537.12				(5,009)
registered public sector Pfandbriefe	637,723,435.21				(823,360)
3. Securitised liabilities					
a) bonds issued			7,291,203,128.33		7,551,012
of which:					
mortgage Pfandbriefe	160,009,771.21				(170,022)
public sector Pfandbriefe	2,001,833,356.16				(1,501,805)
b) other securitised liabilities			2,460,362,440.95	9,751,565,569.28	274,885
of which:					
Money market securities	2,460,362,440.95				(274,885)
4. Trading portfolio				36,295,240,843.40	**35,782,040**
5. Trust liabilities				154,169,856.10	**132,448**
6. Other liabilities				552,490,552.63	**334,507**
7. Accruals and deferred income					
a) from underwriting and lending business			23,201,647.27		17,556
b) other			178,627,879.01	201,829,526.28	138,019
8. Provisions					
a) provisions for pensions and similar obligations			31,470,785.40		39,170
b) provisions for taxes			142,163,380.53		60,670
c) other provisions			850,132,034.96	1,023,766,200.89	713,579
9. Subordinated liabilities				1,591,120,961.44	**1,446,992**
10. Fund for general banking risks				4,145,772,083.45	**3,960,077**
of which:					
special item pursuant to Section 340 e (4) HGB	287,882,000.00				(262,904)
11. Equity					
a) Subscribed capital					
aa) subscribed capital		191,740,000.00			191,729
ab) silent capital contributions		0.00	191,740,000.00		52,360
b) Capital reserve			239,479,816.06		189,366
c) Retained earnings					
ca) other retained earnings		165,352,188.74	165,352,188.74		165,353
d) Net income			200,176,560.00	796,748,564.80	95,289
Total liabilities				**90,756,102,023.16**	**87,675,741**
1. Contingent liabilities					
Liabilities from guarantees and warranty agreements				5,427,572,216.50	4,998,786
2. Other liabilities					
Irrevocable lending commitments				1,415,132,098.11	1,345,180

Income statement for the period 1 January to 31 December 2021

Expenses and income	€	€	€	2021 €	2020 €'000
1. Interest income from					
a) Lending and money market transactions		563,616,399.77			600,764
of which: negative interest income	110,266,749.61				(97,821)
b) Fixed-interest securities and debt register claims		92,753,542.20	656,369,941.97		131,479
of which: negative interest income	0.00				(0)
2. Interest expenses			507,737,595.60	148,632,346.37	604,624
of which: positive interest expenses	169,085,806.11				(144,183)
3. Current income from					
a) Shares and other non fixed-interest securities			5,188,994.06		6,954
b) Equity investments			866,595.54		812
c) Shares in affiliated companies			38,023,144.88	44,078,734.48	324,819
4. Income from profit pooling, profit transfer and partial profit transfer agreements				568,615,680.43	418,839
5. Commission income			1,745,993,557.34		1,404,450
6. Commission expenses			1,406,911,882.19	339,081,675.15	1,091,072
7. Net income/expenses from trading portfolio				225,802,904.71	157,251
8. Other operating income				422,629,905.06	319,752
9. General administrative expenses					
a) Personnel expenses					
aa) Wages and salaries		338,579,025.73			310,118
ab) Social security contributions and expenses					
for pensions and other employee benefits		117,166,248.31	455,745,274.04		75,231
of which:					
for retirement pensions	74,511,791.31				(34,998)
b) Other administrative expenses			503,359,874.91	959,105,148.95	460,301
10. Write-downs and valuation allowances on intangible assets and tangible assets				37,474,022.83	39,543
11. Other operating expenses				61,760,909.54	82,889
12. Write-downs and valuation allowances on receivables and certain securities and allocations to provisions for loan losses				66,594,444.93	185,024
13. Allocations to the fund for general banking risks				160,594,291.05	337,001
14. Income from write-ups to equity investments, shares in affiliates and securities held as fixed assets				24,611,755.77	41,472
15. Expenses from loss transfer				8,906,921.55	7,748
16. Profit or loss on ordinary activities				479,017,263.12	213,041
17. Income taxes				278,840,703.12	139,398
18. Income transferred under profit pooling, profit transfer or partial profit transfer agreements				0.00	33,572
19. Net income				**200,176,560.00**	**40,071**
20. Profit carried forward from the previous year				**0.00**	**55,218**
21. Accumulated profit				**200,176,560.00**	**95,289**

Notes

General information

DekaBank Deutsche Girozentrale, Frankfurt/Berlin, is entered in Commercial Register A at the District Court of Frankfurt/Main under number HRA 16068.

1 Preparation of the annual financial statements

The annual financial statements of DekaBank Deutsche Girozentrale for the year ended 31 December 2021 have been prepared in accordance with the provisions of the German Commercial Code (HGB) and the Regulation on Accounting Principles Relating to Financial Institutions and Financial Services Institutions (RechKredV). The provisions of the Pfandbrief Act were also taken into account. The balance sheet structure prescribed for commercial banks was expanded to include line items relating to banks active in the *Pfandbrief* business.

2 Accounting and valuation methods

General information

The accounting and valuation of assets, liabilities and pending transactions was carried out in accordance with sections 252 ff, and sections 340 ff, HGB. Write-ups were carried out in accordance with section 253 (5) HGB.

Amounts due from banks and customers are reported at face value. Differences between face value and amounts payable or acquisition costs were recognised under prepaid expenses and accrued income and written back as scheduled.

Liabilities are stated at the settlement amount. Differences between the amount received and the amount repayable were reported in accruals and deferred income and written back as scheduled.

For receivables and liabilities from genuine securities repurchase agreements and derivative transactions, eligible for offsetting with central counterparties on the basis of standardised framework contracts, financial offsetting is carried out provided that the correspondent preconditions are fulfilled. Securities lending transactions were reported in accordance with the principles of section 340b HGB applicable for genuine repurchase agreements, whereby lent securities are shown under the original line items in the balance sheet. Borrowed securities are not reported in the balance sheet.

Structured products in the trading portfolio and the liquidity reserve are recognised as a single financial instrument on the basis of their measurement at fair value less a risk mark-down (trading portfolio)/at the strict-lower-of-cost-or-market principle (liquidity reserve). Structured liabilities are generally recognised at their settlement amount. There were no host contracts requiring separation as at the reporting date.

In accordance with the applicable EU Benchmark Regulation, further reference interest rates were replaced by a new reference interest rate in the reporting year. In 2021, implementation activities focused, in particular, on the lending business and related primarily to the GBP, JPY and CHF LIBOR transition, as these interest rate benchmarks ceased to apply at the end of 2021. The changes were made at the start of a new interest period in each case. Alongside the process of transition for loans, further changes were made for derivatives, too, in 2021. Within this context, DekaBank received compensation payments mainly for derivatives in the trading portfolio and recognised these in full in profit or loss.

Valuation of securities portfolios and derivatives
Securities in the liquidity reserve are valued in accordance with the strict-lower-of-cost-or-market principle, whereby the stock exchange or market price or fair value is decisive.

The fair value of financial instruments in both the trading and non-trading portfolio is determined on the basis of market prices or observable market data as at the reporting date and recognised valuation models. Where securities and derivatives with sufficient liquidity are traded on active markets, and stock market prices or executable broker quotations are accordingly available, these prices are used to determine the fair value.

Valuation models, which are deemed to be appropriate for the respective financial instruments, are used where no prices are available from an active market. 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 from financial instrument to 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 assessments by the Bank in the valuation. The Bank also selects suitable modelling techniques, 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 probably value the financial instrument.

Derivative financial instruments are generally measured using recognised models such as the Black-Scholes model, 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 swaps and interest rate/currency swap agreements as well as 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. Discounting of interest rate swaps is always carried out using the respective currency-specific interest rate curves, which are also used for the corresponding bootstrapping of the forward interest rate curves. 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 foreign exchange forward contracts are determined on the basis of the forward rates, which in turn are quoted in the market by FX swap centres, as at the reporting date.

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.

Financial instruments in the trading portfolio are valued at fair value less a risk mark-down. The mark-down is determined separately per portfolio in the form of the value-at-risk (VaR discount) and subsequently aggregated. The VaR calculation is based on a confidence level of 99% and a holding period of 10 days. The monitoring period amounts to 250 days. Trading portfolios on the assets and liabilities sides were valued at average prices.

On-balance sheet and off-balance sheet interest rate financial instruments in the banking book, which are allocated to the interest book, undergo loss-free valuation pursuant to IDW RS BFA 3. Where, in their entirety, the interest book transactions valued pose a threat of excess liability, a provision is recognised for possible losses from pending transactions. Since the reporting year, the valuation has been carried out on the basis of a P&L-oriented approach including hypothetical closing-out transactions and future risk and administration costs. There was no excess liability at the reporting date, therefore the recognition of a provision was not required.

Receivables and commitments arising from derivative financial instruments in the banking book, which are not allocated to the interest book, were valued in line with the imparity principle. For unrealised valuation losses, provisions were recognised for possible losses from pending transactions. Unrealised valuation gains were not recognised as income with the exception of foreign exchange future contracts, which are included as part of currency translation.

Trading raises money in the external market for funding purposes. Liabilities arising from these transactions are reported on the liabilities side under trading portfolio. Trading also carries out refinancing via internal transactions for steering purposes.

In addition to the valuation results, the line item 'Net income from trading portfolio' includes ongoing interest payments and dividend income from securities in the trading portfolio, ongoing payments from derivative financial instruments and securities repurchase agreements and securities lending transactions in the trading portfolio, as well as the refinancing costs attributable to the trading portfolios including the corresponding deferrals. Allocations to the fund for general banking risks pursuant to section 340e (4) HGB (German Commercial Code) are also recognised in this item.

When valuing OTC derivatives, the Bank also takes Credit Value Adjustments (CVAs) or Debit Value Adjustments (DVAs) into consideration in order to account for counterparty credit risk or the Bank's own credit risk, unless these are already included elsewhere in the valuation model. If a netting agreement exists for counterparties, the calculation is performed at the level of the counterparty based on the net position. In other cases, the calculation is performed using the individual positions. DekaBank also takes into account a Funding Value Adjustment (FVA), which captures 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.

Currency translation

Assets and liabilities in foreign currency as well as claims and commitments from foreign exchange transactions in the non-trading portfolio were translated and valued according to the regulations contained in section 340h in conjunction with section 256a HGB and also with observance of the Institute of Auditors (IDW) Comments on Accounting (Stellungnahme zur Rechnungslegung) IDW RS BFA 4. The results from the currency translation were in principle recognised in the income statement and reported in other operating income. Only income from foreign exchange transactions, which are not included in any particular cover or valuation unit and also have a remaining maturity of more than one year, was not recognised. Swap premiums from foreign exchange transactions in the non-trading portfolio, which hedges interest-bearing balance sheet items, were accrued on a pro rata basis and reported in net interest income because these forward foreign exchange transactions are valued at the split forward rate.

Special cover is in place if cover is available in the same currency, i.e. only transactions in the same currency are grouped in currency positions. Furthermore, matching amounts for the covering transaction and covered transaction constitute a defining characteristic of special cover. There is no special cover in place if currency transactions or foreign exchange positions (for example for trading purposes) are concluded and generate an open FX position.

Assets and liabilities in foreign currency in the trading portfolio as well as claims and obligations under foreign exchange transactions were translated and valued in accordance with the provisions stipulated in section 340e HGB. The results from the currency translation are reported in net income or net expenses in the trading portfolio.

Fixed assets
Equity investments, shares in affiliated companies and tangible assets, as well as intangible assets, are stated at their acquisition or production cost less any scheduled amortisation or depreciation. Where a loss of value is expected to be permanent, the asset is written down to its lower fair value. Economic assets within the meaning of section 6 (2) of the Income Tax Act (EStG) are written off in the year of acquisition in accordance with tax regulations.

Securities portfolios intended to be kept long-term and for use in business operations on a permanent basis, were treated as fixed assets and valued according to the moderate-lower-of-cost-or-market principle. These securities are continually checked for impairment.

Provisions for loan losses
Identified default risks in the lending business were adequately provided for by recognising specific valuation allowances and provisions for loan losses. There are sufficient general valuation allowances to cover unforeseen credit risks. Specific and general valuation allowances and provisions for loan losses for on-balance sheet lending have been deducted from the respective asset items. Provisions have been recognised for lending commitments and guarantees.

Loan receivables are checked individually for impairment. In the case of receivables for which there are no specific valuation allowances, the default risk is taken into account by recognising general valuation allowances. General valuation allowances are determined taking borrower ratings, counterparty default history and current economic development into account. The expenses resulting were recognised in the item ‘Write-downs and valuation allowances on receivables and certain securities and allocations to provisions for loan losses’.

If there is doubt regarding the recoverability of a receivable, this is taken into account through the recognition of provisions for loan losses. If it is highly probable that further payments will not be paid, the receivable is classified as irrecoverable. An irrecoverable receivable which has already been impaired is written off utilising the provision for loan losses. If there is no specific valuation allowance, the receivable is written off directly and charged to income. Direct write-downs are also carried out if the Bank waives parts of a non-impaired receivable or sells a receivable and the purchase price is below the book value of the purchase price.

Specific valuation allowances are recognised to take account of acute default risks if it is likely that not all contractually agreed payments of interest and principal can be made. Specific valuation allowances are assumed in the following cases:

- significant financial difficulties on the part 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
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Provisions

For pension commitments, the extent of the obligation is valued by independent actuaries. In these cases, the present value of the pension entitlements earned is determined at each closing date using the projected unit credit method. For fund-linked pension commitments, the level of which is determined exclusively in accordance with the fair value of the corresponding fund assets, the pension commitments are stated at the fair value of the underlying funds where this value exceeds an agreed minimum amount.

In accordance with section 246 (2) HGB, plan assets, which are required to be offset against the related obligations, were created for the company retirement pensions of DekaBank 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 fund-based defined contribution plans consist primarily of fund assets allocated per individual employee and other assets to cover both the biometric risks arising from benefits becoming due early and the additional 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 an integrated asset-liability assessment. The plan assets are measured at fair value and reduce the pension provisions shown in the balance sheet. The expected income from the plan assets is offset against the expenses for adding interest to pension commitments.

Commitments for early retirement and transitional payments are also valued actuarially and provision is made in the amount of the present value of the commitment. Furthermore, employees of DekaBank also have the option of paying into working hours accounts. The accounts are maintained in money and covered by plan assets in Deka Trust e.V. The amount carried in the balance sheet is the difference between the extent of the commitments and the fair value of the plan assets. Provisions for early retirement and transitional payments as well as for working hours accounts are reported under 'Other provisions'.

Provisions for taxes and other provisions were recognised in the settlement amount (including future cost and price increases) required according to a reasonable commercial judgement. Medium and long-term provisions with remaining terms of more than one year were discounted using the interest rates published by Deutsche Bundesbank pursuant to section 253 (2) HGB.

Deferred taxes

Deferred tax assets are not reported, since the existing asset surplus, utilising the option under section 274 HGB, is not recognised. Deferred tax assets result primarily from measurement differences in relation to shares and non-fixed interest securities, as well as pension provisions. As at the reporting date, there were no measurement differences between the commercial balance sheet and tax balance sheet leading to the recognition of deferred tax liabilities. DekaBank's combined tax rate (31.9%) is used to measure deferred taxes.

3 Derivative transactions

In DekaBank uses derivative financial instruments for trading purposes and to hedge interest rate risks, currency risks and other price risks.

Derivative transactions – volume – trading portfolio

€m	Nominal value 31 Dec 2021	Nominal value 31 Dec 2020	Full fair values positive market values 31 Dec 2021	Full fair values positive market values 31 Dec 2020	Full fair values negative market values 31 Dec 2021	Full fair values negative market values 31 Dec 2020
Interest rate risks						
OTC products						
Interest rate swaps	492,480.4	449,631.8	10,165.3	13,532.4	9,812.1	12,824.1
Forward rate agreements	138,163.0	3,337.0	7.3	0.7	7.9	1.0
Interest rate options						
Purchases	20,673.5	24,481.9	400.4	634.0	176.9	240.4
Sales	25,677.0	27,058.5	335.4	418.5	681.5	1,167.0
Caps, floors	23,608.2	24,482.5	66.0	76.6	64.1	45.6
Other interest rate futures	4,944.9	3,761.0	34.5	38.5	37.0	201.7
Exchange traded products						
Interest rate futures/ options on interest rate futures	14,339.1	15,770.7	5.1	0.4	5.2	0.8
Total	**719,886.1**	**548,523.4**	**11,014.0**	**14,701.1**	**10,784.7**	**14,480.6**
Currency risks						
OTC products						
Foreign exchange future contracts	10,463.5	9,764.7	51.7	89.6	52.4	88.7
Interest rate/currency swaps	1,483.7	1,466.6	33.5	28.7	39.6	35.0
Currency options						
Purchases	–	0.9	–	0.1	–	–
Sales	–	–	–	–	–	–
Total	**11,947.2**	**11,232.2**	**85.2**	**118.4**	**92.0**	**123.7**
Share and other price risks						
OTC products						
Share options						
Purchases	563.7	169.4	77.4	5.6	–	–
Sales	435.0	6,000.0	–	–	45.7	1.0
Credit derivatives	8,885.9	11,658.1	120.0	132.0	133.7	150.6
Other forward contracts	5,793.2	3,397.8	50.4	13.4	78.8	100.7
Exchange traded products						
Share options	33,987.1	23,687.1	1,347.7	874.5	1,735.5	1,378.5
Share futures	522.9	400.8	13.8	7.3	6.0	5.2
Total	**50,187.8**	**45,313.2**	**1,609.3**	**1,032.8**	**1,999.7**	**1,636.0**
Total	**782,021.1**	**605,068.8**	**12,708.5**	**15,852.3**	**12,876.4**	**16,240.3**
Amount carried in the statement of financial position:			6,245.3	8,093.1	5,908.1	7,114.6

The lower carrying amount of derivatives in the trading portfolio compared with market values is due to the offsetting of market values against the variation margin. Within assets, the variation margin received reduced the fair values by a total of around €6.4bn (previous year: €7.8bn). On the other hand, the paid variation margin reduces market values on the liabilities side by around €7.0bn (previous year: €9.1bn).

Derivative transactions – classification by maturity (nominal values) – trading portfolio

	Interest rate risks		Currency risks		Share and other price risks	
€m	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Residual term to maturity						
less than 3 months	76,966.7	47,975.6	6,064.3	6,896.0	5,512.0	10,175.3
> 3 months to 1 year	147,454.1	51,464.8	4,645.7	2,607.9	15,479.1	8,022.1
> 1 year to 5 years	230,435.8	234,192.0	775.9	1,244.4	26,045.8	25,804.6
> than 5 years	265,029.5	214,891.0	461.3	483.9	3,150.9	1,311.2
Total	**719,886.1**	**548,523.4**	**11,947.2**	**11,232.2**	**50,187.8**	**45,313.2**

Derivative transactions – classification by counterparties – trading portfolio

	Nominal value		Full fair values positive market values		Full fair values negative market values	
€m	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Banks in the OECD	591,322.5	446,479.6	8,786.4	11,396.4	8,981.3	11,376.6
Public sector entities in the OECD	14,019.0	12,565.1	1,512.3	2,067.7	184.4	369.7
Other counterparties	176,679.6	146,024.1	2,409.8	2,388.2	3,710.7	4,494.0
Total	**782,021.1**	**605,068.8**	**12,708.5**	**15,852.3**	**12,876.4**	**16,240.3**

Derivative transactions – volume – non-trading portfolio

€m	Nominal value 31 Dec 2021	Nominal value 31 Dec 2020	Full fair values positive market values 31 Dec 2021	Full fair values positive market values 31 Dec 2020	Full fair values negative market values 31 Dec 2021	Full fair values negative market values 31 Dec 2020
Interest rate risks						
OTC products						
Interest rate swaps	47,059.7	25,670.6	682.1	905.3	637.1	975.9
Exchange traded products						
Interest rate futures/ options on interest rate futures	69.9	86.9	0.2	0.1	0.4	0.1
Total	**47,129.6**	**25,757.5**	**682.3**	**905.4**	**637.5**	**976.0**
Currency risks						
OTC products						
Foreign exchange future contracts	3,142.5	5,952.8	4.6	58.8	21.9	12.0
Interest rate/currency swaps	12,156.2	11,507.7	74.0	661.8	360.6	63.2
Currency options						
Purchases	–	1.2	–	–	–	–
Sales	–	–	–	–	–	–
Total	**15,298.7**	**17,461.7**	**78.6**	**720.6**	**382.5**	**75.2**
Share and other price risks						
OTC products						
Share options						
Purchases	450.0	–	6.8	–	–	–
Sales	–	–	–	–	–	–
Credit derivatives	–	48.8	–	–	–	0.1
Exchange traded products						
Share options	112.5	113.2	1.7	3.3	–	–
Share futures	13.1	50.6	–	–	0.4	0.7
Total	**575.6**	**212.6**	**8.5**	**3.3**	**0.4**	**0.8**
Total	**63,003.9**	**43,431.8**	**769.4**	**1,629.3**	**1,020.4**	**1,052.0**

Derivatives in the non-trading portfolio are generally valued individually in line with the imparity principle. Provisions for possible losses from pending derivative transactions are generally created by recognition of negative market values, on the other hand a claim surplus is not capitalised. Derivatives allocated to the interest book undergo loss-free valuation pursuant to IDW RS BFA 3 together with other financial instruments of the interest book. Against this background, the above-mentioned market values are not the carrying values of derivatives in the non-trading portfolio. Paid or received option premiums and margins for derivative financial instruments of the non-trading portfolio are recognised under 'Other assets' or 'Other liabilities'.

Furthermore, a provision for possible losses in the amount of €10.1m was recognised as at the reporting date.

Under EU Regulation No. 648/2012 (EMIR), there is a requirement to perform certain OTC derivate transactions through a central counterparty. The daily settlement of gains and losses to be carried out in this process (variation margin) results in a net liability for the non-trading portfolio of €60.4m. This is recognised in amounts 'Due to customers'.

Derivative transactions – classification by maturities (nominal values) – non-trading portfolio

	Interest rate risks		Currency risks		Share and other price risks	
€m	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Residual term to maturity						
less than 3 months	17,478.7	1,149.9	3,257.1	6,207.0	13.1	51.3
> 3 months to 1 year	2,716.8	1,683.4	1,264.3	1,132.4	450.0	48.8
> 1 year to 5 years	15,268.5	12,444.4	7,485.3	7,393.7	112.5	112.5
> than 5 years	11,665.6	10,479.8	3,292.0	2,728.6	–	–
Total	**47,129.6**	**25,757.5**	**15,298.7**	**17,461.7**	**575.6**	**212.6**

Derivative transactions – classification by counterparties – non-trading portfolio

	Nominal value		Full fair values positive market values		Full fair values negative market values	
€m	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Banks in the OECD	46,200.7	26,644.9	255.4	910.2	568.8	323.8
Other counterparties	16,803.2	16,786.9	514.0	719.1	451.6	728.2
Total	**63,003.9**	**43,431.8**	**769.4**	**1,629.3**	**1,020.4**	**1,052.0**

The derivative financial instruments shown in the tables above are exposed to both market price risks and credit risks. Market price risks describe the potential financial loss caused by future market parameters fluctuations. Market price risks comprise interest rate risks (including credit spread risks), currency risks and share price risks. DekaBank understands credit risk as the risk that a borrower, issuer or counterparty does not fulfil his contractually agreed services or fulfil them on time and DekaBank incurs a financial loss as a result. Further information can be found in the risk report which forms part of the Management Report.

4 Statement of subsidiaries and equity investments in accordance with section 285 no. 11 HGB

Name, registered office	Share of equity %	Equity[1] €'000	Result[2] €'000
Shares in affiliated companies			
Deka Verwaltungsgesellschaft Luxembourg S.A., Luxembourg	100.00	808,006.3	37,333.0
Deka Investment GmbH, Frankfurt/Main	100.00	93,183.1	362,856.9[3]
Deka Immobilien Investment GmbH, Frankfurt/Main	100.00	70,009.7	125,839.5[3]
S Broker AG & Co. KG, Wiesbaden	100.00	43,094.9	10,311.0
Deka Vermögensmanagement GmbH, Frankfurt/Main	100.00	26,960.0	36,267.6[3]
IQAM Invest GmbH, Salzburg	100.00	5,525.7	1,766.1
Deka Beteiligungsgesellschaft mbH, Frankfurt/Main	100.00	3,668.7	– 383.0
bevestor GmbH, Frankfurt/Main	100.00	3,600.0	– 8,148.8[3]
Deka Vermögensverwaltungs GmbH, Frankfurt/Main	100.00	365.4	– 745.9[3]
Deka Investors Spezial InvAG m.v.K. u. TGV (TGV Unternehmensaktien), Frankfurt/Main	100.00	232.1	– 8.1
IQAM Partner GmbH, Vienna	100.00	196.7	– 5.4
Deka Treuhand GmbH, Frankfurt/Main	100.00	168.9	10.8
Privates Institut für quantitative Kapitalmarktforschung der DekaBank GmbH, Frankfurt/Main	100.00	49.3	– 0.5[3]
Deka Verwaltungs GmbH, Frankfurt/Main	100.00	39.8	– 0.3
LBG Leasing Beteiligungs-GmbH, Frankfurt/Main	100.00	30.8	– 0.3
Deka Treuhand Erwerbsgesellschaft mbH, Frankfurt/Main	100.00	25.0	– 7.9[3]
SWIAT GmbH, Frankfurt/Main	100.00	25.0	0.0
Deka Vorratsgesellschaft 03 mbH, Frankfurt/Main	100.00	24.8	– 0.3[3]
Deka Vorratsgesellschaft 04 mbH, Frankfurt/Main	100.00	24.8	– 0.3[3]
Deka Vorratsgesellschaft 05 mbH, Frankfurt/Main	100.00	24.8	– 0.3[3]
WestInvest Gesellschaft für Investmentfonds mbH, Düsseldorf	99.74	11,338.6	44,501.6[3]
WIV GmbH & Co. Beteiligungs KG, Frankfurt/Main	94.90	12,829.7	729.7
WIV Verwaltungs GmbH, Frankfurt/Main	94.90	78.2	2.5
Equity investments			
Dealis Fund Operations GmbH i.L., Frankfurt/Main	50.00	32,818.4	– 35.1
S-PensionsManagement GmbH, Cologne	50.00	27,307.3	– 762.2
Deka-Neuburger Institut für wirtschaftsmathematische Beratung GmbH, Frankfurt/Main	50.00	20.9	0.4
Indirect shares in affiliated companies			
Deka International S.A., Luxembourg	100.00	106,732.4	29,269.0
Deka Real Estate International GmbH, Frankfurt/Main	100.00	4,281.1	1,604.4
Deka Far East Pte. Ltd., Singapore	100.00	3,411.4	1,681.0
Deka Real Estate Services USA Inc., New York	100.00	2,605.0	297.6
Deka Immobilien Luxembourg S.A., Luxembourg	100.00	755.8	– 273.0
S Broker Management AG, Wiesbaden	100.00	466.7	260.5

Name, registered office	Share of equity %	Equity[1] €'000	Result[2] €'000
Indirect equity investments			
Sparkassen Pensionskasse AG, Cologne	50.00	91,495.3	2,182.6
Sparkassen Pensionsfonds AG, Cologne	50.00	3,287.0	91.5
Heubeck AG, Cologne	30.00	7,592.4	1,449.8
Richttafeln-Unterstützungskasse GmbH, Cologne	30.00	223.0	–8.0
Dr. Heubeck Ges. mbH, Vienna	30.00	198.0	28.0
Heubeck Richttafeln GmbH, Cologne	30.00	80.0	85.0
Compendata Gesellschaft zur Verwaltung von Vorsorgeeinrichtungen mbh, Cologne	30.00	24.0	–278.0
DPG Deutsche Performancemessungs-Gesellschaft für Wertpapierportfolios mbH, Frankfurt/Main	22.20	4,089.2	795.3

[1] Definition of equity according to Section 266 (3 A) in conjunction with Section 272 HGB.
[2] Net profit/net loss according to Section 275 (2) No. 20 HGB
[3] A profit transfer agreement has been concluded with these companies.

With effect from 1 January 2021, DekaBank acquired (directly or indirectly) 100% of the shares in IQAM Invest GmbH, Vienna, and IQAM Partner GmbH, Salzburg.

Off-balance sheet contingent liabilities

5 Letter of comfort

Except in the case of political risk, DekaBank will ensure that the subsidiary included in the consolidated financial statements, Deka Verwaltungsgesellschaft Luxembourg S.A., Luxembourg (formerly DekaBank Deutsche Girozentrale Luxembourg S.A., Luxembourg), can meet its commitments.

6 Other financial commitments

There are contribution commitments amounting to €0.1m with regard to companies in which the Bank has invested (previous year: €0.1m).

There is an obligation to put up additional capital amounting to €5.1m for HELICON Verwaltungs¬gesell¬schaft mbH & Co. Immobilien KG, Pullach (previous year: €5.1m).

There is an additional funding obligation for the deposit protection reserve of the Landesbanken and Girozentralen of €53.1m (previous year: €79.6m). By 2024, the assets of the deposit guarantee scheme must be increased to the statutory target level of 0.8% of the covered deposits of its member institutions. The deposit guarantee scheme collects annual levies from its members for this purpose.

Together with a subsidiary, DekaBank uses a liquidity waiver in accordance with Article 8 CRR. Within this context, an agreement has been concluded between the two companies which ensures a free flow of financial resources between them.

Notes to the balance sheet

7 Due from banks

€m	31 Dec 2021	31 Dec 2020
This item includes:		
Receivables		
to affiliated companies	–	–
to companies in which an interest is held	52.1	8.2
Subordinated loans	**–**	**–**
Sub item b (other claims) – breaks down according to residual term to maturity as follows:		
less than 3 months	1,094.0	1,432.8
> 3 months to 1 year	1,171.4	1,007.4
> 1 year to 5 years	1,108.2	1,353.1
> than 5 years	301.2	450.3
	3,674.8	**4,243.6**
Used as cover funds	**23.3**	**26.2**

8 Due from customers

€m	31 Dec 2021	31 Dec 2020
This item includes:		
Receivables		
to affiliated companies	595.1	461.1
to companies in which an interest is held	8.7	9.4
Subordinated loans	**–**	**–**
This item – Due to customers – breaks down by residual term to maturity as follows:		
with indefinite term to maturity	2,271.2	533.1
less than 3 months	737.9	2,279.4
> 3 months to 1 year	2,468.5	1,625.2
> 1 year to 5 years	11,390.3	11,266.6
> than 5 years	7,893.1	7,139.9
	24,761.0	**22,844.2**
Used as cover funds	**4,955.4**	**4,605.6**

9 Bonds and other fixed-interest securities

€m	31 Dec 2021	31 Dec 2020
This item includes:		
marketable securities		
listed	8,015.6	9,196.3
unlisted	950.6	1,041.2
Subordinated securities	**–**	**–**
Securities due within one year	**1,774.4**	**2,303.3**
Used as cover funds	**466.7**	**675.0**
Book value of securities valued according to the moderate-lower-of-cost-or-market principle	5,082.1	4,670.1
Book value of securities reported at more than fair value	621.8	38.3
Market value of securities reported at more than fair value	617.3	37.4

The Bank intends to hold those securities allocated to the ‘Securities held as fixed assets’ category on a permanent basis. These securities are valued under the moderate lower-of-cost-or-market principle. The current value fluctuations are not assessed as permanent and repayment in full is expected on maturity.

The securities measured at the moderate-lower-of-cost-or-market principle were distinguished from the securities measured at the strict-lower-of-cost-or-market principle on the basis of the category applied in the portfolio.

10 Shares and other non-fixed interest securities

€m	31 Dec 2021	31 Dec 2020
This item includes:		
marketable securities		
listed	–	–
unlisted	39.1	230.0
Subordinated securities	**–**	**–**

11 Trading portfolio (assets)

This item breaks down as follows:

€m	31 Dec 2021	31 Dec 2020
Derivative financial instruments	6,245.3	8,093.1
Receivables	14,403.6	11,202.1
Debt securities and other fixed-interest securities	8,624.9	13,418.3
Shares and other non fixed-interest securities	3,422.4	2,049.6
Other assets	75.2	17.2
Risk mark-down	−41.0	−35.2
Total	**32,730.4**	**34,745.1**

12 Equity investments

As in the previous year, this item does not include any marketable securities.

13 Shares in affiliated companies

As in the previous year, this item does not include any marketable securities.

14 Trust assets

The reported trust assets comprise amounts due from banks of €73.7m and amounts due from customers of €80.5m.

15 Tangible assets

This item comprises property, plant and equipment amounting to €24.0m (previous year: €18.9m).

16 Changes in fixed assets

Development in intangible assets and property, plant and equipment

€m						Carrying value	
Asset items	**Cost of acquisition/ production**	**Additions**	**Disposals**	**Accumu-lated depreciation**	**Depre-ciation for the year**	**31 Dec 2021**	**31 Dec 2021**
Intangible assets	453.9	4.7	102.9	143.2	33.7	212.5	242.0
Property, plant and equipment	80.4	9.9	32.6	33.0	3.8	24.7	18.9
Total						**237.2**	**260.9**

Development in equity investments, shares in affiliated companies and securities

€m	1 Jan 2021	Changes +/– [1]	31 Dec 2021
Equity investments	17.9	8.3	26.2
Shares in affiliated companies	481.4	27.9	509.3
Securities held as fixed assets	4,670.1	412.0	5,082.1
Total	**5,169.4**		**5,617.6**

[1] The aggregation option under Section 34 (3) RechKredV was utilised.

The goodwill relates to the business activities of DekaBank Deutsche Girozentrale Luxembourg branch acquired in 2020. It is amortised over an average useful life of ten years. In determining the useful life, it was assumed that business activities will continue unchanged. Goodwill amounted to €202.1m as of 31 December 2021 (previous year: €229.6m). No significant changes are expected for the future development of the sector or the company.

17 Other assets

€m	31 Dec 2021	31 Dec 2020
This item includes amongst others:		
Tax refund claims	96.8	134.0
Foreign exchange equalisation items	–	727.6
Premiums paid and margins for derivative financial instruments	18.3	7.3

18 Prepaid expenses and accrued income

€m	31 Dec 2021	31 Dec 2020
This item includes:		
Premium/discount from underwriting and lending business	74.9	75.8
Prepaid expenses and accrued income – derivative financial instruments	304.0	357.1

19 Genuine repurchase agreements

As at 31 December 2021, the book value of lent securities or securities sold under repurchase agreements amounts to €1,549.6m (previous year: €3,206,8m). Pass-through securities lending transactions of €6,434.9m (previous year: €5,919.1m) were also carried out.

20 Collateral transfer for own liabilities

As well as the receivables serving as the cover pool for issued Pfandbriefe, assets were also transferred as collateral for the following own liabilities:

€m	31 Dec 2021	31 Dec 2020
Due to banks	207.0	637.9
Due to customers	165.2	161.0
Trading portfolio (liabilities)	10,782.0	9,138.4

The collateral was provided mainly for borrowings as part of genuine repurchase agreements and for open market transactions with Deutsche Bundesbank. In addition, securities with a book value of €2,863.7m (previous year: €2,376.4m) were pledged as collateral for transactions on German and foreign futures exchanges.

21 Investment Shares

€m	Carrying value as at 31 Dec 2021	Market value 31 Dec 2021	Difference market value – carrying value	Distribution 2021	Daily redemption possible	Omitted depreciation
Equity funds	87.3	88.6	1.3	1.6	Yes	No
Bond funds	213.9	213.9	0.0	3.8	Yes	No
Mixed funds	438.6	596.8	158.2	–	Yes	No
Total	**739.8**	**899.3**	**159.5**			

22 Due to banks

€m	31 Dec 2021	31 Dec 2020
This item includes:		
Liabilities		
to affiliated companies	241.5	177.7
to companies in which an interest is held	–	–
Sub item b (with agreed maturity or period of notice) breaks down by residual term to maturity as follows:		
less than 3 months	3,745.1	4,047.0
> 3 months to 1 year	1,204.8	3,251.6
> 1 year to 5 years	5,205.7	3,939.9
> than 5 years	938.9	1,057.0
	11,094.5	**12,295.5**

23 Due to customers

€m	31 Dec 2021	31 Dec 2020
This item includes:		
Liabilities to		
affiliated companies	1,372.3	1,246.9
companies in which an interest is held	112.6	126.1
Sub item b (with agreed maturity or period of notice) breaks down by residual term to maturity as follows:		
less than 3 months	1,274.6	2,278.7
> 3 months to 1 year	404.1	2,600.4
> 1 year to 5 years	1,354.4	1,179.4
> than 5 years	905.9	1,095.1
	3,939.0	**7,153.6**

24 Securitised liabilities

€m	31 Dec 2021	31 Dec 2020
Proportion of sub item a (issued bonds) maturing in the following year	**646.5**	**1,321.8**
Sub item b (other securitised liabilities) breaks down by residual term to maturity as follows:		
less than 3 months	2,460.4	50.0
> 3 months to 1 year	–	224.9
	2,460.4	**274.9**

25 Trading portfolio (liabilities)

This item breaks down as follows:

€m	31 Dec 2021	31 Dec 2020
Derivative financial instruments	5,908.1	7,114.6
Liabilities	30,387.1	28,667.4
Total	**36,295.2**	**35,782.0**

26 Trust liabilities

Trust liabilities comprise €73.7m in amounts due to banks and €80.5m in amounts due to customers.

27 Other liabilities

€m	31 Dec 2021	31 Dec 2020
This item includes:		
Foreign exchange equalisation items	237.1	–
Bonuses for sales offices	184.6	132.3
Trade payables	61.4	48.2
Share of profit attributable to atypical silent partners	4.5	104.9
Due to custodial customers	1.6	4.8

28 Accruals and deferred income

€m	31 Dec 2021	31 Dec 2020
This item includes:		
Premium/discount from underwriting and lending business	23.2	17.6
Prepaid expenses and accrued income – derivative financial instruments	178.6	138.0

29 Provisions for pensions and similar commitments

Pension provisions were calculated using the Heubeck mortality tables 2018 G based on the following actuarial parameters:

in %	31 Dec 2021
Pension trend for adjustments according to Section 16 (2) Company Pensions Fund Act (BetrAVG)	1.75
Pension adjustment with overall trend updating	2.00
Salary trend	2.50

The above parameters are not relevant for the valuation of fund-based commitments as these are not dependent on the final salary.

For the forfeitable projected benefits, in addition to the staff turnover profile published by Heubeck Richttafeln GmbH, the calculation uses a parameter level of 1.5.

Provisions for pensions and similar commitments are discounted at the average market interest rate of the past 10 years published by Deutsche Bundesbank for an assumed residual time to maturity of 15 years. This interest rate stands at 1.87%. The difference arising under section 253 (6) HGB between the amount of provision recognised when discounting using an average market interest rate of the past 10 financial years, and the provision amount when discounting using an average market rate of the past seven financial years (1.35%), is €41.5m.

€m	31 Dec 2021	31 Dec 2020
Provisions for pensions	**31.5**	**39.2**
Acquisition cost of plan assets	357.8	351.7
Fair value of plan assets	601.4	525.3
Settlement amount of offset liabilities	632.8	564.5
Income from plan assets	71.6	– 1.9
Expenses for accumulated interest	12.8	14.4
Excess of plan assets over pension liabilities	**0.0**	**0.0**

The valuation of cover assets at fair value produces an amount that exceeds the historical cost of these assets of €243.6m, which is not blocked for distribution in accordance with section 268 (8) HGB, since the free reserves of the company exceed this figure.

30 Provisions

€m	31 Dec 2021	31 Dec 2020
Provisions in investment funds business	498.7	411.7
Provisions for restructuring measures	0.8	28.2
Provisions for legal risks	13.9	2.3
Provisions for credit risks	2.9	1.8
Provisions for operational risks	4.3	3.8
Provisions in human resources	130.9	104.0
Sundry other provisions	198.6	161.8
Total	**850.1**	**713.6**

DekaBank performed voluntary investigations 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 possibility of a claim in the amount of €3.8m being asserted against DekaBank in this regard due to its function as custodian cannot be ruled out in all probability. As a result, a provision for operational risks was set up in the corresponding amount as at 31 December 2020. This scenario was unchanged as at 31 December 2021.

Provisions for legal risks relate primarily to the ruling by the German Federal Court of Justice (BGH) on 27 April 2021, rendering amendments to the General Terms and Conditions of Business (GTCs) concerning fee adjustments partially ineffective. DekaBank has reviewed the relevant customer agreements and set up a provision for legal risks in the amount of €12.6m for potential claims for the repayment of fees.

31 Subordinated liabilties

€m	31 Dec 2021	31 Dec 2020
Expenses from subordinated liabilities	62.6	60.7
Accrued interest on subordinated liabilities	42.0	40.9

The borrowings below exceed 10% of the total amount of subordinated liabilities:

Issue	Nominal amount €m	Year of issue	Interest rate in % p.a.	Maturity
AT 1	473.6	2014	6.00	--

An additional AT1 bond in the amount of €125m was issued in the reporting year.

The conversion of these funds into capital or another form of debt has not been agreed and is not planned. There is no early repayment obligation.

32 Equity

The breakdown of equity (excluding profits intended to distribute) is as follows:

€m	31 Dec 2021	31 Dec 2020
a) Subscribed capital		
Subscribed capital	191.7	191.7
Atypical silent capital contributions	0.0	52.4
b) Capital reserve	239.5	189.4
c) Retained earnings		
Other retained earnings	165.4	165.4
Balance sheet equity	**596.6**	**598.8**

On 10 November 2021 (“closing date”), the atypical silent partnerships of DSGV ö.K. and Deka Erwerbsgesellschaft mbH & Co. KG were dissolved and contributed to DekaBank. The contribution was made by means of the contribution in kind of the atypical silent partnerships to the capital reserve in connection with a cash capital increase amounting to €10.6 thousand (the “transformation of atypical silent partnership”). The contribution of the atypical silent partnerships to the capital reserve and the implementation of the cash capital increase results in a corresponding change in equity. As a result, the capital reserve increased by the nominal amount of the atypical silent capital contributions. At the same time, DekaBank acquired a small volume of future tax reduction potential as part of the recognition of the tax carrying values of the contributing partners. This was offset by a compensation payment of €2.3m, which was also offset against the capital reserve. All in all, this means that the capital reserve increased by €50.1m.

33 Contingent and other liabilities

The off-balance sheet contingent liabilities amounting to €5,427.6 (previous year: €4,998.8m) include guarantees and sureties as well as liabilities under CDS transactions as protection seller. The item primarily includes liabilities arising from warranty obligations in the amount of €5,289.4m (previous year: €4,858.5m). The other liabilities consist of irrevocable lending commitments of €1,415.1m (previous year: €1,345.2m). Based on the credit rating analyses carried out, it can essentially be assumed that borrowers will meet their commitments and no utilisation is therefore expected. Loan provisions that were deducted from the items were recognised in individual cases where the default of the borrower is likely.

34 Foreign currency volumes

€m	31 Dec 2021	31 Dec 2020
Foreign currency assets	20,562.1	15,136.8
Foreign currency liabilities	8,908.0	3,623.4

Notes to the income statement

35 Net interest income from trading portfolio

€25.1m (previous year: €17.5m) of the net income from the trading portfolio totalling €225.8m (previous year: €157.3m) was transferred to the fund for general banking risks in the reporting year.

36 Other operating income

Other operating income consists mainly of €293.3m from Group offsetting and €75.0m from the reversal of provisions (including interest effect of €58.9m).

37 Other operating expenses

Among other things, this item includes €23.0m in transfers to provisions. In addition, this item includes €4.1m in expenses from Group offsetting as well as the currency translation result of €3.6m from non-trading portfolio items.

38 Fees for auditors

In accordance with section 285 sentence 1 no. 17 HGB, the total fee paid to the statutory auditors is not shown, since the corresponding information is included in the consolidated financial statements of DekaBank Deutsche Girozentrale.

39 Income taxes

As an institution incorporated under public law, DekaBank's income for tax purposes is subject to corporation tax, the solidarity surcharge and trade tax. This results in a combined tax rate of 31.90% for the companies in the DekaBank fiscal group. Current income tax assets or liabilities are calculated at the current tax rates expected for payments to or refunds from the tax authorities.

The atypical silent partnerships that have existed since 1999 were dissolved in the reporting year by way of a contribution to DekaBank's capital reserve. This eliminates the provision governing the entitlement to reclaim amounts for corporation tax and the solidarity surcharge that applied for the atypical silent partners to the extent of their interest (45.6%) up until 2020. There will now merely be corrections for previous years if the tax assessment bases change, for example in connection with a tax audit.

On 15 July 2021, the Federal Ministry of Finance (BMF) published a revised circular dated 9 July 2021 on the tax treatment of share trades around the dividend record date. Compared with the original BMF circular dated 17 July 2017, this BMF circular sets out more specific information on the requirements for relief from capital yields tax, as well as on the legal consequences in the event of refusal to allow relief for share trades around the dividend record date. Based on the opinion of the tax authorities set out in the revised BMF circular dated 9 July 2021 on the tax treatment of share trades around the dividend record date, there are tax risks in connection with relief from capital yields tax on share transactions made around the dividend record date in the years 2013 to 2015. Nevertheless, DekaBank still sees no convincing reason to believe that the share trades it transacted around the dividend record date will fall under the scope of section 42 of the German Tax Code. In the case of its share trades, DekaBank also believes that there was a transfer of beneficial ownership and therefore considers it more unlikely than not that a final claim will be made in this regard. Since a degree of uncertainty remains as to how the tax authorities and fiscal courts will ultimately assess the share trades concerned, it is considered likely that enforcing this legal position will require recourse to courts of law. As at 31 December 2021, the related provision amounts to €50.5m, and the associated receivable corrections total €61.3m.

40 Management and intermediary services for third parties

In the course of ordinary business activities within the Deka Group, transactions with Group companies are concluded at arm’s length. The unconsolidated subsidiaries receive services from DekaBank free of charge as part of general business management services. This also applies to three subsidiaries included in the consolidated financial statements of the Deka Group that do not employ any staff of their own.

The management and intermediary services provided for third parties outside the Group relate to custody account management, in particular.

Information relating to *Pfandbrief* business

41 Calculation of cover for mortgage and public sector lending business

Mortgage *Pfandbriefe*

Outstanding Pfandbriefe and cover pool assets

	Nominal value		Net present value[1]	
€m	2021	2020	2021	2020
Outstanding mortgage Pfandbriefe	465.0	195.0	467.1	198.1
Cover pool mortgage Pfandbriefe	1,021.6	1,015.9	1,067.5	1,072.1
Overcollateralization	556.6	820.9	600.5	874.1
Overcollateralization as a % of outstanding	119.7	421.0	128.6	441.3

[1] Net present values according to vdp credit quality differentiation model

Outstanding Pfandbriefe and cover pool assets – risk adjusted net present values[2]

	Risk-adjusted net present value + 250 BP		Risk-adjusted net present value −250 BP		Risk-adjusted net present value Currency stress	
€m	2021	2020	2021	2020	2021	2020
Outstanding mortgage Pfandbriefe	431.6	184.7	507.1	213.0	431.6	184.7
Cover pool mortgage Pfandbriefe	990.7	1,001.4	1,156.9	1,153.3	990.7	1,001.4
Overcollateralization	559.0	816.8	649.8	940.2	559.0	816.8
Overcollateralization as a % of outstanding	129.5	442.3	128.1	441.4	129.5	442.3

[2] Net present values according to with the static approach pursuant to the Pfandbrief Net Present Value Directive (PfandBarwertV)

Outstanding and cover pool *Pfandbriefe* are denominated exclusively in euros.

Maturity structure

Maturity ranges	Outstanding mortgage Pfandbriefe		Cover pool mortgage Pfandbriefe	
€m	2021	2020	2021	2020
up to 6 months	20.0	0.0	0.0	20.2
> 6 months to 12 months	25.0	10.0	111.3	56.8
> 12 months to 18 months	40.0	20.0	25.0	0.0
> 18 months to 2 years	20.0	25.0	16.2	207.0
> 2 years to 3 years	80.0	60.0	248.9	67.2
> 3 years to 4 years	180.0	30.0	240.2	250.5
> 4 years to 5 years	50.0	50.0	156.4	217.0
> 5 years to 10 years	50.0	0.0	223.5	197.1
> 10 years	0.0	0.0	0.0	0.0
Total	**465.0**	**195.0**	**1,021.6**	**1,015.9**

Breakdown of cover pool assets by size

	Total nominal value	
€m	**2021**	**2020**
Ordinary cover:		
up to €0.3m[1]	0.0	0.0
> €0.3m to €1.0m[1]	0.0	0.0
> €1.0m to €10.0m[1]	10.3	0.0
> €10.0m[1]	986.3	980.9
	996.6	**980.9**
Other cover pool assets[1]	25.0	35.0
Total	**1,021.6**	**1,015.9**

[1] secured by mortgages

Additional information

	2021	**2020**
Share of fixed-interest assets outstanding (in %)	100.0	100.0
Share of fixed-interest assets in cover pool (in %)	74.4	77.1
Volume-weighted average age of receivables (in years)	3.1	3.2
Average weighted mortgage loan-to-value (in %)	59.4	59.3

As in the previous year, the cover pool assets do not include any derivatives.

Total amount of additional cover pool assets

€m	**2021**	**2020**
Cover pool assets according to Section 19 (1) no. 2 PfandBG		
based in: Germany	25.0	35.0
thereof exposure in covered bonds according to Article 129 Regulaton (EU) no. 575/2013	0.0	0.0

Breakdown of cover pool assets by type of use

Total amounts	**Federal Republic of Germany**		**France**		**Total**	
€m	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Commercial use	452.5	349.5	544.1	631.4	996.6	980.9
Other cover pool assets[1]	25.0	35.0	0.0	0.0	25.0	35.0
Total	**477.5**	**384.5**	**544.1**	**631.4**	**1,021.6**	**1,015.9**

[1] Including mandatory overcollateralization/safeguarding liquidity

Breakdown of cover pool assets by type of building

Total amounts	**Federal Republic of Germany**		**France**		**Total**	
€m	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Office buildings	328.6	233.8	544.1	566.5	872.7	800.3
Retail buildings	0.0	0.0	0.0	64.8	0.0	64.8
Other commercial buildings	124.0	115.7	0.0	0.0	124.0	115.7
Other cover pool assets[1]	25.0	35.0	0.0	0.0	25.0	35.0
Total	**477.5**	**384.5**	**544.1**	**631.4**	**1,021.6**	**1,015.9**

[1] Including mandatory overcollateralization/safeguarding liquidity

As in the previous year, there were no claims in the cover pool assets which were in arrears by or non-performing for more than 90 days as at the reporting date.

As in the previous year, there were no foreclosure sales or forced administration procedures pending at the year-end.

As in the previous year, no foreclosure sales were carried out in financial year 2021.

As in the previous year, the Bank did not have to take over any property to prevent losses on mortgages.

As in the previous year, there were no arrears on interest payable on the mortgage debt.

Public sector *Pfandbriefe*

Outstanding Pfandbriefe and cover pool assets

	Nominal value		Net present value[1]	
€m	**2021**	**2020**	**2021**	**2020**
Outstanding public sector Pfandbriefe	3,666.4	3,463.8	3,802.7	3,724.9
Cover pool public sector Pfandbriefe	4,423.8	4,291.0	4,618.3	4,629.3
Overcollateralization	757.4	827.2	815.6	904.4
Overcollateralization as a % of outstanding	20.7	23.9	21.4	24.3

[1] Net present values according to vdp credit quality differentiation model

Outstanding Pfandbriefe and cover pool assets – risk adjusted net present values[2]

	Risk-adjusted net present value + 250 BP		Risk-adjusted net present value −250 BP		Risk-adjusted net present value Currency stress	
€m	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Outstanding public sector Pfandbriefe	3,420.6	3,345.4	4,276.7	4,201.5	3,420.6	3,345.4
Cover pool public sector Pfandbriefe	4,093.9	4,087.5	5,335.8	5,392.3	4,074.1	4,065.7
Overcollateralization	673.3	742.1	1,059.1	1,190.7	653.5	720.3
Overcollateralization as a % of outstanding	19.7	22.2	24.8	28.3	19.1	21.5

[2] Net present values according to the static approach pursuant to the Pfandbrief Net Present Value Directive (PfandBarwertV)

Maturity structure

Maturity ranges	Outstanding public sector Pfandbriefe		Cover pool public sector Pfandbriefe	
€m	**2021**	**2020**	**2021**	**2020**
up to 6 months	423.0	281.9	78.5	125.1
> 6 months to 12 months	170.0	0.5	8.0	84.1
> 12 months to 18 months	525.0	673.0	287.5	79.4
> 18 months to 2 years	15.0	190.0	206.4	15.9
> 2 years to 3 years	621.9	545.0	406.4	585.5
> 3 years to 4 years	290.0	369.7	379.9	348.2
> 4 years to 5 years	324.0	290.0	255.6	325.5
> 5 years to 10 years	901.9	718.9	1,477.3	1,348.1
> 10 years	395.6	394.7	1,324.2	1,379.1
Total	**3,666.4**	**3,463.8**	**4,423.8**	**4,291.0**

Breakdown of cover pool assets by size

€m	Total nominal value 2021	2020
Ordinary cover:		
up to €10.0m	161.1	107.2
> €10.0m to €100.0m	2,139.4	1,787.1
> €100.0m	2,123.3	2,396.6
	4,423.8	**4,291.0**
Other cover pool assets	0.0	0.0
Total	**4,423.8**	**4,291.0**

Additional information

	2021	2020
Share of fixed-interest assets outstanding (in %)	100.0	100.0
Share of fixed-interest assets in cover pool (in %)	78.5	70.7
Net present values for each foreign currency in €m:		
USD	118.9	130.7

As in the previous year, the cover pool assets do not include any derivatives.

Total amount of additional cover pool assets

€m	2021	2020
Cover pool assets according to Section 20 (2) no. 2 PfandBG		
based in: Germany	0.0	0.0
thereof exposure in covered bonds according to Article 129 Regulaton (EU) no. 575/2013	0.0	0.0

Distribution of cover pool assets

Total nominal value of cover pool assets by country/type

	Sovereign		Regional authorities		Local authorities		Other debtors		Total	
€m	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Federal Republic of Germany	101.0	151.7	572.9	640.3	2,481.6	2,016.2	615.0	737.8	3,770.5	3,546.0
Denmark	0.0	0.0	0.0	0.0	0.0	0.0	106.3	70.7	106.3	70.7
Canada	0.0	0.0	21.7	20.0	0.0	0.0	0.0	0.0	21.7	20.0
Latvia	0.0	0.0	0.0	0.0	87.4	104.7	0.0	0.0	87.4	104.7
Netherlands	132.6	147.0	0.0	0.0	0.0	0.0	0.0	0.0	132.6	147.0
Norway	37.5	50.0	0.0	0.0	0.0	0.0	0.0	0.0	37.5	50.0
United States of America	64.4	100.4	0.0	0.0	0.0	0.0	0.0	0.0	64.4	100.4
United Kingdom of Great Britain and Northern Ireland	203.4	252.2	0.0	0.0	0.0	0.0	0.0	0.0	203.4	252.2
Total	**538.9**	**701.3**	**594.6**	**660.3**	**2,569.0**	**2,120.8**	**721.3**	**808.5**	**4,423.8**	**4,291.0**

of which: guarantees from export credit agencies

€m	2021	2020
Federal Republic of Germany	101.0	151.7
Denmark	106.3	70.7
Canada	0.0	0.0
Latvia	0.0	0.0
Netherlands	132.6	147.0
Norway	37.5	50.0
United States of America	64.4	100.4
United Kingdom of Great Britain and Northern Ireland	203.4	252.2
Total	**645.2**	**771.9**

As in the previous year, there were no claims in the cover pool assets that were in arrears by more than 90 days as at the reporting date.

Other information

42 Average number of staff

Number	2021			2020		
	Male	Female	Total	Male	Female	Total
Full-time employees	1,761	700	2,461	1,768	710	2,478
Part-time and temporary employees	198	601	799	170	575	745
Total	**1,959**	**1,301**	**3,260**	**1,938**	**1,285**	**3,223**

43 Remuneration of Board members

€	2021	2020
Remuneration of active Board members		
Board of Management	5,620,436	5,232,631
Administrative Board	992,500	944,583
Remuneration paid to former Board members and surviving dependants		
Board of Management	3,841,374	3,815,136
Provisions for pension commitments to these persons	51,652,883	48,625,189

The remuneration for active members of the Board of Management indicated above comprises all remuneration granted and benefits in kind in the respective financial year. These also include variable components that are attributable to previous years and are thus dependent on business performance in earlier periods.

In the financial year 2021, variable remuneration elements in the amount of €2.1m (previous year: €2.8m) were committed to active members of the Board of Management, which are dependent on future performance.

Half of the variable remuneration components to which an entitlement does not already arise in the year of the commitment and that are paid out at a later date (deferred variable remuneration components) are granted in the form of cash payments and half in the form of instruments. All deferred variable remuneration components are subject to a waiting period of up to five years, during which they can be reduced or forfeited entirely in accordance with the statutory provisions if targets are not met at individual, company or Group level.

The value of the instruments depends on the sustainable performance of the Deka Group. The instruments are subject to a one-year holding period following the end of the waiting period and are paid out after that period has elapsed. In the event of serious misconduct or breaches of duty, even those variable remuneration components that have already been paid out can still be claimed back for a period of up to two years after the end of the last waiting period for the financial year in question.

The total benefits include deferred variable remuneration components from previous years payable to active members of the Board of Management in the amount of €1.5m and to former members of the Board of Management in the amount of €0.8m. Active members of the Board of Management are to receive an amount of €0.4m for financial year 2020, €0.5m for financial year 2019, €0.2m for financial year 2018, €0.2m for financial year 2017, €0.2m for financial year 2016 and €0.1m for financial year 2015.

44 Loans to board members

No loans or advances were granted to the members of the Board of Management or Administrative Board, nor were there any contingent liabilities in favour of these persons.

45 Post balance sheet events

The military escalation of the conflict between Russia and Ukraine is creating geopolitical tensions, the impact of which is still impossible to fully predict. If, however, the implications of the conflict translate into long-term stress on the economy and capital markets, and the current situation continues for a prolonged period or is exacerbated further, it is impossible to rule out a scenario in which the earnings, risk and capital situation, as well as the corresponding key management indicators, show less favourable development than that presented in the forecast report. As a result, additional information has been included in the forecast report of the management report.

There was no gross loan volume and no country limit for counterparties in Ukraine and Belarus at the end of 2021. The gross loan volume for counterparties in Russia came to €75m. Due to the securing of loans through ECA guarantees for energy supply financing, the net loan volume attributable to Russia was substantially lower than the gross loan volume at around €4m.

46 Recommendation regarding appropriation of net profit

The proposed appropriation of the net profit for the 2021 financial year of €200,176,560.00 is as follows:

- Distribution of a dividend amounting to €200,176,560.00, i.e. 104.4% on existing shares in the Bank's subscribed capital (€191,740,000.00) that are entitled to dividends as at 31 December 2021.

Seats on supervisory bodies

47 Notes to seats on supervisory bodies (as at 31.01.2022)

Dr. Georg Stocker (Chairman of the Board of Management)		
- none -		

Dr. Matthias Danne (Deputy Chairman of the Board of Management)		
Chairman of the Supervisory Board	Deka Investment GmbH	Frankfurt/Main
Chairman of the Supervisory Board	Deka Vermögensmanagement GmbH	Frankfurt/Main
Chairman of the Supervisory Board	Deka Immobilien Investment GmbH	Frankfurt/Main
Chairman of the Supervisory Board	WestInvest Gesellschaft für Investmentfonds mbH	Düsseldorf
Deputy Chairman of the Supervisory Board	S-PensionsManagement GmbH	Cologne
Deputy Chairman of the Supervisory Board	Sparkassen Pensionskasse AG	Cologne
Chairman of the Supervisory Board	Sparkassen Pensionsfonds AG	Cologne
Managing Director	Deka Treuhand Erwerbsgesellschaft mbH	Frankfurt/Main

Birgit Dietl-Benzin (Member of the Board of Management)		
Deputy Chairman of the Supervisory Board	Deka Investment GmbH	Frankfurt/Main
Deputy Chairman of the Supervisory Board	Deka Vermögensmanagement GmbH	Frankfurt/Main
Deputy Chairman of the Supervisory Board	Deka Immobilien Investment GmbH	Frankfurt/Main
Deputy Chairman of the Supervisory Board	WestInvest Gesellschaft für Investmentfonds mbH	Düsseldorf
Deputy Chairman of the Supervisory Board	S Broker AG & Co. KG	Wiesbaden
Member of the Supervisory Board	S Broker Management AG	Wiesbaden
Member of the Administrative Board and Chairman of the Audit Committee	FMS Wertmanagement AöR	Munich

Daniel Kapffer (Member of the Board of Management)		
Chairman of the Supervisory Board	S Broker AG & Co. KG	Wiesbaden
Chairman of the Supervisory Board	S Broker Management AG	Wiesbaden
Deputy Chairman of the Supervisory Board	bevestor GmbH	Frankfurt/Main
Deputy Chairman of the Administrative Board	Deka Verwaltungsgesellschaft Luxembourg S.A.	Luxembourg

Torsten Knapmeyer (Member of the Board of Management from 01.04.2021)		
Member of the Supervisory Board	S Broker AG & Co. KG	Wiesbaden

Martin K. Müller (Member of the Board of Management)		
Chairman of the Administrative Board	Deka Verwaltungsgesellschaft Luxembourg S.A.	Luxembourg
Member of the Supervisory Board (until 31.12.2021)	Sparkassen Rating und Risikosysteme GmbH	Berlin
Managing Director	Deka Treuhand Erwerbsgesellschaft mbH	Frankfurt/Main

48 Notes to the Board members of DekaBank Girozentrale (as at 31.01.2022)

Board of Management

Dr. Georg Stocker
Chairman of the Board of Management

Dr. Matthias Danne
Deputy Chairman of the Board of Management

Birgit Dietl-Benzin
Member of the Board of Management

Daniel Kapffer
Member of the Board of Management

Torsten Knapmeyer
Member of the Board of Management
(from 01.04.2021)

Martin K. Müller
Member of the Board of Management

Administrative Board

Helmut Schleweis
Chairman
President of the German Savings Banks
and Giro Association e.V.
President of the German Savings Banks
and Giro Association ö.K.

Walter Strohmaier
Member
First Deputy Chairman
Federal Chairman and Chairman of the Board of
Management of Sparkasse Niederbayern-Mitte

Thomas Mang
Member
Second Deputy Chairman
President of the Savings Banks Association
of Lower Saxony

Additional representatives elected by the Shareholders' Meeting

Michael Bräuer
Chairman of the Board of Management of
Sparkasse Oberlausitz-Niederschlesien

Michael Breuer
President of the Rhineland Savings Banks
and Giro Association

Ingo Buchholz
Chairman of the Board of Management
of Kasseler Sparkasse

Prof. Dr. Liane Buchholz
President of the Savings Banks Association
Westphalia-Lippe

Dr. Michael Ermrich
(until 31.12.2021)
Executive President of East German Savings Banks
Association

Ralf Fleischer
Chairman of the Board of Management of
Stadtsparkasse München

Andreas Fohrmann
(until 02.09.2021)
Chairman of the Board of Management of
Sparkasse Südholstein

Michael Fröhlich
(from 01.01.2021)
Chairman of the Board of Management of
Sparkasse Bielefeld

Gerhard Grandke
(until 31.12.2021)
Managing President of the Savings Banks
and Giro Association Hesse-Thuringia

Melanie Kehr
(from 01.01.2021)
Member of the Executive Board of Kreditanstalt
für Wiederaufbau

Dr. Stefan Kram
(from 01.01.2022)
Chairman of the Board of Management
of Kreissparkasse Herzogtum Lauenburg

Beate Läsch-Weber
President of the Savings Banks Association
Rhineland-Palatinate

Ludwig Momann
Chairman of the Board of Management
of Sparkasse Emsland

Tanja Müller-Ziegler
Member of the Board of Management of Berliner
Sparkasse

Stefan Reuß
(from 01.01.2022)
Executive President of the Savings Bank and Giro
Association Hesse-Thuringia

Prof. Dr. Ulrich Reuter
(from 01.01.2021)
President of the Savings Banks Association
Bavaria

Katrin Rohmann
Freelance auditor

Frank Saar
Chairman of the Board of Management of
Sparkasse Saarbrücken

Peter Schneider
President of the Savings Banks Association
Baden-Württemberg

Dr. jur Harald Vogelsang
Spokesman of the Board of Management
of Hamburger Sparkasse and
President of the Hanseatic Savings Banks
and Giro Association

Ludger Weskamp
(from 01.01.2022)
Executive President of the Eastern German
Savings Bank Association

Burkhard Wittmacher
Chairman of the Board of Management of
Kreissparkasse Esslingen-Nürtingen

Alexander Wüerst
Chairman of the Board of Management of
Kreissparkasse Cologne

Employee representatives appointed by the Staff Committee

Michael Dörr
(until 31.07.2021)
Chairman of the Staff Committee of DekaBank
Deutsche Girozentrale

Edwin Quast
Chairman of the Staff Committee of
DekaBank Deutsche Girozentrale

Barbara Wörfel
(from 01.08.2021)
Second Deputy Chairwoman of the Staff
Committee
of DekaBank Deutsche Girozentrale

Representatives appointed by the Federal Organisation of Central Municipal Organisations

Dr. Uwe Brandl
Mayor of the City of Abensberg and
First Vice President of the German Association of
Towns and Municipalities

Helmut Dedy
Managing Director of the German Association
of Cities

Prof. Dr. Hans-Günter Henneke
Managing Member of the Presiding Board of the
German County Association

Assurance of the Board of Management

We assure that to the best of our knowledge, the annual financial statements prepared in accordance with the applicable reporting standards convey a true and fair view of the net assets, financial position and results of operations of the Company and that the management report conveys a true and fair view of the business performance including the business results and position of the Company and suitably presents the material risks and opportunities and likely development of the Company.

Frankfurt/ Main, 7 March 2022

DekaBank
Deutsche Girozentrale

The Board of Management

Dr. Stocker	Dr. Danne	Dietl-Benzin
Kapffer	Knapmeyer	Müller

Note: This is a translation of the German original. Solely the original text in German language is authoritative.

Independent Auditor's Report

To DekaBank Deutsche Girozentrale AöR, Berlin/Frankfurt am Main

Report on the Audit of the Annual Financial Statements and of the Management Report

Opinions

We have audited the annual financial statements of DekaBank Deutsche Girozentrale AöR, Berlin/Frankfurt am Main, which comprise the balance sheet as at 31 December 2021, and the income statement for the financial year from 1 January to 31 December 2021 and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of DekaBank Deutsche Girozentrale AöR for the financial year from 1 January to 31 December 2021. In accordance with German legal requirements, we have not audited the content of those components of the management report specified in the "Other Information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to financial institutions and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2021, and of its financial performance for the financial year from 1 January to 31 December 2021, in compliance with German legally required accounting principles, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the management report does not cover the content of those components of the management report specified in the "Other Information" section of the auditor's report.

Pursuant to Section 322 (3) sentence 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the Opinions

We conducted our audit of the annual financial statements and of the 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 Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company 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 annual financial statements and on the management report.

Key Audit Matters in the Audit of the Annual Financial Statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual financial statements for the financial year from 1 January to 31 December 2021. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Valuation of the trading portfolio (assets)

For the accounting policies applied, please refer to note 2 in the notes to the financial statements.

THE FINANCIAL STATEMENT RISK

As at 31 December 2021, DekaBank recognised a trading portfolio under assets of EUR 32.7 billion. At 36.1% of total assets this represents a material 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 based on observable and/or unobservable market data was used.

The financial statement risk could lie in particular in there being no appropriate market prices, valuation methods and models, as well as valuation parameters incorporated therein, used for the determination of 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 control 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 as well as observable and unobservable market data,
- the validation of the valuation methods and models and
- 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.

We carried out, inter alia, the following substantive audit procedures for portfolios of securities and derivatives selected based on risk as at 31 December 2021:

- Carrying out an independent price verification in the event that there is a quoted price on an active market.
- Where there are no quoted prices on an active market, we performed a re-evaluation using independent valuation methods, parameters and models based on risk.
- Determination and recognition of value adjustments for fair value measurement.

OUR OBSERVATIONS

The market prices, valuation methods and models used by DekaBank to value financial assets held for trading are appropriate. The parameters incorporated were properly derived.

Valuation of the trading portfolio (liabilities) from the issuance of certificates
For the accounting policies applied, please refer to note 2 in the notes to the financial statements.

THE FINANCIAL STATEMENT RISK

The balance sheet item "trading portfolio" (liabilities) represents 40.0% (EUR 36.3 billion) of DekaBank's total equity and liabilities, thus constituting a material item on its balance sheet; it includes financial liabilities held for trading from the issuance of certificates that are valued on the basis of observable and unobservable inputs.

The financial statement risk could lie in particular in there being no appropriate market prices, valuation methods and models, as well as valuation parameters incorporated therein, used for the determination of 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 control 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 as well as observable and unobservable 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.

We carried out, inter alia, the following substantive audit procedures for certificates selected based on a risk-oriented approach as at 31 December 2021:

- Risk-based re-evaluation using independent valuation methods, parameters and models. In this process, we covered the significant product-model combinations used by DekaBank.
- Assessment of the discount curves used for the valuation of certificates.

OUR OBSERVATIONS

The valuation methods and models used by DekaBank for the valuation of financial liabilities held for trading from the issuance of certificates are appropriate. The parameters incorporated were properly derived.

Other information
Management and/or the Administrative Board are/is responsible for the other information. The other information comprises the separate non-financial report referred to in the management report. The other information also includes the remaining parts of the annual report.

The other information does not include the annual financial statements, the management report information audited for content and our auditor's report thereon.

Our opinions on the annual financial statements and on the 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 doing so, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the management report information audited for content or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of Management and the Administrative Board for the Annual Financial Statements and the Management Report

Management is responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to financial institutions, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles. In addition, management is responsible for such internal control as they, in accordance with German legally required accounting principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, management is responsible for assessing the Company'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, provided no actual or legal circumstances conflict therewith.

Furthermore, management is responsible for the preparation of the management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a 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 management report.

The Administrative Board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the management report.

Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual 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 annual financial statements and on the 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 annual financial statements and this management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the 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 controls.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the 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 management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness 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 Company'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 annual financial statements and in the 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 Company to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles.
- Evaluate the consistency of the management report with the annual financial statements, its conformity with [German] law, and the view of the Company's position it provides.
- Perform audit procedures on the prospective information presented by management in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by 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 annual 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

Report on the Assurance on the Electronic Rendering of the Annual Financial Statements and the Management Report Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB

We have performed assurance work in accordance with Section 317 (3a) HGB to obtain reasonable assurance about whether the rendering of the annual financial statements and the management report (hereinafter the "ESEF documents") contained in the electronic file "dekabank_JA_LB_ESEF-2021-12-31.xhtml“ (SHA256 hash value: e7079c138e25d8d6bed01fa9c0a240c237bc2c9042534ae7ab16a72c1dd2d649) made available and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the annual financial statements and the management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the annual financial statements and the management report contained in the electronic file made available, identified above and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying annual financial statements and the accompanying management report for the financial year from 1 January to 31 December 2021, contained in the "Report on the Audit of the Annual Financial Statements and of the Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

We conducted our assurance work of the rendering of the annual financial statements and the management report, contained in the file made available and identified above in accordance with Section 317 (3a) HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB (IDW AsS 410 (10.2021)). Our responsibility in accordance therewith is further described below. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in Audit Firms (IDW QS 1).

The Company's management is responsible for the preparation of the ESEF documents including the electronic renderings of the annual financial statements and the management report in accordance with Section 328 (1) sentence 4 item 1 HGB.

In addition, the Company's management is responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format.

The Administrative Board is responsible for overseeing the process of preparing the ESEF documents as part of the financial reporting process.

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB. We exercise professional judgement and maintain professional scepticism throughout the assurance work. We also:

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.

- Evaluate the technical validity of the ESEF documents, i.e. whether the file made available containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815, as amended as at the reporting date, on the technical specification for this electronic file.
- Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited annual financial statements and the audited management report.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor at the Annual General Meeting on 24 March 2021. We were engaged by the Administrative Board on 25 June 2021. We have been the auditor of DekaBank Deutsche Girozentrale AöR, Berlin/Frankfurt am Main, without interruption since 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 the following services that are not disclosed in the annual financial statements or in the management report.

We performed a review of the interim (half-year) financial report, voluntary annual audits of subsidiaries and project-based quality assurance. 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, issuing of a letter of comfort and other assurance services required by supervisory law as well as tax advisory services relating to investment funds and VAT issues, which were approved by the Audit Committee.

Other Matter – Use of the Auditor's Report

Our auditor's report must always be read together with the audited annual financial statements and the audited management report as well as the examined ESEF documents. The annual financial statements and the management report converted into ESEF format – including the versions to be published in the German Federal Gazette [Bundesanzeiger] – are merely electronic renderings of the audited annual financial statements and the audited management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the examined ESEF documents provided in electronic form.

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Thomas Beier.

Frankfurt am Main, 9 March 2022

KPMG AG
Wirtschaftsprüfungsgesellschaft

[signature] Beier	*[signature]* Haider
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

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. DekaBank's issued AT1 bonds are fully eligible as core capital and thus help improve the regulatory ratios such as LR, NFSR, subordinated MREL requirements and MREL-ratios.

Advisory-/management mandate
External funds which are managed by a Deka Group investment management company (Kapitalverwaltungsgesellschaft – KVG). For advisory mandates, the Deka Group company acts only as an adviser, i.e. it is up to the external management company to verify compliance with investment regulations and contractual restrictions before placing orders. For management mandates, by contrast, investment decisions are taken, reviewed and carried out by a Deka Group investment management company.

Assets under Custody
All assets held in custody by the Deka Group as depositary.

Cost/income ratio (CIR)
In the Deka-Group, this indicator is calculated from the ratio of total expense (excluding restructuring expense) to total income (excluding risk provisions in the lending and securities business) in the financial year.

Economic perspective
The economic perspective is one of two approaches on which the internal capital and liquidity adequacy assessment processes (ICAAP and ILAAP) are based. In the context of the ICAAP, the economic perspective is implemented via the concept of risk-bearing capacity. It serves to secure the capital of the Deka Group in the long term, thus making a key contribution to ensuring the institution's survival. The aim is also to protect creditors against losses from an economic view. In the context of the integrated quantification, management and monitoring of liquidity risk (ILAAP), the key risk measure in the economic perspective is the "combined stress scenario" funding matrix defined by the Board of Management as being relevant for management purposes.

Economic Result
As a key management indicator, together with the risk in the economic and normative perspective, the economic result forms the basis for risk/return management at 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
Full application of CRR/CRD V rules, i.e. disregarding the phase-in 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 funds. 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.

Gross loan volume
In accordance with the definition set out in section 19 (1) KWG, the gross loan volume includes debt instruments issued by public authorities and bills of exchange, amounts due from banks and customers, bonds and other fixed-interest securities, shares and other non-fixed-interest securities including fund units, equity investments and shares in affiliated companies, equalisation claims against the public sector, items for which lease agreements have been concluded as the lessor, irrespective of their recognition in the balance sheet, other assets where they are subject to counterparty risk, sureties and guarantees, irrevocable lending commitments as well as market values of derivatives. In addition, the gross loan volume includes underlying risks from derivative transactions, transactions for the purposes of covering guarantee payments on guarantee funds, as well as the volume of off-balance sheet counterparty risks.

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, net volumes in relation to proprietary investments are taken into account in the net funds inflow.

Net sales
Key management 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 cooperation partners, 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 taken into account. Redemptions and maturities are not taken into account for certificates because in the certificates business the impact on earnings primarily occurs at the time of issue.

Normative perspective
The normative perspective is one of two approaches on which the internal capital and liquidity adequacy assessment processes (ICAAP and ILAAP) are based. In the context of the ICAAP, the normative perspective includes all internal instruments, regulations, controls and processes aimed at ensuring that regulatory and supervisory capital requirements are met on an ongoing basis, i.e. also prospectively, over the next few years. This means that it directly pursues the objective of ensuring that the institution can continue as a going concern. In the context of the integrated quantification, management and monitoring of liquidity risk (ILAAP), the key risk measure in the normative perspective is the LCR in accordance with the CRR in conjunction with Commission Delegated Regulation (EU) 2015/61 as well as 2018/1620 and the NSFR in accordance with the requirements of the CRR.

Number of (active) employees
The number of employees is the effective number of active full-time employees at the reporting date, with part-timers being counted in proportion to their working hours. Active employees means staff members who are actively involved in DekaBank's work processes. This includes the Board of Management, other managers, core staff members, contract staff and temporary staff. Vocational and other trainees, interns and employees on long-term leave are not included.

Payments to the alliance partners
Payments made to the alliance partners (savings banks and Landesbanks) by the Asset Management divisions are made up of the partners' portions of investment fund entry charges, sales commissions, sales performance fees, asset management fees and other payments from asset management. Reporting is focused mainly on payments made to the savings banks, as our shareholders. The payments to alliance partners have also included commissions on certificates.

Phase-in
Application of CRR/CRD V rules inclusive of the 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).

Risk appetite
Risk appetite refers to the overall aggregate risk of individual risk types that the Deka Group is prepared to enter into, within the limits of its risk capacity, in order to achieve its strategic objectives and business plan. In the economic perspective, the risk appetite for risks affecting profit and loss is defined in the risk-bearing capacity analysis as the allocated risk capital (allocation) for overall risk at Group level. The maximum permissible risk appetite is equal to risk capacity less a management buffer. With regard to liquidity risk, the Deka Group has defined its risk appetite in the economic perspective as the scenario that gives it an indefinite survival period in an extreme hypothetical stress scenario involving a simultaneous institution-specific and market-wide stress event. This hypothetical stress scenario is illustrated in the "combined stress scenario" funding matrix. Permanent solvency and an unlimited survival horizon are achieved by setting a limit of 0 on the liquidity balances of all maturity bands.

Risk-bearing capacity
The aim of the risk-bearing capacity analysis is to ensure the adequacy of capital resources from an economic view. Sufficient assets must be available to cover risk events, even those which materialise extremely rarely. This involves combining all risk types with a holding period of one year and a correspondingly high confidence level of 99.9%, which is consistent with DekaBank's target rating. The overall risk is then compared against the internal capital, which corresponds to the risk capacity.

Total customer assets
The key management indicator total customer assets mainly includes the income-relevant volume of mutual and special fund products (including ETFs), direct investments in the funds of cooperation partners, the portion of fund based asset management activities attributable to cooperation partner, third-party funds and liquidity master funds and advisory/management mandates and certificates.

Wertpapierhaus
The Deka Group is the securities service provider (the Wertpapierhaus) for the savings banks. It 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 and advisory process within the securities business. 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.

Gender clause

In this 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 financial statements in other respects contain forward-looking statements as well as expectations and forecasts. These are based on the information available to us at this time, 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 economic and regulatory environment as well as 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 DekaBank Annual financial statements is provided for convenience only. The German original is definitive.

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

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