DekaBank
Deutsche Girozentrale
Annual financial statements 2023

Deka

Finanzgruppe

Content

Management report

Information about the Deka Group

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.

Deka Group profile and strategy

DekaBank Deutsche Girozentrale (DekaBank) and its subsidiaries in Germany and other countries make up the Deka Group. DekaBank is classified by the German Federal Financial Supervisory Authority (BaFin) as an "other systemically important institution". As the securities service provider (the *Wertpapierhaus*) for the German savings banks, the Deka Group forms part of the *Sparkassen-Finanzgruppe* (Savings Banks Association).

Legal structure

DekaBank is a German federal institution incorporated under public law with registered offices in Frankfurt/Main and Berlin. It is wholly owned by the German savings banks. 50% of the shares are held via Deka Erwerbsgesellschaft mbH & Co. KG. The savings banks hold their interests via this company, which is owned by their regional savings banks associations. The other 50% of the shares are held by the German Savings Banks Association (*Deutscher Sparkassen- und Giroverband* – DSGV ö.K.). DekaBank and thus the entire Deka Group are a key part of the *Sparkassen-Finanzgruppe*.

DekaBank is a member of the *Sparkassen-Finanzgruppe* deposit guarantee system. The deposit guarantee system of the *Sparkassen-Finanzgruppe* protects deposits with a savings bank, a state bank (*Landesbank*), DekaBank or a state building society (*Landesbausparkasse*).

Organisational structure

The Deka Group divides its business into five business divisions that combine 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.

Savings Banks Sales – which is subdivided into the regional savings bank sales departments (retail banking – private and individual clients) and Private Baking & Wealth Management – 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/Main. Frankfurt is also home to the investment management companies Deka Investment GmbH, Deka Immobilien Investment GmbH and Deka Vermögensmanagement GmbH as well as to 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.

In Luxembourg, the Deka Group is represented in particular by DekaBank Deutsche Girozentrale Niederlassung Luxemburg and the investment management companies Deka International S.A. and Deka Vermögensmanagement GmbH (Luxembourg branch). The Austrian fund manufacturer IQAM Invest GmbH is headquartered in Salzburg.

Corporate management and supervision

As an institution incorporated under public law, DekaBank 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*, DekaBank 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 provides binding guidelines for ethically and morally correct behaviour and conduct of employees, managers and Board members, as well as for third parties acting on behalf of the Deka Group. As a code of conduct, the Code of Ethics forms an important part of our corporate culture by more closely defining ethical guidelines and core values from the Deka Group perspective. 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.

DekaBank is managed collectively by the Board of Management. The Board of Management takes a holistic approach to managing the Deka Group, always considering 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 responsibilities are as follows:

- 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 2023, the Administrative Board of DekaBank extended the contracts of the Chief Risk Officer Birgit Dietl-Benzin and of the Chief Financial Officer and COO Daniel Kapffer by five years each.

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 Nominating Committee, an Audit Committee, a Risk and Credit Committee and a Remuneration Supervision Committee from among its members. 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 statutes. The DekaBank Administrative Board has adopted rules of procedure and various policies, including a fit & proper policy for the Administrative Board, guidelines for the Administrative Board on the handling of conflicts of interest and on independence, succession planning guidelines for members of the DekaBank Administrative Board and Board of Management, a policy on the induction and training of new Administrative Board members, and a policy for the promotion of diversity on the DekaBank Administrative Board and 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.

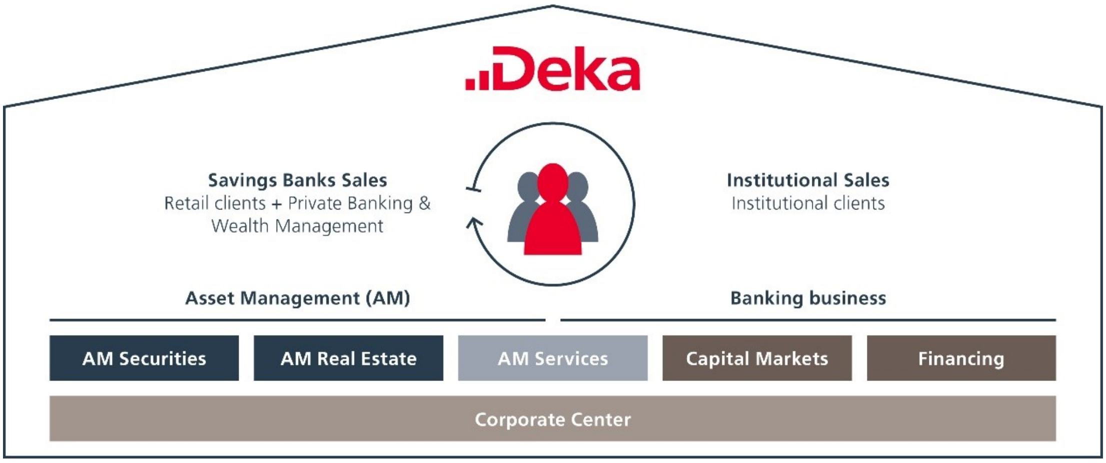
Business model as the *Wertpapierhaus* for the savings banks

The Deka Group is the securities service provider (the *Wertpapierhaus*) for the savings banks. Through its asset management and banking activities, it acts as a service provider for the investment, administration and management of assets, supporting its customers at every stage in the investment and advisory process within the securities business. It also offers comprehensive advice and solutions around investment, liquidity and risk management, and refinancing. The Deka Group acts as an all-round solution provider, serving customers’ needs without bias towards particular products. 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 to the savings banks.

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

- 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 depositary business, custody account business and 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.

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



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 and from the Treasury function (including interest on own funds).

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 & wealth management 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 other 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 is to provide suitable investments in securities and real estate as well as supplementary services throughout the investment and asset management value chain. In this regard, the Deka Group acts as finance provider, issuer, structurer, trustee and depositary. In addition to the provision of investment products such as securities and real estate funds or certificates, the Deka Group also provides execution of securities trading, management of custody accounts, asset servicing and depositary services. It also offers capital market services for savings banks, such as securities lending or the procurement and settlement of securities and financial derivatives. 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

The cross-divisional sales units – Savings Banks Sales (which is subdivided into the regional savings bank sales departments (retail banking – private and individual clients) and Private Baking & Wealth Management) and Institutional Customer Sales – act as the interface with sales partners and customers.

Deka takes an all-round approach to helping savings banks sell 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 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 historical development of its predecessor institutions, together with its ownership structure, make the Deka Group a key part of the *Sparkassen-Finanzgruppe* (Savings Banks Association).

Given the constant changes in markets, products and wider society, in the technologies used, and in the expectations of customers and employees, the Deka Group's business model is continuously evolving with a consistent focus on customer utility.

The Deka Group's Management Agenda is an ongoing strategic action programme that sets the strategic direction to further build on the Deka Group's position as the *Wertpapierhaus* for the *Sparkassen-Finanzgruppe*. This development is focusing on the following elements:

- Customer orientation in sales and products: Gearing sales and the product and service portfolio to the needs of target customers in order to generate profitable growth.
- Technology and innovation: Taking advantage of technology and the possibilities it brings to increase customer utility, improve efficiency and fully capitalise on business potential.
- Sustainability: Implementing consistent ESG governance and providing an appropriate range of products and services to ensure competitiveness.
- Modern organisation and attractiveness as an employer: Having a consistent focus on results, being able and willing to change, orienting the Group towards overarching goals and increasing Deka's attractiveness to existing and potential employees to ensure it is fit for the future.

Digitalisation activities

As society, industry and the financial sector are increasingly transformed by digital technology, the Deka Group is continuing its strong focus on digitalisation activities. Deka has therefore created a digitalisation strategy and is continuing to drive digitalisation in three directions: digitalising the customer interface, digitalising products and services, and digitalising processes and infrastructure. The use of relevant technologies is an essential tool if we are to continue providing competitive financial services simply and efficiently in future.

Digitalisation activities at the Deka Group are focused on customers and the development of forward-looking new products and services:

- Constantly enhancing interaction with the savings banks via S-Invest Manager and helping the savings banks provide competitive digital customer journeys via the S-Invest app and "internet branch". The Deka Group is also enhancing the services that DekaBank, S Broker and bevestor provide directly to end customers. The aim is to make the *Sparkassen-Finanzgruppe* more competitive in attracting young customers and execution-only clients. Finally, the sales support provided to the savings banks is being further digitalised.

- Developing digital product offerings in two areas: First, the digitalisation of traditional products and services, for example in asset management or brokerage. Second, the development of further blockchain-based products.
- Developing and establishing a blockchain-based infrastructure for digital assets. This will complement traditional securities infrastructure and ensure secure processing and custody of digital assets. To this end, DekaBank has applied to extend its licence to allow it to maintain a crypto securities register and offer custody of crypto assets. It is also examining the creation of an asset tokenisation solution. In addition, a joint venture with SWIAT GmbH has been established to develop the relevant blockchain technologies.
- By digitalising business and IT processes both old and new, the Deka Group is aiming to boost the efficiency and resilience of core, management and support processes. In addition, process digitalisation supports end-to-end customer orientation by examining how things work from a customer perspective.

We collect and analyse data in a structured way to identify customer needs from an early stage. Based on this, we can develop sales initiatives to boost the quality of customer communication and the satisfaction of end customers. The Deka Group is currently developing a platform to consolidate existing sales data pools.

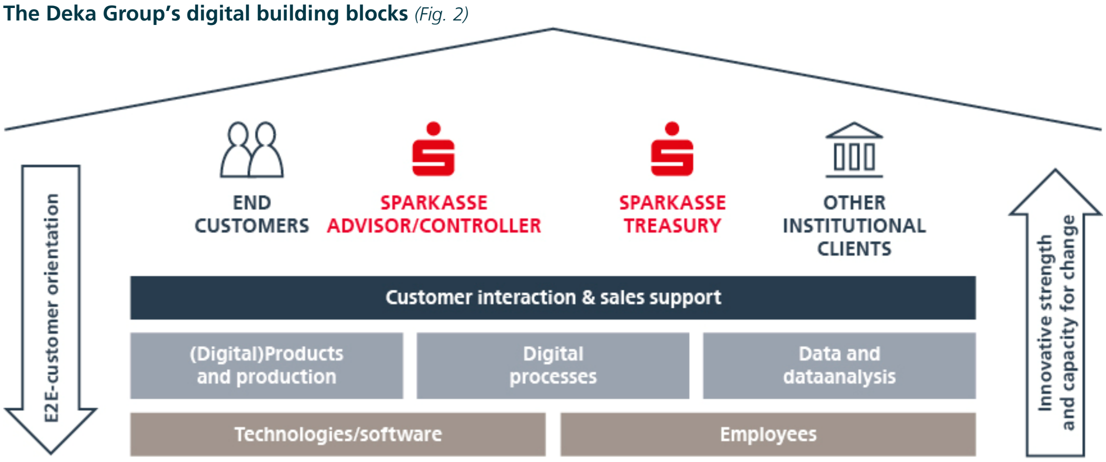
The Deka Group already uses or is examining the use of artificial intelligence in three main areas:

- Using collected sales data to approach customers in a targeted and efficient way with regard to investment opportunities
- Increasing the quality of products and investment decisions by analysing large volumes of data
- Leveraging process efficiency with a particular focus on the use of AI by employees as a tool to support their work

The interaction between employees, suitable work processes and the technologies used is the basis for promoting innovation and adaptability in the organisation and successfully putting end-to-end customer orientation into practice. This includes:

- Identifying and implementing suitable technologies and software to make IT processes more modern and efficient and support agile ways of working. As examples of this, the Deka Group is consistently implementing cloud technology and developing suitable use cases for artificial intelligence.
- A balanced mix of financial and technology expertise among employees and ongoing training on the use of technological tools and modern working methods.

The Deka Group's digital building blocks *(Fig. 2)*



Environmental, social and corporate governance (ESG)

As the *Wertpapierhaus* for the savings banks, the Deka Group is helping the *Sparkassen-Finanzgruppe* to get ready for the future. The "Target vision 2025 – Guidelines on sustainability in savings banks" (*Zielbild 2025 – Leitfaden zur Nachhaltigkeit in Sparkassen*) provides a comprehensive roadmap for implementing more sustainability. In keeping with regulatory requirements, the Deka Group understands sustainability as an ongoing process to fully integrate ESG criteria (climate and environmental (E), social (S) and responsible governance (G) aspects) into the business model. This applies in equal measure to customers, to Deka's expectations of itself and to its public engagement.

The sustainability strategy is shaped by the Deka Group's sustainability mindset. This fully incorporates environmental, social and responsible corporate governance aspects and makes sure they are integrated into Deka's banking operations and business activities in a balanced way.

- In its role as the *Wertpapierhaus* for the savings banks, the Deka Group puts customers' needs front and centre. Using a wide range of investment solutions with sustainability characteristics, from capital market- and real estate-based investment products to financing solutions, it helps its customers achieve their ambition of financing and investing in a climate-friendly and sustainable way.
- The Deka Group's strategic and sustainable positioning as an organisation with regard to ESG requirements enables it to respond to risks and opportunities. This involves integrating sustainability considerations into structures and workflows. Potential ESG risks in relevant business processes are systematically identified and managed. Regulatory requirements are reliably implemented.
- The Deka Group wants to be perceived by all its staff as a fair, flexible and attractive employer and has an open and participatory management culture. It values the diversity of its teams. Employees are actively involved in shaping Deka's future as a sustainable organisation.
- The Deka Group's sense of social responsibility is reflected in its actions. It is supporting the transformation to more climate-friendly and sustainable ways of doing business. As an active investor, it engages in dialogue with investors, businesses and issuers to help them with the steps to achieving their sustainability goals in close alignment with its own sustainability guidelines. Following in the tradition of the savings banks and their focus on the greater good, the Deka Group supports social, environmental and cultural projects.

In the fast-changing ESG environment, the Deka Group has taken steps to capitalise on the potential held by this transformation and to manage risks from an early stage. In 2023, for example, Deka created an ESG governance framework that all parts of the Group are helping to implement. The framework sets out ESG-related responsibilities and enhances cross-departmental coordination and control processes.

The Deka Group's ESG ratings confirm the high level of sustainability-related measures.

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

Status of sustainability ratings according to annual ESG ratings reports: MSCI: 10 June 2022; ISS-ESG: 23 August 2023; Sustainalytics: 24 January 2024; Moody's ESG Solutions (formerly V.E): May 2021
* Copyright ©2022 MSCI, ** Copyright ©2021 Sustainalytics.

Further information on sustainability is available in the Deka Group's 2023 sustainability report.

Reference to the non-financial report

The sustainability report, which is audited by AGIMUS GmbH Umweltgutachterorganisation & Beratungsgesellschaft, contains detailed information on the Deka Group's ESG performance. It includes the Deka Group's non-financial report pursuant to the German CSR Directive Implementation Act (*CSR-Richtlinie-Umsetzungsgesetz*, CSR-RUG). The non-financial report sets out, in particular, targets, measures and due diligence processes in the areas that are significant to the Deka 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: 2023 sustainability report

The annual sustainability report including the non-financial report does not form part of the Group management report or DekaBank 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 business divisions, sales units and corporate centres work closely together in operational terms, reflecting the integrated business model. The business divisions form the basis for the Deka Group's segment reporting under International Financial Reporting Standards (IFRS 8).

Asset Management Securities business division

The Asset Management Securities business division offers high-quality asset management solutions for private and institutional investors in every market environment to promote lasting value and sustainable growth. It responds to the requirements of customers and regulators by creating solutions that meet these needs for all sales channels, including digital sales.

Customers can choose from a wide range of products for one-off investments or, where available, for savings plans:

- actively managed mutual funds and special funds following fundamental and quantitative strategies as well as advisory mandates in all major asset classes (equities, bonds, money market, mixed funds, capital protected funds and any combination of these),
- passively managed index funds (exchange-traded funds – ETFs),
- asset management products and services: asset management funds using both actively managed and indexed funds as target funds, fund-based asset management, savings bank asset management, individual security-based asset management and robo-advisory asset management in partnership with bevestor GmbH,
- pension products (e.g. fund-based private and company pension products),
- asset servicing, which enables savings banks and institutional investors to combine various asset classes in master funds.

The business division also offers a wide range of solutions for sustainable investments and engagement services. This includes mutual fund solutions and individual services for institutional mandates such as sustainability portfolio management. The business division also works to promote good and responsible corporate governance and helps institutional investors comply with regulatory engagement and reporting requirements. It incorporates sustainability considerations into fund, investment and business risk processes. In its investment decisions, the business division also takes into account the ESG factors that are mandatory under the EU Sustainable Finance Disclosure Regulation.

The products provided by the fund manufacturer IQAM Invest GmbH (IQAM) expand the quantitative asset management offering, particularly for institutional customers. The products are offered under the IQAM brand. Joint research by Deka and IQAM is conducted at the IQAM Research institute and is used in depth in order to improve quality.

The business division's product range also features bespoke and standardised securities services. These comprise macro, individual-stock and fund research, support with designing investment strategies and processes, order desk and fund reporting services. These services are also offered to external customers in some cases.

Asset Management Real Estate business division

The Asset Management Real Estate business division brings together the Deka Group's real estate investment services. It provides fund products and advisory services relating to real estate, infrastructure or real estate financing for the customer and proprietary business of savings banks and other institutional investors. The business 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 and infrastructure 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 business division's services comprise the purchase, sale and management of real estate and all other real estate services. These include the value-oriented development of marketable commercial properties in liquid markets as well as active portfolio and risk management. With the *Deka Immobilien-Kompass*, the Asset Management Real Estate business division offers savings banks and other institutional investors an extensive modular service package for real estate fund investment. It thereby positions itself as a strategic partner.

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 sustainability-focused products and taking sustainability aspects into account in fund and investment processes. The mandatory ESG factors under the EU Sustainable Finance Disclosure Regulation are taken into account in investment decisions.

Asset Management Services business division

The Asset Management Services business division provides banking and other services to complement the offerings of the asset management divisions. Its services comprise multichannel offerings for the savings banks, online brokerage, management of customer custody accounts and custodial services for investment funds.

The Asset Management Services business division is divided into the Digital Multichannel Management and Depositary subdivisions.

The Digital Multichannel Management subdivision offers savings banks a broad range of services for an attractive customer interface in their securities business. This enables the savings banks' multichannel customers to seamlessly access securities products and services and complete transactions across different channels. Customers are offered efficient, competitive custody solutions based on depositary services tailored to the target group.

DekaBank custody accounts allow savings banks to offer end customers a custody account provided by DekaBank. The DekaBank custody account can be used to hold funds, certificates and ETFs.

Closely related to the custody solutions are the efficient and digital securities processes available to savings bank advisory staff. As well as the sales channel itself, securities processes in OSPlus neo – the savings banks' multichannel sales front end – are being continuously optimised.

The Deka Group offers the savings banks an electronic, web-based sales support and information platform in the form of DekaNet. A new platform, S-Invest Manager, is currently being implemented and will gradually replace DekaNet.

Savings bank customers access the wide range of online securities products primarily through the "internet branch" and savings bank app. The mobile offering for customers is further expanded by the S-Invest App, which brings all investment services together in a single place, making them easy to navigate.

The solutions offered by bevestor GmbH and S Broker AG & Co. KG expand the multi-channel strategy for savings banks and their customers. bevestor acts as the savings banks' central robo-advisory product for retail customers and serves as a development platform for innovative digital asset management solutions. Its goal is the rapid, agile development of competitive online services. The hybrid product *SmartVermögen* and white-label services for savings banks round off bevestor's offering. S-Broker offers an extensive range of services designed principally to meet the high expectations of customers in online brokerage.

The Depositary subdivision offers an extensive range of depositary services, including the regulatory control function under the German Investment Code (*Kapitalanlagesetzbuch*, KAGB), securities settlement and reporting. Depositary acts as a one-stop shop for its customers. If required, it can combine depositary services with other offerings from the Deka Group: the master KVG for a comprehensive asset servicing solution and services from the capital markets business such as commission business with securities and exchange-traded derivatives, foreign exchange trading, repo/lending transactions and collateral management. The subdivision offers its 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 target markets are in Germany and Luxembourg.

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 division connects customers to 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 range of services relating to securities repurchase transactions, securities lending and foreign exchange trading, the business division acts as 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. Customers benefit from synergy effects and economies of scale.

The business division also designs solutions for sustainable (ESG) investment and trading products in proprietary and customer business and works on developing and brokering a selection of carbon offset projects for customers and savings banks. It pursues targeted digitalisation initiatives to increase customer utility and efficiency.

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

- The Trading & Structuring subdivision is the Deka Group's centre of competence for trading and structuring capital market products (cash instruments, bonds and shares) and for all types of derivatives that are used in investment funds and in the Depot A securities account of the savings banks or by other customers. The unit also runs the structured issuance business (Deka certificates and cooperation certificates) and debt capital markets business (third-party issues business), i.e. supporting other companies as they issue financial instruments. In addition, it is establishing the syndication and placement of own and third-party lending as an additional product. On top of this, the unit acts as a competence centre for all sustainability-related topics in the Capital Markets business division.
- The Collateral Trading & Currency subdivision brings together all securities lending products, securities repurchase transactions, their derivative equivalents and customer-oriented currency trading.
- 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*.

Deka is constantly enhancing its own platform solutions to support its business activities:

- The main product remains the Deka Easy Access (DEA) information, management and trading 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 2023, 316 savings banks already used the tool.

- finledger is a platform jointly developed with other market participants for processing digital promissory notes using distributed ledger technology (DLT).
- SWIAT is a blockchain-based decentralised financial infrastructure. It was developed to combine financial transactions for traditional and digital securities, other assets and digital financial market instruments in a single network. In July 2023, SWIAT gained three new shareholders.

Financing business division

The Financing business division concentrates on specialised and real estate financing and supports the savings banks with refinancing. 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. Placement within the *Sparkassen-Finanzgruppe* is the aim. There is the possibility to participate in loans arranged by third parties.

The Financing business division implements the sustainability strategy by providing sustainable financing and, in doing so, contributes to achieving the United Nations Sustainable Development Goals.

Specialised Financing and Real Estate Financing are subdivisions of the Financing business division.

- The Specialised Financing subdivision concentrates on financing energy, grid, utilities and public infrastructure projects (infrastructure and renewable energy financing), on transport financing for aircraft, ships and rail vehicles, on financing covered by export credit agencies (ECAs), and on financing of the public sector. Savings bank financing involves financing for German savings banks in all maturity ranges and financing for the public sector in Germany in the interests of the *Sparkassen-Finanzgruppe*.
- 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.

Sales

Sales is responsible for the Deka Group's sales activities across all business divisions and for the overall customer relationship with savings banks and other investors. It works across business divisions to generate and maintain business. With regard to the savings banks, the approach to sales and service provision varies depending on the requirements of the different end customer groups. This is reflected by the organisational division of Sales into three pillars: Savings Banks Sales comprises the first two pillars – regional savings bank sales departments (retail banking – private and individual clients) and Private Baking & Wealth Management – and Institutional Customer Sales represents the third pillar.

Savings Banks Sales

Savings Banks Sales (retail banking – private and individual clients) focuses on comprehensive sales support for the savings banks for business with retail and individual customers in all sales channels.

The savings banks have sole responsibility for directly contacting, advising and serving end customers. To provide the savings banks with optimal support, Savings Banks Sales offers systematic, in-depth assistance, provided by dedicated contacts, along with a structured product range of solution-focused, customer-friendly investment concepts. Deka's marketing activities are also aimed directly at customers.

To ensure nationwide support, Sales in Germany is divided into six sales regions. The sales directors responsible for Savings Banks Sales ensure continuous dialogue with the savings banks and savings bank associations. As a point of contact for the savings banks' management boards and sales managers, they focus on strategic aspects of the securities business and on the investment process. In their operations, the savings banks also have access to Deka sales managers to support their advisory process. In addition, further 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 and are certified by an external institute.

In addition to collaboration on a personal level, Deka provides the savings banks with S-Invest Manager – a digital sales platform used by the savings banks to organise their securities business. S-Invest Manager reconceives the existing information and transaction platform DekaNet. It is expanding the existing service range, bringing innovations and improvements throughout the securities process at the savings banks. The planning tool in S-Invest Manager, for example, 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. Working independently or with the sales director, savings banks can perform planning simulations for multi-year periods, giving them transparency regarding segment planning and earnings, portfolio and sales structures.

The Deka Group also offers the savings banks web-based sales support and information via the established DekaNet platform. This acts as a central port of call for up-to-date product, sales and marketing information, including an annual marketing and sales plan, and also provides advisers with various tools and services for the investment and advisory process. In addition to this, DekaNet serves as a centralised front end for data retrieval and data entry for customer and securities transactions in DekaBank custody accounts. The services are being continuously improved as digital technology develops. There are plans to integrate the tools with all their current and future functionality into S-Invest Manager.

With its comprehensive coverage of the securities culture in market and brand communications, Deka aims to draw attention to the work of the *Sparkassen-Finanzgruppe* in this area. Ethical asset structuring, future-proof securities saving and future trends such as digitalisation are also important issues and inspire new ideas for sales activities. The overarching aim is to put the securities expertise of Deka Investments front and centre of marketing efforts.

The products and solutions for retail and individual customers are regularly expanded or adjusted to reflect expected market and regulatory developments. They are primarily marketed under the Deka Investments sales brand.

Private Banking & Wealth Management

Private Banking & Wealth Management at the Deka Group is aimed at wealthy savings banks customers from the private banking segment and at corporates and institutions. In particular, high net worth private clients and family businesses and their shareholders (corporate and private assets) are high-potential target customers. Non-profit institutions such as churches, local government and foundations are another focus.

The savings banks are responsible for directly contacting, advising and serving end customers in private banking. To provide them with optimal support, Private Banking & Wealth Management offers the savings banks systematic, in-depth assistance, provided by dedicated contacts, along with a structured product range of solution-focused, customer-friendly investment concepts. The focus is on a holistic approach to advising customers.

The offering for Private Banking & Wealth Management customers comprises both universal and modular product solutions (asset management solutions such as the exclusive *Deka-Vermögensverwaltung Premium*, mutual and special funds, ETFs and certificates) as well as support for the savings banks' advisory systems, such as performance and quality control, reporting and consultancy services. The target group-oriented approach and close integration with savings bank sales enable ongoing, solution-oriented evolution of the product offering based on up-to-date market analyses.

Private Banking & Wealth Management offers savings bank customers tailor-made investment solutions that reflect all their individual needs. The focus in private banking has so far been on large lump-sum investments. In addition to this, there are sales approaches in private banking designed to encourage regular saving among this customer group too.

Bespoke solutions for high net worth private clients are provided under the Deka Private & Wealth sales 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 offers institutional customers important functions such as reporting and order placement through online channels. Sustainability is an important topic when advising and supporting customers.

In our business with savings banks, the Institutional Customer Sales team acts 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 based 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 – particularly 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. This specialisation enables Sales to incorporate the Deka Group's expertise into investment solutions in a way that meets the needs of institutional customers in each of the customer groups. The Client Analytics & Solutions team develops methods and applications for customer-specific analysis of optimal 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 this target group.

Corporate Centres

The corporate centres perform important functions and support Sales and the front office units. They also take on administrative tasks. Deka had the following corporate centres as at the reporting date: Corporate Office & Communications, Internal Audit, Legal, Compliance, Strategy & HR, Organisational Development, Risk Control Capital Market Funds, Risk Control, Finance, IT, Business Services, Credit Risk Management, and Treasury.

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 behaviour 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 2023) of €156.7bn and a market share of 12.5%, Deka is the third 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 2023) of €42.0bn and a market share of 32.0%.

At the 2024 Capital-Fonds-Kompass awards organised by the business magazine Capital together with the fund analysis firm Scope Analysis and Institut für Vermögensaufbau, Deka Investment GmbH received five stars for the twelfth time in a row. Among the universalists, Deka took first place again.

The €uro FundAwards presented by the publishing house Finanzen Verlag together with the editors of "€uro", "€uro am Sonntag" and "Börse-Online" in January 2024 recognised the best funds of the year. Deka's funds and ETFs won a total of 16 individual awards.

The German Fund Champions 2024 were crowned in January 2024. Deka was the winner again in the "bonds" category of the *Liga der Fondschampions* (league of fund champions) organised by f-fex and finanzen.net.

At the Scope Investment Awards presented in November 2023, Deka Investment GmbH secured the title of Best Asset Manager in the Bond Fund category in Germany for the third time in a row. Deka Investment also took the top spot in the Dividend Equities category as Best Asset Manager.

In June 2023, Scope reaffirmed Deka Immobilien GmbH's AA+ asset management rating in the real estate segment and rated its quality and expertise as very good.

At the Scope Alternative Investment Awards in November 2023, Deka Immobilien Investment GmbH was honoured as Best Asset Manager in the Retail Real Estate Europe and Real Estate Global categories. Deka Immobilien Investment GmbH was also victorious in the Real Estate Logistics category for the first time.

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. DekaBank is in first place in the segment for the financing of German federal states.

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.

The Deka Group's certificates are sold through the German savings banks. According to statistics from the Structured Securities Association (*Bundesverband für strukturierte Wertpapiere*, BSW), Deka has confirmed its very good position as an issuer of structured products in Germany, with a 20.2% market share by market volume at the end of September 2023.

In September 2023, the German Certificate Prize was awarded by Feingold Research together with Börse Frankfurt, Börse Stuttgart, gettex and n-tv. Deka took victory in four categories: best primary market issuer, best express certificates offering, best capital protection certificates offering and best sales support.

In the *ZertifikateAwards* presented in November 2023, Deka again took the title of Certificate Issuer of the Year and also achieved first place in the Primary Market category. On top of this, it finished second in the Certificate of the Year category and third in the Express Certificates category.

At the Scope Certificate Awards 2024, presented in November 2023, Deka was recognised as the best certificate issuer in the primary market for the eighth time.

The financial magazine Finanztest tested the securities accounts of 15 banks and online brokers in June 2023. S Broker was rated "very good" for its features, user friendliness and information in the "online securities account via desktop browser" category. It also received an overall quality rating of "very good".

In the vote for "Robo-Advisor of the Year 2023" in November 2023, bevestor improved on its prior-year ranking to take second place. bevestor received a particularly high score for service and security, where it led the pack.

Deka once again earned the top score of AAA from the rating agency Scope in the Scope Certificate Management Ratings, which looked at Deka's corporate profile, market position, product range, and sales and investor services.

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 established a consistent system of targets at 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 growing customer assets under management.

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 regularly 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). The return on equity and cost/income ratio are also integral to internal management.

See also: Glossary: page 142 ff.

Return on equity is defined at Group level as the ratio of the economic result to balance sheet equity. It shows the return on the capital that has been invested in the Deka Group. For the purposes of operational management at business division level, the figure used for return on equity is the ratio of the economic result to regulatory capital employed. The cost/income ratio is an indicator of cost efficiency. The two management indicators – return on equity and the cost/income ratio – lead to a focus on profitability and efficiency, meaning that they directly support the strategic targets.

The economic result, calculated based on the IFRS figures, includes the total profit or loss before tax (IFRS), 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 includes contingent future charges where the likelihood of occurrence is considered to be "possible" but for which a provision cannot yet 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 is used in external reporting at Group and business division level. A reconciliation of the economic result to total profit or loss before tax (IFRS) can be found in the segment reporting in note [3] to the Deka Group consolidated financial statements, which shows the measurement and reporting differences in the "reconciliation" column.

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 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 indicators that are relevant for management purposes include own funds, Tier 1 capital, RWAs and leverage ratio exposure (LRE) along with the corresponding capital ratios. The MREL ratios (RWA- and LRE-based), subordinated MREL requirements (RWA- and LRE-based) and utilisation of the large exposure limit are also relevant indicators. RWAs are managed in line with the Deka Group's strategy, the targeted balance sheet structure and the capital market environment. In the economic perspective, risk appetite and its utilisation is the key management indicator. 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 and calculating the level of utilisation. 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) defined by the Board of Management serves 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 represent the key management indicator of sales success and customer acceptance in asset management (investment fund business). This figure essentially consists of total direct sales of mutual and special funds, fund-based asset management, funds of cooperation partners, master funds, advisory/management mandates and ETFs. Net sales in investment fund business corresponds to gross sales less redemptions and maturities. Sales generated through proprietary investment activities are not included.

The key management indicator asset management volume comprises the income-relevant volume of mutual and special fund products (including ETFs), direct investments in cooperation partner funds, the portion of fund-based asset management activities attributable to cooperation partners, third-party funds and liquidity, advisory/management mandates and master funds. The asset management volume reflects the market position and has a significant impact on the level of net commission income that is linked to the portfolio.

Gross sales in the certificates business is used as another relevant indicator. Redemptions and maturities are not taken into account, since the impact on earnings primarily occurs at the time of issue. Gross certificate sales include both certificates issued by Deka and cooperation certificates issued by other institutions and sold via sales support platforms.

The Deka Group's total sales comprises sales in asset management plus sales in the certificates business.

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 and issuer.

Economic report

Economic environment

The structure and content of the economic report section essentially correspond to the relevant section of the Group management report of the Deka Group. The overall statement on the business trend and position relates to the Deka Group. The sections on profit performance and changes in the balance sheet relate only to DekaBank.

Macroeconomic conditions

Politically and economically, there was a raft of bad news in 2023, yet the year also saw stock markets hit new heights. There were two reasons for these conflicting trends. Firstly, the world economy proved highly resilient to the headwinds, including the continuing war in Ukraine and the outbreak in October of conflict in the Middle East. On the geopolitical stage, major tensions were apparent between western industrialised nations and the emerging economies, led by China. Meanwhile, consumers and businesses were burdened by the still relatively high inflation rates and significantly increased central bank interest rates. Despite all this, global gross domestic product grew by 3.1% in 2023. This was partly thanks to labour market stability around the world, with numerous economies posting low unemployment rates and record employment levels. Wages also rose significantly, which, together with fiscal easing, helped to offset inflation-induced loss of purchasing power. Secondly, the interest rate hikes by central banks proved effective, facilitating the desired reduction in inflation to such an extent that, by the end of 2023, financial markets were already anticipating imminent cuts to key rates. These expected rate reductions were a leading factor behind the significant price rises on stock and bond markets.

Despite uniformly high inflation rates and contractionary central bank interest rates, there were certain regional differences in economic performance. In the United States, the economy performed well, particularly in summer 2023, and consumer and government spending rose noticeably. However, growth momentum in the US economy tailed off towards the end of the year. This contrasted with weak growth in the eurozone. Here, fears of recession persisted throughout the year, though with barely any discernible negative impact on the labour market in 2023. In China, the end of the zero-COVID strategy boosted the economy, with catch-up effects evident in consumer spending and tourism figures. The country's real estate crisis, however, continued to smoulder. Overall, the global economy performed better than had been expected at the beginning of 2023. Restrictive monetary policy was able to tame inflation without weakening growth, laying the ground for the positive movements on capital markets towards the end of the year.

Sector-related conditions

Having started 2023 at a still very high level, eurozone inflation fell rapidly as the year progressed. There were considerable shifts between the different sub-indices of the Harmonised Index of Consumer Prices. With prices on world markets for crude oil and particularly natural gas having dropped back again, energy's direct contribution to inflation declined and even turned sharply negative by autumn 2023. The reduced cost pressure from energy and other intermediate goods was likely also the decisive factor behind the gradual slowdown in consumer price and food inflation starting from the spring, which was mirrored by prices for industrial goods. By contrast, service price inflation continued to accelerate into the summer. In the United States, energy prices passed their peak earlier than in the eurozone, and price rises for food and industrial goods were less pronounced. One reason for this is likely to have been the lesser impact across the Atlantic of the war in Ukraine. The price of services, meanwhile, rose even more sharply than in the eurozone. Service prices accounted for an increasing proportion of total inflation in both currency areas, underscoring the highly significant role of wages as an inflationary driver. While various indicators in the United States have been pointing to an easing of wage pressure for some time, the eurozone is seeing only provisional signs that wage growth may have peaked in 2023.

Given the declining but still very high inflation, the US Federal Reserve, the ECB and many other central banks continued to tighten their monetary policy. Even the periodic upheaval in the global financial markets failed to sway them from this course. In March, the closure of several regional banks in the United States and the looming collapse of a major Swiss bank, which was ultimately averted by a government-backed takeover, provoked fears of a financial crisis and resulting economic slump. However, noteworthy contagion in the banking system was ultimately avoided.

Having already raised interest rates into restrictive territory at the end of 2022, the Fed imposed only four smaller rate hikes of 25 basis points apiece during 2023. In contrast, the ECB regarded its monetary policy stance at the start of the year as still too loose, leading it to hike key rates by 50 basis points in both February and March. This was followed by four smaller rate rises, each amounting to 25 basis points. Since September, the deposit rate has stood at 4.0%. After their last rate hikes, both the Fed and the ECB assessed that interest rates were probably high enough to reduce inflation to the 2% target. However, they also underscored their willingness to tighten monetary policy further should inflation not fall as far as intended. Towards the end of the year, there were growing market expectations around imminent key interest rate cuts. These were triggered by a surprisingly strong drop in inflation across multiple components, which raised doubts particularly about the ECB's assertion that achieving the inflation target would require a prolonged period of restrictive monetary policy.

The Fed continued to reduce its securities holdings following the plan communicated in advance. This involved not fully reinvesting the principal from maturing bonds. The ECB, too, began a similar process, initially restricting reinvestments under the Asset Purchase Programme (APP) in March before ending the programme completely at mid-year. However, the majority of the ECB's balance sheet reduction was again due to TLTRO III repayments (targeted longer-term refinancing operations). At its meeting in December, the ECB announced that it would also reduce its securities holdings from the Pandemic Emergency Purchase Programme (PEPP) earlier than planned, starting in the second half of 2024. The ECB additionally decided in July to reduce the interest paid on minimum reserves to zero. However, a proposal to reduce excess reserves by also increasing the minimum reserve rate has so far been advocated by only a few ECB Governing Council members.

Despite a considerable reduction over the course of the year, excess reserves continued to exert noticeable downward pressure on money market rates. The overnight rate €STR (Euro Short-Term Rate) traded at an almost constant margin below the ECB deposit rate. The in some cases very large TLTRO III repayments also had no noticeable effect on EURIBOR rates. These largely developed in line with market expectations regarding future key rates of interest, resulting in an inverse EURIBOR curve at the end of the year as market participants increasingly geared themselves for ECB key rate cuts.

The capital markets experienced notable fluctuation in 2023. After a benign start to the year came the bad news of valuation problems in the balance sheets of a number of regional banks in the United States. In Europe, a major Swiss bank had to be rescued through a forced takeover. However, central banks' assurances that they would provide ample liquidity for their financial institutions allowed markets to quickly recover. Growing fears around inflation then dominated the situation into the autumn, driving yields on European and US government bonds to their highest levels for many years. Corporate bonds also suffered under the rising interest rates, but bond spreads fared surprisingly well and even narrowed noticeably in the summer months. New issues were successfully placed throughout this period and met with a very receptive market. The same applied to covered bonds. However, with the sharp rise in oil prices in the autumn and the uncertainty caused by the outbreak of war in the Middle East, spreads widened rapidly within a short space of time. Sentiment on the capital markets brightened again significantly towards the end of the year. Surprisingly positive inflation rate trends fuelled expectations of a rapid, strong turnaround in interest rates both in the United States and Europe. Yields quickly subsided, and corporate bond spreads fell to their lowest levels for the year. A notable development in 2023 was the roughly 3% appreciation of the euro against the US dollar, which followed two years of a strengthening dollar. The euro's attractiveness improved in the reporting year due to the narrowing yield differential for two-year government bonds, which was to the disadvantage of Treasuries.

The equity markets saw similarly positive trends to the bond segment over the course of the year. After the banking shock in the spring, stock prices around the world staged a considerable recovery. These developments were driven above all by the rapid progress in artificial intelligence. In the United States, they were also boosted by surprisingly strong GDP data, which spread optimism that the economy could achieve a soft landing. As a result, many share indices reached or came close to new historic highs. However, the DAX 40 German equity index only achieved this milestone when dividends are included. The MSCI World Developed Markets was only just short of a new all-time high, while the EURO STOXX 50 was somewhat more significantly below the record mark.

On real estate markets, the consequences of the interest rate turnaround in 2023 were clearly felt. Increased construction and financing costs reduced project developers' construction activity. Further rises in initial yields, particularly for office properties, resulted in a longer price negotiation phase on the investment market, with buyers and sellers taking a cautious approach. Transaction volumes were correspondingly low. Such conditions gave competitive advantages to investors who purchased property with a large proportion of equity capital and had a high level of market expertise. Office markets showed moderate rises in vacancy rates and, for city centre locations, rising rents. However, they were subject to structural changes amid shifting work habits. Retail was hit by consumers' weak purchasing power as a result of inflation. The recovery in the hotel sector continued, with occupancy rates rising in response to increased travel. The reduced volume of new builds led to weaker demand in the logistics market. However, online retail and the safeguarding of supply chains remain the fundamental demand drivers in this segment. The global transaction volume in 2023 was significantly down on the previous year.

According to Deutsche Bundesbank statistics, the financial assets of private households rose by around €224bn as against the end of 2022 to €7,467bn (30 September 2023). Against the backdrop of tighter monetary policy, there was a noteworthy shift from sight deposits to term deposits. Growth in value and new inflows led to increased financial assets in securities investments. Compared against 31 December 2022, the share of equities and investment funds in the total financial assets of private households rose by just under 0.8 percentage points to approximately 20.9%.

The market performance seen in 2023 was also reflected in the investment statistics of the German Investment Funds Association BVI. Net assets in open-ended mutual funds amounted to €1,382.2bn as at 31 December 2023 (year-end 2022: €1,280.7bn), while the net assets of open-ended special funds stood at €2,079.5bn (year-end 2022: €1,943.7bn). As at 31 December 2023, net inflows into open-ended mutual funds stood at €12.9bn and significantly exceeded the previous year's figure (€–3.4bn). Equity and bond funds recorded particularly high inflows. At €33.7bn, the sales figure for open-ended special funds for institutional investors was significantly below the comparative figure for the previous year (€62.7bn).

Regulatory environment

Changes to regulations, both those already initiated and those in the pipeline, have an influence on the business model and profitability of the Deka Group. 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.

The main regulatory topics for the Deka Group at present are described below.

Regulatory topics

In October 2021, the European Commission published a draft CRR III text for the implementation of the finalised Basel III rules (also known as Basel IV) in the EU. More specifically, a 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 level of the output floor will increase by 5 percentage points each year from 2026 to 2029 and by 2.5 percentage points in 2030. The output floor will limit the benefit of internal models as compared to the standardised approach. DekaBank currently uses an internal model (IRB approach) to measure credit risk for the majority of its lending. It will therefore be particularly affected by the new output floor rules, which may lead to a considerable rise in risk-weighted assets (RWAs) going forward. For the other risk types, DekaBank will use the specified standardised approaches in future. In addition, the draft CRR III contains new rules on calculating RWAs for market risk from the fundamental review of the trading book (FRTB), as well as for credit valuation adjustment risk (CVA risk) and operational risk, which may also considerably increase RWAs. Initial application of the new rules is planned at EU level for 1 January 2025.

As well as the new standardised approach for calculating market risk, the FRTB also contains rules on internal risk transfers and reclassifications between the trading and banking book, which were already part of CRR II. However, due to a no-action letter issued by the European Banking Authority (EBA) on 27 February 2023, these rules do not need to be implemented until 1 January 2025. The new provisions under the FRTB on the boundary between the banking book and the trading book will also only apply from 1 January 2025.

After exiting the European Union (EU), the United Kingdom is continuing to apply the CRR until the initial application date of Basel III (also known as Basel IV) on 1 January 2025. The United Kingdom thus continues to have an equivalent supervisory regime to the EU with respect to CRR application. UK institutions are therefore still considered to be institutions as defined by the CRR for the purposes of calculating risk-weighted assets (RWAs).

The EBA conducted a stress test in 2023. As on the previous occasion in 2021, this covered all risk types. The results were published on 28 July 2023. 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 2023, 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.

On 2 January 2024, the ECB started its first cyber resilience stress test (CRST) at 109 institutions. 28 selected institutions, including DekaBank, had to conduct recovery tests and create detailed logs as evidence of their activities. DekaBank and the large majority of the institutions are required to complete an extensive questionnaire by the end of February 2024 and submit cyber incident reports to the ECB. A central challenge posed to the banks by the stress test lies in the extensive collaboration, including the involvement of the relevant IT service providers, which is needed to handle the scenario. The results of the stress test will feed into the 2024 Supervisory Review and Evaluation Process (SREP), primarily in the form of evaluations of operational risks and qualitative requirements.

Sustainability-related regulatory proposals

Adopted in 2018, the EU Action Plan on Financing Sustainable Growth aims to reorient capital flows towards sustainable investment, manage financial risks stemming from climate change and foster transparency regarding the consideration of ESG aspects in financial and economic activity. The expectations associated with this EU Action Plan are continually being addressed through various legal standards for the financial sector. The key standards from DekaBank's perspective are described below.

Various regulatory initiatives in the context of sustainable reporting were relevant to DekaBank in 2023. These included the implementation of the taxonomy alignment assessment for the lending business and assets under management that contribute to the environmental objectives of climate change mitigation and climate change adaptation under the EU Taxonomy Regulation. The taxonomy alignment assessment feeds into the publication of the Green Asset Ratio in the sustainability report. This is accompanied by additional detailed quantitative and qualitative ESG disclosures, including disclosures on taxonomy eligibility for the other environmental objectives: the sustainable use and protection of water and marine resources; the transition to a circular economy; waste prevention and recycling; pollution prevention and control; and the protection and restoration of biodiversity and ecosystems. In the 2023 reporting year, DekaBank also published further quantitative and qualitative ESG information, including the Green Asset Ratio, on the Bank's lending business in the disclosure report in accordance with Article 449a CRR II. In addition to this, DekaBank has been making intensive preparations to comply with the provisions of the Corporate Sustainability Reporting Directive (CSRD) starting from the 2024 reporting year. These included conducting the materiality assessment and gap analysis as well as implementation planning for 2024.

With regard to the ECB guide on climate-related and environmental risks, DekaBank as of 31 December 2023 fulfilled the bulk of the expectations formulated by the ECB in line with the supervisory deadlines for implementation. In particular, these include the integration of climate and environmental risks into the strategy process, risk inventory and internal reporting. For some topic areas, a later implementation deadline applies. These include the integration of climate-related and environmental risks into external reporting and internal stress testing and their consideration when assessing capital adequacy. These topic areas will be the subject of intensive project activities again in 2024 for the purposes of timely implementation. In parallel to this, the processes already developed are also subject to ongoing refinement.

Also of relevance is the Sustainable Finance Disclosure Regulation (SFDR). This comprises sustainability-related disclosure obligations at product and entity level. Their aim is to improve transparency and comparability for investors regarding sustainability aspects of their investment. Detailed disclosure using standardised templates in accordance with the SFDR Level 2 requirements was implemented on schedule at the beginning of 2023 in the pre-contractual information for products with sustainability characteristics. In addition, quantitative disclosures were added to the principal adverse impact (PAI) statements of the Deka investment management companies and of DekaBank, which were published as of 30 June 2023. The PAI statements describe the negative effects on environmental and social factors arising from investment decisions by the investment management companies for the financial investment products they manage. In the second half of 2024, mechanisms were then developed to manage PAIs for target fund investments. In November, DekaBank began gathering additional information on customers' PAI-related preferences in investment advice (MiFID); all active securities funds ensure the consideration of the five main PAI categories – greenhouse gas emissions, biodiversity, emissions to water, hazardous waste, and social and employee matters – and can continue to be sold without restriction as products with a PAI strategy. In September 2023, the European Commission launched a consultation and review of the SFDR. Deka participated indirectly through its association work and directly with its own response in order to influence any implications from the earliest possible stage.

In 2024, the EBA in partnership with other European supervisory authorities (ECB and ESRB) will perform a "Fit-for-55" climate risk scenario analysis. This aims to assess the resilience of the financial sector in line with the EU's "Fit-for-55" package of measures. Institutions' progress in collecting climate-related data in the context of the 2022 climate risk stress test will also be evaluated. DekaBank is one of around 110 institutions in the EU participating in the "Fit-for-55" climate scenario analysis. The EBA is expected to publish the results of the analysis on an aggregated basis in the first quarter of 2025.

See also: Business and human rights at Deka

The Supply Chain Due Diligence Act (*Lieferkettensorgfaltspflichtengesetz*, LkSG) entered into force on 1 January 2023. The law governs corporate responsibility for respecting human rights in global supply chains. This particularly includes the prohibition of child and forced labour. Environmental concerns are also relevant here if they result in human rights violations or serve to protect human health. The LkSG initially applies to companies with at least 3,000 employees in Germany. This means that DekaBank falls within its scope. The associated requirements have been implemented for DekaBank and its suppliers as well as for subsidiaries over which DekaBank exerts a determining influence. A chief human rights officer has been appointed and a complaints procedure set up. Risk analyses have also been performed for the Bank's own business area and direct suppliers.

The European Corporate Sustainability Due Diligence Directive (CSDDD) will form the European framework for the German LkSG. However, neither a concrete implementation timetable following its adoption nor the final scope of the directive have yet been decided.

Product- and service-related regulatory proposals

The EU directive on deposit guarantee schemes (Deposit Guarantee Schemes Directive) was implemented in Germany as part of the European banking union in 2015. Under the more wide-ranging ideas put forward by the European Commission, national deposit guarantee systems would create a reinsurance system via a single European Deposit Insurance Scheme (EDIS) and centralise deposit insurance at European level in future. The design of this scheme, the role of institutional guarantee systems and the timetable have not yet been determined.

In May 2023, the European Commission published its draft Retail Investment Strategy (RIS). Among other things, the proposals relate to MiFID II and the PRIIPS Regulation and are therefore relevant for Deka. The European Parliament and European Council are currently considering the Commission proposal. DekaBank is following the legislative process and debate very closely so that it can respond swiftly and appropriately as necessary.

Tax policy developments

On 20 December 2021, the Organisation for Economic Co-operation and Development (OECD) published its Model Rules – a framework for international minimum taxation (Pillar Two income tax rules) agreed by more than 130 countries around the world. These rules were implemented in the EU through Directive 2022/2523 of 14 December 2022, which entered into force on 23 December 2022. Member states had until 31 December 2023 to transpose the directive into national law. For Germany, the Minimum Tax Implementation Act (*Mindeststeuerumsetzungsgesetz,* MinBestRL-UmsG) came into force on 28 December 2023. Qualitative elements must already be adhered to in the annual and consolidated financial statements (notes) as at 31 December 2023. The Minimum Tax Act (*Mindeststeuergesetz*, MinStG) this introduced, however, is only applicable to financial years beginning on or after 1 January 2024. The Pillar Two income tax rules provide for a global minimum tax rate that applies to all corporate groups with annual revenues of at least €750m. This will impose a minimum tax rate of 15% on corporate profits. Where the group's low-taxed entities pay less than 15% through national taxation, a top-up tax must be collected within the group. The aim is to limit international tax competition and create fairer taxation. Following an in-depth analysis, DekaBank does not currently anticipate any adverse financial impact from the application of the Pillar Two income tax rules.

Business development and position

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

The Deka Group is looking back on a 2023 that proved to be a resilient year for the economy overall, despite the geopolitical conflicts. The stock markets defied soaring inflation and surging interest rates to reach new heights. Particularly towards the end of the year, the prospect of imminent key rate cuts by the central banks put markets in an optimistic mood, helping to fuel the positive trend on equity and bond markets for the year as a whole. While the German economy shrank and the eurozone posted only weak growth, the global economic picture was robust.

In this environment, Deka continued its consistent focus on supporting savings banks and institutional customers. The expert advice offered by the savings banks helped to keep customers investing in 2023. Investors concentrated particularly on short-term, fixed-income investments so as to keep an eye on where inflation and interest rates were heading. In this environment, the Deka Group achieved an economic result of €971.5m, which was close to the previous year's level of €984.8m. Deka is satisfied overall with its business development and profit performance.

Thanks to our economic strength, we were able to invest in technology and innovation in a targeted way and expand our business model. The Deka Group's earnings position also ensures that Deka remains able to distribute profits while at the same time retaining parts of the annual profit to strengthen its capital base.

Income rose slightly year-on-year to €2,282.9m (previous year: €2,236.3m). Net interest income, net financial income and net commission income improved on the prior-year figures. This was offset by allocations to risk provisions in the lending and securities business and a decline in other operating profit, which was particularly due to the negative effect of actuarial losses on pension provisions triggered by the actuarial interest rate. In the previous year, there was a high level of actuarial gains on pension provisions triggered by the actuarial interest rate. Net commission income remained the main component of the Deka Group's income, accounting for around 70%. Expenses came to €1,311.3m and, as expected, were thus moderately above the prior-year figure (€1,251.5m). This was due in particular to the increase in headcount to take advantage of growth opportunities and to investments in the business model.

The Deka Group's total sales stood at €5.7bn (previous year: €27.4bn). In the retail segment, sales increased to €22.7bn (previous year: €20.8bn), driven partly by the sale of short-dated straight bonds. A major client (approximately €19bn) moving to another provider, as had been expected, resulted in negative overall net sales of €17.0bn in the institutional customer business (previous year: positive net sales of €6.6bn).

Asset management net sales in the retail customer business in the reporting period came to €5.4bn (previous year: €8.1bn). Equity fund net sales of €4.2bn (previous year: €6.0bn) and real estate fund net sales of €1.5bn (previous year: €1.9bn) represented a substantial portion of this. Deka's net sales to institutional customers came to €–17.4bn compared with €5.9bn in the previous year. As indicated in interim reporting, the figure includes outflows of around €19bn due to the loss of a customer's high-volume mandate. Asset management net sales in the reporting period therefore stood at €–12.0bn (previous year: €14.1bn).

Particularly in the first half of the year, customers invested primarily in certificates, whereas in the second half of the year, the looming changes in monetary policy brought a change in investment behaviour. The gross certificate sales of €17.7bn were a significant increase on the prior-year figure (€13.3bn). The majority (€17.3bn) of these sales were to retail customers (previous year: €12.6bn). There was particular demand for stepped coupon bonds (€12.1bn; previous year: €0.1bn) and express certificates (€4.1bn; previous year: €4.7bn). Certificate sales to institutional customers in the reporting period came to €0.4bn (previous year: €0.7bn). The gross sales figure includes both Deka certificates and cooperation certificates. Deka certificates accounted for €9.2bn of the total (previous year: €9.4bn). Cooperation certificates, which complement Deka's certificate range, accounted for €8.4bn, compared with €4.0bn in 2022.

Deka Group sales *in €m (Fig. 4)*

	2023	2022
Asset management net sales	**–11,958**	**14,061**
by customer segment		
Retail customers	5,422	8,140
Institutional customers	–17,380	5,922
by product category		
Mutual funds and fund-based asset management	4,307	7,065
Special funds and mandates	–16,163	6,174
ETFs	–102	822
Gross certificate sales	**17,664**	**13,320**
by customer segment		
Retail customers	17,302	12,614
Institutional customers	362	706
Total sales (Total of net sales asset management and certificates)	**5,707**	**27,381**

Investors signed up to around 222,000 (net figure) new Deka investment savings plans in 2023 (year-end 2022: 368,000), meaning that the Deka Group manages approximately 7.6 million contracts in total, compared with around 7.4 million at the end of 2022.

The appeal of securities was also reflected in the number of securities accounts, which increased by approximately 169,000 in total to 5.5 million (year-end 2022: 5.3 million). At 123.2 million, the number of transactions was slightly up on the figure for year-end 2022 (120.0 million).

The asset management volume of €357.7bn at the end of 2023 was €10.5bn up on the year-end figure for 2022 (€347.2bn). The Deka certificate volume decreased by €1.3bn compared with the end of the previous year, falling to €23.2bn. The Deka certificate volume comprises only Deka certificates; cooperation certificates are not included. The total of the asset management and Deka certificate volume at year-end stood at €380.9bn (year-end 2022: €371.8bn).

Deka Group asset management volume and Deka certificate volume *in €m (Fig. 5)*

	31 Dec 2023	31 Dec 2022	Change	
Asset management volume	**357,730**	**347,247**	10,483	3.0%
by customer segment				
Retail customers	184,600	169,378	15,223	9.0%
Institutional customers	173,130	177,869	–4,739	–2.7%
by product category				
Mutual funds and fund-based asset management	196,787	181,863	14,924	8.2%
Special funds and mandates	147,841	154,009	–6,168	–4.0%
ETFs	13,103	11,375	1,728	15.2%
Deka certificate volume	**23,216**	**24,506**	–1,290	–5.3%
by customer segment				
Retail customers	18,534	19,113	–579	–3.0%
Institutional customers	4,683	5,394	–711	–13.2%
Total of asset management and Deka certificate volume	**380,947**	**371,753**	9,193	2.5%

See also: Capital adequacy: page 69 ff.

The Common Equity Tier 1 capital ratio at the close of 2023 stood at 19.2% (year-end 2022: 17.4%). The regulatory requirement was exceeded at all times. As in the previous year, and pursuant to Article 26 (2) CRR, the year-end profit less foreseeable charges and dividends was recognised in Common Equity Tier 1 capital within the same period as at 31 December 2023 (dynamic approach).

Compared with the previous year, Common Equity Tier 1 capital increased by €385m to €5,848m. The increase was due to the inclusion of year-end effects from 2023 (mainly profit retention).

RWAs declined overall by €874 m from the year-end 2022 figure of €31,360m to €30,486m. Market risk (€4,347m) fell significantly over the year (year-end 2022: €5,645m). Specific interest rate risk benefited from improved ratings for banks, which led to reduced risk weightings. In specific share price risk, there has been a significant reduction in net positions not fully closed out for regulatory purposes. RWAs for general market risk positions (internal model) have fallen slightly. Credit risk fell by €1,109m to €19,884m. This was chiefly due to a lower volume mirroring the changes in the balance sheet. RWAs from operational risk (€5,727m) increased significantly (year-end 2022: €4,139m). The change resulted from the receipt of amended tax assessment notices for the years 2013 to 2017 and the corresponding treatment of tax law risks from share trades transacted around the dividend record date as part of the operational risk scenarios (ex-ante view). CVA risk declined by €54m to €528m due to lower volumes of derivative transactions to be included.

At 9.2%, the leverage ratio exceeded the previous year’s figure of 7.1%. The increase was due to higher Tier 1 capital combined with a lower leverage ratio exposure as a result of reduced total assets. The minimum leverage ratio of 3.0% was adhered to at all times.

The MREL requirements are calculated using an RWA- and LRE-based method in accordance with supervisory requirements. As at the reporting date, the MREL ratio in line with the RWA-based approach amounted to 54.1% (year-end 2022: 52.0%), while the figure under the LRE-based approach came to 23.5% (year-end 2022: 19.1%). Both ratios were well above the applicable minimum ratios.

The subordinated MREL requirements are also calculated using an RWA- and LRE-based method in accordance with supervisory requirements. As at 31 December 2023, the subordinated MREL requirements in line with the RWA-based approach came to 37.7% (year-end 2022: 35.9%), while the figure under the LRE-based approach was 17.9% (year-end 2022: 14.2%). Both ratios were well above the applicable minimum ratios.

See also: Liquidity adequacy: page 72 ff.

The Deka Group had ample liquidity, measured using the liquidity balances and liquidity coverage ratio (LCR), throughout 2023. The LCR increased year-on-year to 209.0% (year-end 2022: 159.1%). In percentage terms, the reduction in net cash outflows was significantly stronger than the reduction in holdings of high-quality liquid assets. The LCR in the reporting period was always significantly above the applicable minimum limit of 100%.

The net stable funding ratio (NSFR) came to 120.9% (year-end 2022: 118.1%) and, at the end of December 2023, was thus significantly above the required 100%.

Economic risk-bearing capacity was at a non-critical level overall as at the end of 2023. Utilisation of risk appetite (59.4 %) was virtually unchanged from the end of the previous year (59.9 %). A slight increase in total risk was offset by slightly higher risk capacity due to the positive development in retained earnings and earnings components. Risk capacity utilisation also declined as a result of these developments and, at 46.6%, was marginally below the level seen at the end of 2022 (47.6%).

Comparison of forecast and actual growth

Expectations regarding the Deka Group's key performance indicators in 2023, as set out in the forecast report of the 2022 Group management report and updated in the 2023 interim financial report, materialised as predicted.

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

		31 Dec 2022	Forecast 2023 in the Annual Report 2022	Forecast 2023 in the Interim Report 2023	31 Dec 2023
Economic result	€m	984.8	Slightly above 500	Above 800 but below 2022 value	971.5
Return on equity before tax (balance sheet)	%	17.0	Above 8	Above 10	15.8
Cost/income ratio	%	55.0	Below 70	Below 65	54.4
Total of asset management and Deka certificate volume	€bn	371.8	Up slightly year-on-year	Up slightly year-on-year	380.9
Total sales	€bn	27.4			5.7
Retail customers	€bn	20.8	20 to 25	20 to 25	22.7
Institutional customers	€bn	6.6	Down significantly on the previous year due to a one-off effect	Down significantly on the previous year due to a one-off effect	– 17.0
Common Equity Tier 1 capital ratio	%	17.4	Above 13	Above 13	19.2
Utilisation of risk appetite	%	59.9	At non-critical level	At non-critical level	59.4

Profit performance of DekaBank

The total of net income from interest and equity investments came to €1.139m (previous year: €1.028m). This change was attributable to net interest income, which grew by €382m to €455m. The significant increase in net interest income was mainly due to the investment of liquidity from own funds by the Treasury function as a result of the sharply increased market interest rate level in the short-maturity segment. Net commission income remained stable at €346m (previous year: €347m). Trading result of €158m was noticeably lower than in the previous year (€558m). This resulted mainly from a fall in the valuation result in the context of the change in capital market interest rates. Other operating profit came to €340m (previous year: €227m). It was positively affected by actuarial gains on pension provisions. These resulted mainly from the market-induced rise in plan assets.

General administrative expenses as the total of personnel expenses and other administrative expenses including depreciation and amortisation increased to €1.089m in the year under review (previous year: €999m). Personnel expenses climbed to €492m (previous year: €420m). This was mainly due to the increase in headcount to take advantage of growth opportunities and to wage and salary increases as a result of the collective bargaining rounds. At €598m, other administrative expenses including depreciation and amortisation were slightly higher than the prior-year figure (€579m).

The overall valuation result from the lending, securities and investment business for the past financial year was €139m (previous year: €– 167m). The change was attributable particularly to the sale of securities in the liquidity reserve as well as reduced write-downs on these securities to the lower of cost or market. This was set against an increase in risk provisions to €–127m (previous year: €–38m). A gloomier climate in the real estate sector led to specific provisions and a post-model adjustment. After allocations of €122m (previous year: €506m) to the fund for general banking risks and deduction of income taxes of €611m (previous year: €290m), DekaBank achieved net income of €300m (previous year: €200m). The significant increase in income taxes was due to tax assessment notices issued in December 2023 in relation to the years 2013 to 2017.

DekaBank performance *in €m (Fig. 7)*

	2023	2022	Change	
Net interest income and net income from equity investments	1,139	1,028	111	10.8%
Net commission income	346	347	–2	–0.5%
Trading result	158	558	–400	–71.7%
General administrative expenses	1,089	999	90	9.0%
Risk provision/valuation	139	–167	305	183.1%
Income taxes	611	290	321	110.7%
Net Income	**300**	**200**	100	49.9%

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 €567.4m (previous year: €550.3m). The environment for the business division remained challenging given the impacts of the geopolitical and economic situation on the securities markets. Net sales in the retail business came to €4.0bn (previous year: €6.2bn). Overall, however, net sales of €–13.3bn remained below the high prior-year figure of €11.5bn due to a customer transferring their mandate to another provider. The positive investment performance and net sales in the retail business meant that the asset management volume of €302.2bn slightly exceeded the prior-year figure (€293.5bn).

Net sales and volume

The business division's asset management net sales totalled €–13.3bn (previous year: €11.5bn). Business with retail customers performed less well than in the previous year due to the difficult market environment. Sales of mutual securities funds reached €3.6bn (previous year: €5.3bn). Sales of equity and money market funds were particularly positive. In fund-based asset management, there were slight net redemptions and maturities of €–0.6bn (previous year: €–0.1bn). Business with institutional customers amounted to €–17.3bn versus €5.3bn in the previous year. Net sales of special funds and mandates, which are included in this figure, came to €–16.3bn (previous year: €5.5bn) due to a major customer (approximately €19bn) transferring their mandate to another provider. Without this effect, sales would have come to around €3bn. Sales of advisory/management mandates performed better than in the previous year. Master funds were unable to match the prior-year figures, but net sales were well into positive territory. ETFs saw net redemptions and maturities (€0.1bn), compared with inflows of €0.8bn in the previous year.

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

	2023	2022
Asset management net sales	**–13,337**	**11,503**
by customer segment		
Retail customers	3,956	6,234
Institutional customers	–17,293	5,269
by product category		
Mutual funds and fund-based asset management	3,025	5,210
ETFs	–102	822
Special funds and mandates	–16,260	5,471

Despite the loss of a major mandate, the asset management volume of €302.2bn was slightly up on the prior-year figure of €293.5bn. This was due to the positive investment performance and net sales in the retail business.

Volume in the Asset Management Securities business division *in €m (Fig. 9)*

	31 Dec 2023	31 Dec 2022	Change	
Asset management volume	**302,227**	**293,533**	8,694	3.0%
by customer segment				
Retail customers	144,646	131,111	13,535	10.3%
Institutional customers	157,581	162,423	−4,842	−3.0%
by product category				
Mutual funds and fund-based asset management	153,464	140,086	13,378	9.5%
thereof: equity funds	66,680	55,585	11,095	20.0%
thereof: bond funds	21,169	22,510	−1,341	−6.0%
thereof: mixed funds	22,915	22,642	273	1.2%
ETFs	13,103	11,375	1,728	15.2%
Special funds and mandates	135,660	142,072	−6,412	−4.5%

Business development in the Asset Management Real Estate business division

At €200.8m, the economic result in the Asset Management Real Estate business division exceeded the previous year's figure of €166.0m. Net sales of €1.4bn did not match the previous year's figure. With continued sound investment performance, the business division's asset management volume stood at €55.5bn. Real estate assets under management grew by €0.2bn to €50.3bn.

Net sales and volume

As a result of the global geopolitical conflicts, persistent high inflation and associated interest rate hikes, retail and institutional customers alike showed significant investment restraint when it came to real estate funds. The business division's net sales therefore declined to €1.4bn (previous year: €2.6bn) but were still well into positive territory. The quota system for sales to retail customers was generally maintained; this prevents excessive investment pressure in times of high demand.

Mutual funds accounted for around 93% of the business division's net sales. WestInvest InterSelect, which focuses on Europe, continued to register particularly high demand. A special quota of *Deka-Immobilien Europa* provided to the savings banks in the period from July to September was also almost fully placed.

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

	2023	2022
Asset management net sales	**1,380**	**2,559**
by customer segment		
Retail customers	1,466	1,906
Institutional customers	−86	653
by product category		
Mutual property funds	1,282	1,856
Special funds, individual property funds and mandates	97	703

Partly due to positive net sales, the volume in the Asset Management Real Estate business division increased by 3.3% in the reporting year, despite distributions of €1.1bn, to reach €55.5bn. Of this volume, mutual property funds accounted for €43.3bn, of which approximately 90% was from products for retail customers. Euro-denominated mutual property funds achieved an average volume-weighted return of 2.7%, compared with 2.8% in the previous year.

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

	31 Dec 2023	31 Dec 2022	Change	
Asset management volume	**55,503**	**53,714**	1,790	3.3%
by customer segment				
Retail customers	39,954	38,267	1,688	4.4%
Institutional customers	15,549	15,447	102	0.7%
by product category				
Mutual property funds	43,323	41,777	1,546	3.7%
Special funds, individual property funds and mandates	12,181	11,937	244	2.0%

Pricing on the national and international real estate markets continues to be hampered by the sharply increased interest rate level. At €1.3bn, the volume of real estate purchase and sale transactions was down on the previous year's level of €3.1bn. Around 43% of the overall transaction volume concerned a total of five contractually secured property purchases. There were eleven disposals, representing 57% of the transaction volume. Business activities continue to centre on properties in the office, retail, logistics and hotel asset classes.

Business development in the Asset Management Services business division

The economic result for the Asset Management Services business division was €6.3m (previous year: €–1.0m). There was a renewed increase in the number of securities accounts in Digital Multichannel Management. Custody account volume rose significantly due to market developments. Assets under custody in the Depositary subdivision saw a slight market-induced increase over the course of 2023.

Business development in the Asset Management Services business division

The number of custody accounts for which the division is the legal provider rose by around 169,000 to 5.5 million in the reporting year. At 123.2 million, the number of securities transactions also exceeded the previous year's figure of 120.0 million. This was partly due to the sales figures for savings agreements, with around 222,000 additional savings agreements in 2023. Given the positive market trend starting from early 2023, custody account volume in the Digital Multichannel Management subdivision rose to €194.6bn (previous year: €170.2bn). At S Broker, the investment volume also increased year-on-year to €16.2bn (previous year: €12.6bn). The number of securities accounts here rose by around 3% to approximately 200,000. As of year-end 2023, the robo-advisory service bevestor GmbH has been integrated into the sales of 348 savings banks (previous year: 325) as part of the cooperation partner model. bevestor had arranged an investment volume of €299m (previous year: €207m) and managed around 69,000 customer custody accounts as of year-end 2023 (year-end 2022: around 34,000 custody accounts).

Assets under custody in the Depositary subdivision saw a market-induced rise compared with the start of the year. They increased for both mutual funds and special funds and came to €290.8bn at year-end (previous year: €269.0bn).

Business development in the Capital Markets business division

At €291.5m, the economic result for the Capital Markets business division was up on the previous year's figure of €176.4m. The Capital Markets business division continues to fulfil its role as the Deka Group's product, solution and infrastructure provider. The DEA and finledger platforms play an important role here.

Business development in the Capital Markets business division

In the largest subdivision, Trading & Structuring, business was stable compared with the previous year. Derivatives trading benefited from strong issuance business.

At €17.7bn, gross sales of certificates at year-end 2023 exceeded the previous year's figure of €13.3bn. As in the previous year, business with retail customers made up the lion's share of demand. There was particular demand for stepped coupon bonds (€12.1bn) and express certificates (€4.1bn) in the reporting year. Gross sales in the reporting year were split virtually 50/50 between Deka certificates and cooperation certificates (previous year: around 70% Deka certificates and around 30% cooperation certificates).

The Collateral Trading & Currency subdivision remains well positioned in the repo/lending business. Business was down on the previous year's level due to a smaller portfolio.

In a challenging market environment, the Commission Business subdivision was unable to match the previous year's turnover in business with shares, bonds, exchange-traded derivatives and supplementary services and therefore remained short of the prior-year figure.

Gross certificate sales Capital Markets business division *in €m (Fig. 12)*

	31 Dec 2023	31 Dec 2022
Gross sales	**17,664**	**13,320**
by customer segment		
Retail customers	17,302	12,614
Institutional customers	362	706
by issuer		
Deka certificates	9,220	9,360
Cooperation certificates	8,444	3,959

The volume of Deka certificates reported in the balance sheet amounted to €23.2bn (year-end 2022: €24.5bn).

Deka certificate volume Capital Markets business division *in €m (Fig. 13)*

	2023	2022	Change	
Deka certificate volume	**23,216**	**24,506**	–1,290	–5.3%
by customer segment				
Retail customers	18,534	19,113	–579	–3.0%
Institutional customers	4,683	5,394	–711	–13.2%

Business development in the Financing business division

The Financing business division generated an economic result of €44.2m (previous year: €128.6m). At €27.2bn, the business division's gross loan volume remained virtually unchanged from the end of 2022 (€27.1bn).

Business development in the Financing business division

As in the previous year, around 60% of the business division's gross loan volume of €27.2bn (year-end 2022: €27.1bn) was attributable to specialised financing. The proportion of real estate financing was unchanged at around 40%.

The volume of new business in the Financing business division fell by €2.0bn in the reporting year to €4.7bn. The total volume of placements stood at €0.9bn, compared with €0.8bn in in the previous year. Repayments of around €3.7bn (previous year: around €4.4bn) were the main factor reducing the portfolio.

Gross loan volume in the Specialised Financing subdivision *in €bn (Fig. 14)*

	31 Dec 2023	31 Dec 2022	Change
Infrastructure financing	4.0	4.0	–0.6%
Renewable energies	1.5	1.4	2.2%
Transport financing	3.3	3.8	–13.6%
Aviation	1.8	2.3	–21.5%
Shipping	1.3	1.3	–1.0%
Export financing	1.0	1.2	–18.7%
Public sector financing	3.1	3.5	–10.6%
Savings bank financing	4.6	3.1	45.8%
Total	**16.0**	**15.7**	1.9%

Gross loan volume in the Real Estate Financing subdivision *in €bn (Fig. 15)*

	31 Dec 2023	31 Dec 2022	Change
Commercial real estate financing	8.3	8.4	–1.8%
Financing of open-ended real estate funds	2.9	3.0	–3.8%
Total	**11.2**	**11.5**	–2.4%

For materiality reasons, segments with a gross loan volume of less than €1bn are not reported.

Commercial real estate financing is focused on financing in Europe (€4.3bn) and North America (€4.0bn). In the previous year, the figures were €4.5bn in Europe and €3.9bn in North America. Office properties were the main use type in commercial real estate financing with a share of 75.8% of the gross loan volume (year-end 2022: 77.9%). Hotel financing had a share of 3.7% (year-end 2022: 3.3%) and retail property financing a share of 9.1% (year-end 2022: 9.5%) of the gross loan volume in commercial real estate financing. For the loan to values in commercial real estate financing, Deka follows a conservative policy on lending values.

The average rating for the loan portfolio as a whole according to the DSGV master scale fell from 7 at the end of the previous year to 8. Both figures correspond to a rating of BB on S&P's external rating scale. The average rating for Specialised Financing was unchanged from the end of 2022 and stood at 7 (S&P: BB). The rating for Real Estate Financing deteriorated from 5 at the end of the previous year to 8 (S&P: from BBB- to BB). Taking account of collateralised assets, the average rating for Real Estate Financing fell from A (S&P: A-) to 4 (S&P: BBB-) on the DSGV master scale.

At €4.7bn, the volume of new business in the Financing business division in the reporting year was down €2.0bn on the previous year's figure of €6.7bn. At €2.7bn, new business in the Specialised Financing subdivision was €0.8bn lower than in the previous year (€3.4bn). The focus here was on loans to savings banks of €1.6bn (previous year: €2.1bn). At €2.0bn, the Real Estate Financing subdivision also fell short of the previous year's figure (€3.3bn). Loans to savings banks accounted for around 35% of total new business in the division (previous year: around 31%). At €0.9bn, the total volume of placements in the business division was above the previous year's figure of €0.8bn. Around two-thirds of this total was placed within the *Sparkassen-Finanzgruppe*.

Financial position

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 manages Group liquidity and Deka Group refinancing across all maturities and is responsible for asset-liability management. Treasury also heads the Management Committee for Assets and Liabilities (*Managementkomitee Aktiv-Passiv* – MKAP), which manages the strategic position of the Bank as a whole and makes recommendations for action in this regard to the Board of Management.

Treasury manages the liquidity management portfolio with a view to compliance with regulatory requirements and safeguarding the Bank's liquidity at all times. This portfolio comprises the liquidity buffer, which contains securities held to ensure liquidity in stress situations and liquidity shortages, other liquid assets (e.g. securities for cover registers) 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. 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.

Treasury assists the Board of Management with the management of existing risks from fund-based guarantee products, manages market price risks in the banking book and is responsible for Group-wide hedge accounting. In addition, Treasury manages 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 calculated appropriately.

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.

Refinancing is carried out in a diversified manner using domestic and international money market and capital market instruments. This includes issues of covered bonds, bearer bonds based on the commercial paper programme and 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 daily and time deposits to raise and invest liquidity. It participates in the various central bank tenders as necessary.

See also: Green bonds

As part of its continuous efforts in the field of sustainability, DekaBank has enhanced its Green Bond Framework in accordance with the ICMA Green Bond Principles 2021. 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

Total assets declined by €14,2bn in financial year 2023 to €86,2bn (year-end 2022: €100,4bn). This was primarily due to the expiry of short-term transactions in the interbank market. There was a particular decline in repo transactions, money market refinancing and trading issues, which was reflected in reduced deposits with Deutsche Bundesbank.

Amounts due from banks and customers fell by €7,1bn to €47,0bn in the period under review. The drop in this figure resulted from reduced investment of balances (overnight deposits) with Deutsche Bundesbank in the form of a deposit facility, which are reported as amounts due from banks that are due on demand. Term deposits with banks also became due. Bonds and other fixed-interest securities remained stable year-on-year at €9,8bn (year-end 2022: €9,8bn). The trading portfolio (assets) declined from €34,2bn to €27,2bn. This was due in particular to the expiry of reverse repo transactions.

Amounts due to banks and customers fell by a total of €3,3bn to €36,7bn. This change was mainly due to reduced term deposits with DekaBank by other banks. Securitised liabilities posted a slight decline of €0,6bn and amounted to €11,1bn. The trading portfolio (liabilities) fell significantly to €29,1bn (year-end 2022: €39,9bn). This was due to the fall in capital market interest rates in the reporting year, which resulted in a lower fair value for derivatives held for hedging purposes on the liabilities side. The change was also attributable to a lower volume of trading issues and to higher volumes of repo transactions maturing.

Changes in the DekaBank balance sheet *in €m (Fig. 16)*

	31.12.2023	**31.12.2022**	Change	
Total assets	**86,156**	**100,420**	–14,264	–14.2%
Selected asset items				
Due from banks and customers	47,011	54,077	–7,066	–13.1%
Financial assets at fair value	9,820	9,809	11	0.1%
Trading portfolio	27,239	34,222	–6,983	–20.4%
Selected liability items				
Due to banks and customers	36,674	39,949	–3,275	–8.2%
Securitised liabilities	11,148	11,729	–581	–5.0%
Trading portfolio	29,069	39,902	–10,833	–27.1%

Capital and liquidity adequacy

Full details of capital and liquidity adequacy in the 2023 financial year can be found in the risk report section of the Group management report.

See also:
Risk report:
page 44 ff.

Development of capital market ratings

At year-end 2023, DekaBank's capital market rating remained among the best in its peer group of German commercial banks. The ratings from Standard & Poor's (S&P) and Moody's enable access to the money and capital markets on stable and competitive terms. They reflect the high strategic importance of the Deka Group to the savings bank sector as well as the adequacy of the capital and liquidity base for its business model. For example, DekaBank has an issuer rating of A from S&P and Aa2 from Moody's and a stable outlook with both agencies. DekaBank's ratings were unchanged over the course of 2023.

Ratings overview *(Fig. 17)*

	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	A2 Junior Senior Unsecured Debt
Subordinated 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

Forecast and opportunities report

Forecast 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.

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 2024 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 44 ff.
Opportunities report:
page 43 ff.

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 2024 financial year. Conversely, opportunities may result in expectations being exceeded. The opportunities for the Deka Group are set out in the opportunities report.

The impacts of a continuation of the wars in Ukraine and the Middle East are again impossible to fully predict in 2024. The same applies to the tensions between western industrialised nations and the emerging economies, led by China. If the hostilities worsen further or if further geopolitical conflicts develop, this may hit economic growth and the capital markets. Moreover, the economic effects of the changes to value chains, the disrupted supply chains and, in particular, the future inflation trend are still impossible to gauge. The monetary policy of the central banks will be a relevant factor here. As a result of this, estimates of the development of growth are subject to revision. Future market developments therefore remain highly uncertain, and the earnings, risk and capital situation, as well as the corresponding key management indicators, may show less favourable development than that presented in the forecast report.

Expected macroeconomic trends

DekaBank expects moderate expansion of the global economy in 2024. Global gross domestic product is predicted to rise by 2.9%. After a weaker period over the winter months, the anticipated central bank interest rate cuts, lower inflation rates and real wage growth, particularly in industrialised nations, are likely to help the economy pick up slightly as the year progresses. In the United States, fiscal policy in a presidential election year will likely have an expansionary impact. In China, meanwhile, the shrinking population is set to act as an increasing drag on the economy. With growth rates of around 4.5%, this engine of the world economy is running more slowly than in the past.

Many geopolitical pressures remain in play, such as military conflicts and the trade policy divisions between the United States and China. While businesses and households are becoming increasingly habituated to these, there are still concerns regarding a further geopolitical escalation and around upcoming elections, in which there is a possibility of a populist shift to the right. The latter may be seen, for instance, in the United States, in the European elections or in the state elections in Germany. Meanwhile, a dependable economic policy environment will be of immense importance in 2024 as business and societies at large face ongoing structural challenges. Digitalisation, decarbonisation and demographic factors continue to have a transformative impact and bring both risks and opportunities. Moreover, in light of the expected key interest rate cuts by central banks, the monetary policy environment for investment and debt servicing is set to improve again beginning in 2024. DekaBank expects the knock-on effects of restrictive monetary policy and the structural transformation now underway to cause only a limited increase in unemployment in 2024. In Germany and other European countries, consumer spending is therefore likely to play an important role in propping up macroeconomic activity in light of noticeable increases in real wages. In addition, moderate price growth and a normalisation of monetary policy is likely to gradually improve sentiment among businesses and households.

Expected sector-related conditions

After the considerable fall in inflation in 2023, the upward pressure on prices is expected to ease only slowly in the course of 2024. In the eurozone, the United States and numerous other industrialised countries, inflation is therefore likely to still remain somewhat higher than the central banks' 2% target at year-end. The cost of energy and other intermediate goods has fallen back again, and this will continue to curb consumer prices for food and industrial goods, particularly in the eurozone. On the other hand, various government measures to ease the pressure on households and businesses over the past few years are now coming to an end. The primary reason for the stubbornness of high inflation, however, lies in the still high wage growth, which is reflected by corresponding increases in consumer prices, especially for services. In the United States, the wage curve is now flattening to some extent. Even so, with only slight growth in unemployment, wages are set to continue rising this year at a pace that puts a lasting return to the 2% inflation target out of reach. Despite the weaker economic environment, the anticipated effects of wage pressure are generally even stronger in the eurozone. With collective bargaining agreements fixing wages for extended periods, earnings here take longer to adjust to the rising cost of living. Sharp wage rises must therefore be expected again this year, contributing to the persistence of inflation.

The ECB and Fed are satisfied with the progress in reducing inflation and regard it as a validation of their monetary policy. However, they also still see considerable risks to the lasting achievement of their inflation targets. This dichotomy is likely to substantially influence their decisions again in 2024. Central banks regard their current monetary policy as sufficiently restrictive but do not believe that the conditions for cutting their key rates have yet been met. They point to the importance of data in determining their future course and are focused on those indicators that provide the most information on the medium-term inflation outlook, chiefly wage growth. For that reason, DekaBank's economists expect that the ECB and Fed will wait a few more months and begin cutting their key rates only in June. Rate cuts are likely to be few in number and above all small in scale, meaning that key interest rates in both currency areas will still be in moderately restrictive territory at the end of the year.

Both central banks will continue to reduce their balance sheets this year. This process is already well advanced in the United States and therefore unlikely to weigh on capital markets any longer. In the coming months, the Fed is even likely to begin debating whether its balance sheet has reached an appropriate size, eliminating the need for further cuts in its securities holdings. In the eurozone, the final tranches of the TLTRO III (targeted longer-term refinancing operations) programme expire this year, and bonds worth €334bn will mature under the APP (asset purchase programme). At €7.5bn per month, the ECB's planned reduction in securities holdings from the Pandemic Emergency Purchase Programme (PEPP) in the second half of the year will be modest. The development of the ECB balance sheet over the course of the year is thus relatively predictable. That means a still very high volume of excess reserves is expected at year-end.

With excess reserves still extensive, the overnight rate €STR (Euro Short-Term Rate) is likely to remain below the ECB deposit rate. However, the short-term EURIBOR rates are likely to slightly exceed it, while the longer-term rates reflect the expectation of upcoming key rate cuts. This will likely produce an inverse EURIBOR curve throughout 2024. In the coming months, the ECB may announce changes to the operational framework for monetary policy. This will primarily affect the way in which commercial banks receive central bank money in future. Although many details are still unclear, a major market reaction is unlikely.

The capital markets are on standby for key rate cuts. The surprisingly dovish stance of Fed Chairman Powell at the central bank's final meeting for 2023 led market participants to sharply raise their expectations of key rate cuts. Rate cuts by both the Fed and the ECB are anticipated to begin in the spring, and a series of reductions have already been priced in for this year. As a result, yields on European and US government bonds have fallen sharply and yield curves have become noticeably less inverted. DekaBank expects the change of course by the Fed, and especially by the ECB, to be slower than is currently priced in by the markets. Neither central bank expects core inflation rates to continue falling at the same pace seen in recent months, mainly because wage rises are too high. We therefore expect an initial upward correction in yields, particularly on European bonds, before the ECB's inflation expectations become more optimistic in the second half of the year. The capital markets will also need to absorb the accelerated winding down of central banks' securities holdings. This process is already relatively far advanced in the United States and now poised to gather further pace in the eurozone too. This will bring a further significant increase in the net supply of long-dated government bonds on both sides of the Atlantic. For corporate bonds, too, a large part of the expected positive trend is already priced in. Given the weak economic outlook, spreads should not be expected to narrow much further. An unexpected increase in default rates could, however, cause spreads to widen for a time. Nevertheless, both the absolute yield level on corporate bonds and the ongoing coupons continue to make for attractive entry opportunities for investors.

After the strong year-end rally, most major share indices began 2024 at or close to their historic highs. This leaves little scope for all too euphoric expectations. These high stock prices reflect higher valuations rather than any significant recent increase in earnings forecasts, meaning there is a greater risk of sudden setbacks. Nevertheless, valuations particularly for German and European companies remain at attractive levels. Above all, the prospect of renewed falls in key interest rates will bolster sentiment in the equity markets. On top of this, corporate profits are set to rise again this year, despite the weak economic growth prospects in Europe. In the United States, even double-digit percentage increases are on the cards. Profit growth of close to 10% is also expected for the MSCI World Developed Markets. Overall, the fundamentals remain favourable for the stock market.

Real estate asset management remains an appealing asset class. The time lag in the construction cycle for office markets means that construction is likely to peak this year. In the medium term, the sharp increase in building and financing costs points to a significant decline in completions and a surplus of demand for modern prime properties, from which existing such buildings will benefit. Rents are set to rise further; however, DekaBank expects a significantly more muted upward trend given falling inflation and weak GDP growth. The restrictive monetary policy means that further slight adjustments in initial yields are expected in all segments of the real estate market in the first half of 2024.

Overall assessment of the expected economic trends

Overall, DekaBank expects a challenging economic environment for the 2024 financial year. On the one hand, political and geopolitical risks will persist, while on the other hand, the central banks are set to shift away from their restrictive monetary policy. The high levels of financial assets held by private households and the investment needs of institutional investors offer potential for fund and certificate sales. Another boost is likely to come from the expected cuts to key interest rates, which will make liquid, short-term interest-bearing investments less attractive. Business performance may continue to be affected by the market environment amid ongoing geopolitical conflicts, fears of recession and global falls in property values. These factors could result in higher risk provisions and increased capital requirements due to further rating downgrades.

Expected business development and profit performance

The Management Agenda is an ongoing strategic action programme that sets the direction to further build on the Deka Group's position as the *Wertpapierhaus* for the *Sparkassen-Finanzgruppe*. This agenda remains focused on the broad themes of technology, innovation and sustainability.

Particularly when it comes to geopolitical tensions and conflicts, it is scarcely possible to make a full prediction of their impacts in 2024. Their spread or escalation may hit economic growth and the capital markets. There is also uncertainty around the impact of restrictive monetary policy, which could change the assessment of the economic growth picture. Ultimately, future market developments remain highly uncertain, which means that the earnings, risk and capital situation, as well as the corresponding key management indicators, may show less favourable development than expected.

The Deka Group achieved an economic result of €971.5m in 2023. With the continuing geopolitical tensions and challenging economic environment as a backdrop, the Deka Group expects an economic result of around €700m in 2024.

The Deka Group operates in a growing market with the aim of realising potential income with an attractive cost/income ratio. The cost/income ratio should come to around 60%. The Deka Group is aiming for a return on equity before tax (balance sheet) of around 11% in financial year 2024.

Net commission income will remain the primary income component. The expected positive trend in the asset management volume, along with asset management net sales well into positive territory, will contribute to this. The forecast result will ensure that DekaBank remains able to distribute profits. The planned retention of parts of the annual profit will further strengthen the capital base.

The particular focus of sales activities will be on the certificates business and on expanding investment fund business that maintains lasting value. As part of its forecast, Deka expects total sales of around €35bn. The Deka Group anticipates a significant year-on-year rise in the asset management volume in 2024.

The Asset Management Securities business division will continue its proven strategic direction in 2024 and concentrate on developing its range of products and services in close coordination with the sales departments. To this end, the division's investment process is constantly evolving, including through the continuous development of data science solutions and the use of AI-based machine learning models in portfolio management. The digitalisation of processes all along the value chain to further improve quality, efficiency and service levels will continue to advance. The enhancement of operational processes and governance structures in the ESG space is also central to the division. In the retail business, the division is gearing its product range to the new interest rate environment with a continued focus on investment fund business designed to maintain lasting value, on products for regular saving and on digital multichannel sales. We will continue to expand digital sales channels and optimise sales approaches for institutional customers. The business division is also continuously analysing opportunities to use blockchain technology and working with other parts of the Deka group in this regard. It expects net sales and the asset management volume to rise overall year-on-year.

Risks to the investment fund business in the Asset Management Securities business division may arise from the spread of global political and geopolitical conflicts, changes in supply chains and structural changes in energy prices, which could bring significantly more volatile economic development along with impacts on corporate profitability. High inflation and restrictive monetary policy may also weigh on the securities markets and investment fund business. In addition, the changed interest rate environment may adversely affect Deka's own business and that generated by the savings banks. This and other factors 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 the asset management volume.

The Asset Management Real Estate business division's mission in 2024 remains to provide the savings banks with high-quality real estate- and real estate financing-based investment products with sustainable features. The products can be used for both customer business and proprietary investment activities. Portfolio and property risk management will be continuously developed, taking advantage of potential for digitalisation. The product range in the area of sustainability will be gradually expanded. In open-ended real estate funds for retail customers, the business division plans to build on what is already an excellent market position without compromising on quality or stability. In the institutional business, it is seeking to at least maintain its market position despite the current investment restraint among customers. Net sales for the year as a whole are expected to exceed the figure from year-end 2023. The asset management volume will increase year-on-year. The division expects a below-average transaction volume again in 2024.

Risks to the performance of the Asset Management Real Estate business division may arise from the consequences of global geopolitical conflicts. Persistent inflation and the resulting interest rate hikes may result in a downward trend in property values. We expect this effect to be partially compensated by indexed rents. Higher interest rates may make real estate funds less attractive in comparison with possible substitute products, even if property portfolio valuations are on the conservative side. The still incomplete pricing process on real estate markets currently means a difficult market environment for transaction planning. Risks are also expected from continued high regulatory pressure.

For 2024, the Asset Management Services business division continues to aim for a noticeable increase in assets under custody in line with the targeted asset management growth. The Digital Multichannel Management subdivision will continue with its strategic orientation. It aims to realise efficiency gains through its multichannel offering, which involves the seamless 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 brokerage app from S Broker (expected to launch in summer 2024), digital fund asset management and S-Invest Manager, this will ensure and further expand access to the customer interface in the *Sparkassen-Finanzgruppe*. Innovative solutions, ideas and trends in the securities business, such as the use of blockchain technology, artificial intelligence and data analytics, will also continue to be trialled.

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, focusing on developing a comprehensive asset servicing solution (master KVG and depositary). It will continue to pursue the model of a comprehensive asset servicing solution to differentiate itself from the competition. This will involve measures such as improved connectivity with external asset managers and investment management companies and more flexible settlement routines in various transaction categories. Custody of crypto securities is being expanded in the Depositary subdivision as part of the Group-wide digitalisation activities.

There are risks to Digital Multichannel Management from a stagnation of sales due to delays in the enhancement of the product offering for the sales channels. Risks may also 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. In addition, a pronounced stock market correction, for which the consequences of military conflicts around the world are a potential trigger, may adversely affect assets under custody and thus the income achievable in this subdivision.

In 2024, 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. By expanding platforms (DEA) and integrating them into the savings banks' IT landscape, it will continue to help savings banks and institutional customers manage their proprietary portfolios. This will be complemented by products and services with an ESG focus such as green bonds, sustainable certificates and instruments for carbon offsetting. In the certificates business, gross sales for retail customers will remain front and centre in 2024. A repeat of the previous year's unusually high sales is not expected, however.

Risks to the development of the Capital Markets business division arise particularly from negative capital market developments and recessionary fears, accompanied by persistently high inflation, which may result in lower customer activity levels. The unpredictable consequences of military conflicts around the world, the energy crisis, global trade disputes and supply chain difficulties are central to this. Additional risks may arise from regulatory intervention in the design of products and definition of terms and conditions and from 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 2024, the Financing business division will continue to concentrate on its defined and well-established segments: specialised financing and real estate financing in liquid markets. The division will seek to generate new business where this contributes to its objectives and to appropriate management of the balance sheet structure. The financing portfolio will grow slightly over the course of the year. The business division will maintain its stability-focused and risk-conscious strategy.

Risks for the Financing business division currently arise from the consequences of global geopolitical conflicts and persistently high inflation. This may adversely affect the quality of loan exposures, leading to higher risk provisions and increased capital requirements due to rating downgrades. Further risks may arise from specific creditworthiness risks on the part of borrowers, which could adversely affect the economic outlook for lending segments in which we operate. This could also lead to a need for higher risk provisions, or to increased capital adequacy requirements as a result of a downgrading of our credit ratings. A worsening of other global political crises may trigger similar effects. Business performance may also be negatively affected by increasing competitive pressure for project and infrastructure financing if institutional investors act as direct lenders.

Expected financial and risk position

The Deka Group anticipates a continued sound financial position for 2024. 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 around €90bn at year-end 2024.

The Deka Group expects to maintain an adequate capital and liquidity base in both the normative and economic perspective for 2024. 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%.

Balance sheet management is geared towards ensuring compliance with an appropriate leverage ratio significantly 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.

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 (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. 18)*

		31 Dec 2023	Forecast 2024 in the Annual Report 2023
Economic result	€m	971.5	around 700
Return on equity before tax (balance sheet)	%	15.8	around 11
Cost/income ratio	%	54.4	around 60
Asset management volume	€bn	357.7	significant above the previous year
Total sales	€bn	5.7	around 35
Common Equity Tier 1 capital ratio	%	19.2	appropriate above 13
Utilisation of risk appetite	%	59.4	at non-critical 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 what resources to make available to exploit additional potential in different areas of opportunity depend on 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 Management Agenda – the ongoing strategic action programme that sets the direction to further build on the Deka Group's position as the *Wertpapierhaus* for the *Sparkassen-Finanzgruppe*. Positive effects linked to these measures 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 projects.

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 develop more favourably than the baseline scenario assumes. The positive macroeconomic scenario described below is considered rather unlikely, however. A rapid reversal of the restrictive monetary policy, 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. In this scenario, it is possible that a more significant than expected rise in equity and bond indices could lead to stronger growth in the asset management volume and have a positive impact on net commission income. A steepening yield curve could further improve the conditions for investing own funds and managing liquidity.

Opportunities from market developments could also be generated by an even stronger customer 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 sales and asset management volume.

There are strategic and other opportunities associated with the Management Agenda as our ongoing strategic action programme. The resultant effects have already been incorporated into the planning for 2024, 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.

DekaBank also makes use of the exemption ("waiver") under Article 7 (3) CRR in conjunction with section 2a (5) of the German Banking Act (*Kreditwesengesetz*, KWG), opting in particular not to meet the requirements on own funds, capital and large exposures on an individual basis.

Together with a subsidiary, DekaBank also uses a liquidity waiver in accordance with Article 8 CRR.

Risk policy and strategy

The basic principles underlying the Deka Group's risk policy remain largely unchanged from the previous year. Noteworthy developments in risk management are explained in the report. 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 43 ff.

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 overall risk strategy in terms of the 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 overall 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

The Deka Group refined parts of its risk management and control in the reporting year, taking due account of regulatory requirements.

To improve the modelling of the liquidity balance in market-wide stress scenario funding matrices, the modelling of stress outflows was enhanced with additional collateral to be provided for collateralised derivatives. The improved modelling now also takes particular account of correlations between risk factors as they have been observed in historical periods of stress.

In counterparty risk determination, the redistribution of credit value at risk calculated using the credit portfolio model at business division level was switched to a method more sensitive to the size of exposures and to concentrations and extreme credit events. This resulted in sometimes significant shifts within counterparty risk between the business divisions and the Treasury corporate centre. There was also a change to the calculation of migration risks. The valuation of transactions on which the risk calculation is based was adjusted, particularly to allow it to adequately reflect reinvestment where transactions expire part way through the year. This valuation approach is based on the implicit assumption that the portfolio will remain unchanged over the one-year risk horizon. This means that transactions are no longer valued over a risk horizon of one year, but instead on the current measurement date, and the portfolio's residual term to maturity is no longer reduced. This has resulted in moderately increased risk.

For the purposes of building a holistic reputational risk management system, a scenario-based approach to quantifying reputational risk was developed as part of a project in 2022. This is intended to transparently show the chains of reputational effects and thus quantify reputational risk separately from business risk. To this end, experts in the operational units (business divisions, corporate centres and sales units) regularly review the completeness and parameters of cause and effect scenarios in order to calculate reputational risk on this basis. Since reputational risk is regarded as a Group-level issue, it is integrated into the risk-bearing capacity calculation as a deduction from internal capital.

Central elements of the vision adopted by the Board of Management for the establishment of an integrated management system for non-financial risks (NFR) had already been implemented by the end of the previous year. These included a uniform risk taxonomy and valuation system. In the reporting year, we worked on stabilising the methods and processes for regular risk inventories at the level of the individual sub-risk types falling under operational risk, which have been adapted in line with the uniform minimum requirements for NFR. In addition, the approaches to comprehensive NFR reporting were finalised. This reporting was included in the quarterly risk report to the Board of Management and the Risk and Credit Committee of the Administrative Board for the first time at the end of the first half of 2023. Other activities at an overarching level included the design and testing of a uniform risk management and escalation process for significant non-financial risks as well as the further expansion of a newly developed software solution, which brings together information from the risk type-specific systems and provides a comprehensive overview of all existing non-financial risks, of actual loss events and of the action taken.

In 2023, the Deka Group continued its activities for integrating ESG risks into its business strategy, governance, risk management and disclosure, and continued these with a structured and targeted approach. For the analysis of the significance of ESG risks to be performed as part of the risk inventory, the existing methods were refined and a wider selection of data was used. The examination of climate and environmental risks systematically included other climate and environmental risks alongside physical and transition risks. The other climate and environmental risks category encompasses biodiversity loss as well as biological threats and diseases. For the first time, risk type-specific quantitative thresholds were used to evaluate the significance of all material risk types. In order to evaluate the medium- and long-term impacts of climate and environmental risks, the results of the climate scenarios covering different risk types were also used in this context.

The findings show that climate and environmental risks are significant drivers for the material risk types, particularly over the medium and long term perspective. This is often due to second-round effects assumed in the climate scenarios (covering different risk types) examined in the reporting year (for example, macroeconomic upheaval resulting in reduced market values). However, they can also be linked to higher probability of default or reduced value of collateral. With respect to liquidity risk, the other climate and environmental risks category is classified as particularly significant in the short term. The experience of the coronavirus pandemic has shown that pandemics can lead to turmoil on global money and capital markets, significantly impacting liquidity risk.

It should be noted that the instruments used to identify and measure climate and environmental risks are continuously being refined to adequately reflect the advance of climate change and accompanying political initiatives. For example, the climate scenarios were augmented as planned in the reporting year, taking into account a dynamic portfolio and the effects of technical progress. Selected performance indicators have now been projected up to the year 2050. Thresholds have also been introduced to assess capital adequacy.

In addition, market price risk monitoring processes were refined to implement the extended requirements from the EBA Guidelines on the management of interest rate risk and credit spread risk arising from banking book activities (EBA/GL/2022/14). For the earnings-based perspective, a limit on changes in market value was added to the existing limit on the change in net interest income. Limits now also apply in the net-present-value perspective. Moreover, new scenarios for spread risks in the banking book were defined for the net-present-value and earnings-based perspective, the results of which are assessed as part of regular reporting processes.

As part of the implementation of the EBA Guidelines on PD estimation, LGD estimation and treatment of defaulted exposures, further IRB reviews were carried out in 2021, 2022 and 2023 for a total of seven modules so far in connection with the corresponding model change notifications. The banks and corporates modules went live in the first quarter of 2023. Particularly for banks, the revised methodology for the model estimate based on the new regulatory requirements had a positive effect on rating results overall.

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 needed to meet the requirements of the new FRTB standardised approach, which involve replacing the internal market risk model with the standardised process, have been implemented except for the new requirements in the draft amendments to the Regulatory Technical Standards (RTS) and Implementing Technical Standards (ITS) recently published by the EBA and the related quarterly reporting to the supervisory authority. The planned introduction of the Standardised Measurement Approach (SMA) as the new method for calculating operational risk capital 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. This combines an annual risk inventory process with ongoing discussion of the significant risks at Group level in the Management Committee for Risk. 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 material during the risk inventory and has implemented adequate 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 material, 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 material 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. In addition, model uncertainties and ESG risks are regarded as relevant risks but not as standalone risk types.

A distinction is drawn between financial and non-financial risks (NFR), 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 deterioration in creditworthiness (migration risk) or from business partners failing to fulfil their contractually agreed obligations or to fulfil them in a timely manner (counterparty 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 broader 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 payment of consideration by a business partner. Advance performance risk represents the risk that a business partner will not pay the 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.

In addition to these individual counterparty risk types, counterparty risk is also used as an umbrella term that particularly includes replacement risk (for example from derivatives and their collateral), the portion of borrower risk attributable to counterparties of financial instruments (for example from repo/lending transactions) and the PFE from derivatives and repo/lending transactions.

Pension risk is regarded as a sub-type of counterparty risk. It comprises potential losses from pension benefits payable or similar commitments due that may arise in comparison with the pensions and similar commitments recognised on the balance sheet. 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), share price risk, currency risk and commodity 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 considered.

Share price 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.

Commodity risks arise from changes in the prices of commodities or commodity derivatives. The relevant commodities for the Bank particularly include metals, CO_2 and electricity.

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 may arise in comparison with the pensions or similar commitments recognised on the balance sheet. 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 due exceed the available liquid funds.

Liquidity maturity transformation risk describes the risk that arises from a change in the Deka Group's own refinancing curve or in liquidity spreads 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 with losses due to inadequate market depth or 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 unexpected 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 for accounting purposes 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 accounting purposes and to business partners, despite the absence of a contractual obligation to do so.

The identification and evaluation process as part of the 2023 risk inventory showed no need in the reporting period 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 is defined as the risk that the standing of the Deka Group will be damaged. Every business activity that harms the credibility of the Deka Group's commitment to its stakeholders (primarily shareholders, sales partners, customers, employees, financial and real estate markets and the public) can result in reduced profitability, capital or liquidity.

Reputational risks may arise directly or as a result of events connected to other risk types and manifest themselves through their effects on business and liquidity risk.

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. In part, these risks are inherent in the models and thus unavoidable, as it is not normally possible for the chosen model to capture the situation with complete accuracy. Model uncertainties can lead to unforeseen financial losses and shortcomings in the ICAAP or ILAAP, and thus to flawed decisions or other damage. These risks 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 uncertainties. 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 uncertainties combined with model risks in the narrower sense (i.e. the totality of potential negative effects resulting from the use of models) is also summarised under the term model risk in the broader sense.

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

ESG risk

ESG risk describes the danger that business activities with climate and environmental, social or corporate governance implications lead to sustainability-related developments or events that result either directly via the Deka Group's own business operations, or indirectly via customers and business partners, in a deterioration in capital or liquidity levels. ESG risks in connection with the climate and environment are also referred to as climate and environmental risks and include physical, transition and other (climate and environmental) risks. Physical climate and environmental risks comprise the impacts of individual extreme weather events and their consequences (acute) as well as long-term changes in climatic and environmental conditions (chronic), but also natural disasters not caused by the climate. Climate and environmental transition risks comprise impacts that may occur directly or indirectly as a result of the transition to a lower-emission, more environmentally sustainable economy. Other climate and environmental risks comprise impacts of climate- and environment-related events and developments that are not attributable to physical climate and environmental or transition risks. They include, for example, the loss of biodiversity or the spread of tropical diseases.

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

ESG risks are identified and measured as part of the annual risk inventory by analysing their significance. The results of this analysis are used to improve the suitability of the existing management framework, which includes limits, monitoring approaches, procedural guidelines and mitigation measures. The results also serve to create transparency around the drivers of climate and environmental risks, primarily so that the business divisions can review their strategic orientation in the case of significant medium- and long-term impacts. Overall, this review, and the management implications identified on this basis, follow the principle of materiality. The aim is to incorporate into management and monitoring particularly those climate and environmental risks that have significant impacts.

Climate and environmental risks are being gradually integrated into risk management tools on this basis. Given the specific mechanisms of each risk type, we use risk type-specific approaches to risk management alongside the requirements and guidelines that apply to all risk types. In counterparty risk, for example, climate and environmental risks are limited by qualitative guard rails such as the blacklist and minimum standards for financing. To identify and measure borrower-specific ESG risks (such as susceptibility to flooding, carbon-intensive production, non-compliance with labour standards), ESG scorecards are used as part of the lending approval process. In addition, with respect to climate and environmental risks as drivers of market price risk, measures include a sustainability filter for proprietary investments and exclusion criteria as part of the collateral policy.

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 or a significant worsening of the liquidity situation for the Deka Group.

Risk concentrations can occur both within the major risk types (intra-risk concentrations) as well as between different material 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 customers, that sustainably add value to the Deka Group, that involve limited risks and that match Deka's expertise. As part of the 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 associated services and products or when they serve risk management purposes. In addition, risks are incurred if they are conducive to liquidity management or if they are required to realise synergies along the Deka Group's value chain. 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. These include, for example, the regional focus on Germany, which is a result of the focus on German savings banks and their customers, and the concentration on certain groups of counterparties, for example in the savings banks segment or public sector, and on counterparties in the financial market. For market price risk, the business model results in a concentration in credit spread risk. Overall, an inter-risk concentration may therefore develop in relation to counterparty and market price risk from the business with savings banks. 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. The Deka Group also makes use across the business divisions of global custodians and central counterparties, which involves a conscious exposure to concentrations, not least of counterparty risk. 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

In combining securities fund business with the provision of various asset management solutions for every market environment, this business 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 ESG-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 the provision of fund products related to real estate or (real estate) financing. They may be exacerbated by reputational and ESG risks in view of customer expectations and tighter regulatory requirements. To a small extent, counterparty and market price 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 ESG 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 the course of the division's business activities, credit spread risks, share price risks, general interest rate risks and to a lesser extent also currency and commodity risks, including associated risks arising from options, 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 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 business with savings banks in Germany and financing of the public sector in Germany, infrastructure, transport, export and real estate financing) create corresponding focal points, primarily in counterparty risk. These may be exacerbated by ESG 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 projects, savings banks and the public sector. This business division also generates operational risks to a small extent as well as facing 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 corporates, financial services providers and public sector issuers. 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. General interest rate risks, share price risks and currency risks also arise to a limited extent. Operational risks also exist to a small degree. The Treasury Corporate Centre is also potentially affected by ESG risks, which particularly exacerbate liquidity risk.

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 along with the strategic guidelines and framework for the management of ESG risks.

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 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 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, Business Services, Treasury, Corporate Office & Communications, Strategy & HR, Sales/Product Management & Marketing, Digital Multichannel Management, Institutional Customer Sales, Organisational Development, Information Security Management, Capital Markets, 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 the capital and balance sheet structure (combined in part S of the MKAP) and to fund-based guarantee products (combined in part G of the MKAP). 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 Part S 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. Alongside the Board of Management members responsible for Treasury, Finance, Risk Control and Capital Markets, the permanent voting members of the MKAP comprise, depending on responsibilities and the part of the meeting concerned, the heads of Treasury, Finance, Risk Control, Capital Markets, Sales, Product Management & Marketing, and Strategy & HR.

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 for analysing and discussing the internal rating procedures (see counterparty risk).

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

Business divisions and 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 Strategy & HR 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 material 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, setting limits for trading and capital market counterparties, and analysing, preparing and/or approving ratings (except for preparing transaction ratings in the case of new business in the Financing business division). Credit Risk Management is also responsible for ongoing management of exposures for certain financing, verifying and approving certain collateral, early-stage risk identification (acting as the administrative office), risk monitoring and the management of non-performing and troubled loans (work out).

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 KAGB. It also covers those functions assigned to the Money Laundering Officer under the German Money Laundering Act (*Geldwäschegesetz*, GwG) and to the "Central Office" under the KWG and ensures that there is the possibility to submit anonymous tip-offs to an external ombudsman. In addition to this, the Compliance corporate centre performs the functions of the officer for the safeguarding of client assets. Alongside the provision of training and advice on relevant issues, the corporate centre assesses the controls and procedures implemented by the operational units to determine whether they are appropriate and effective, with the aim of minimising compliance risk for the Deka Group. Mr. Stefan Herting took over as head of the Compliance corporate centre with effect from 1 November 2023.

The Information Security Management department, which reports directly to the Board of Management, performs the function of the Information Security Officer, Business Continuity Management Officer, Outsourcing Officer and operational Data Protection.

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.

In addition, in all business divisions and corporate centres, the respective heads of department are responsible for ensuring that operational risks are identified, measured and managed on a decentralised basis. There are specialist functions for monitoring selected non-financial risks in the Compliance, Information Security Management, Data Protection Officer, Strategy & HR, Organisational Development, Legal and Finance units. The Risk Control corporate centre is responsible for key components of operational risk control, such as refining methodologies and reporting.

In the case of reputational risk, too, responsibility for identifying, assessing and individually managing the risks lies with the business divisions and corporate centres in which the risks arise from their business activities or from events involving other risk types. The Corporate Office & Communications corporate centre has lead responsibility for managing chiefly communication-driven reputational issues and has an overarching management role. Together with the Risk Control corporate centre, it is represented in the reputational risk task force, which acts an oversight body to ensure the completeness and adequacy of risk assessments. This applies to reputational risk management in relation to both new and past business activities. Finally, the Risk Control corporate centre is responsible for the overarching methodological standards, quantification model and reporting for reputational risks.

Organisational structure of risk management in the Deka Group *(Fig. 19)*

		Counterparty risk	Market price risk	Operational risk	Business risk	Investment risk	Step-in risk	Liquidity risk	Reputational 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 (Management-komitee Risiko – MKR)	- Assists the Board of Management in matters relating to material 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 (Management-komitee Aktiv-Passiv – MKAP)	- Supports the Board of Management in matters relating to interest rate and FX management, liquidity and funding management, the capital and balance sheet structure (Part S of the MKAP) and fund-based guarantee products (part G of the MKAP) - 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)	●	●	●	●	●	●	●	●

		Counterparty risk	Market price risk	Operational risk	Business risk	Investment risk	Step-in risk	Liquidity risk	Reputational risk
AM Securities business division	- Conducts transactions in line with strategic guidelines	●	●		●	●		●	
AM Real Estate division	- Conducts transactions in line with strategic guidelines	●	●		●	●		●	
AM Services business division	- Conducts transactions in line with strategic guidelines	●	●		●	●		●	
Capital Markets business division	- Conducts transactions in line with strategic guidelines	●	●					●	
	- Makes decisions within the guidelines 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 and reputational risk	●	●	●	●	●	●	●	●
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 key figures - Monitors thresholds in the normative perspective - Monitors selected NFR as a specialised function[1]	●	●	●	●	●	●	●	●
Credit Risk Management (Corporate Centre)	- Market-independent second recommendation - Sets limits for trading and capital market counterparties - Analyses, prepares and approves ratings - Verifies and approves certain collateral - Ongoing portfolio management for certain financing - Administrative office for early risk identification - Troubled loans (work out) - Loan administration - Responsible for lending-related processes[1]	●							●
Compliance (Corporate Centre)	- Functions as Compliance Officer as set out in the KWG, WpHG and KAGB, as Money Laundering Officer pursuant to the 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 - Single Officer under section 81 (5) WpHG - Monitors selected NFR as a specialised function[1]			●					●

		Counterparty risk	Market price risk	Operational risk	Business risk	Investment risk	Step-in risk	Liquidity risk	Reputational risk
Information Security Management (ISM) (reports directly to the Board of Management)	- ISM Officer, BCM Officer, Outsourcing Officer and operational Data Protection r - Monitors selected NFR as a specialised function[1]			●			●		●
Data Protection Officer (group reports directly to the Board of Management)	- Monitors selected NFR as a specialised function[1]			●					●
Strategy & HR (Corporate Centre)	- Manages equity investment portfolio - Monitors selected NFR as a specialised function[1]			●		●	●		●
Organisational Development (Corporate Centre)	- Monitors selected NFR as a specialised function[1]			●					●
Legal (Corporate Centre)	- Monitors selected NFR as a specialised function[1]			●					●
Corporate Office & Communications	- Monitors reputational risk as part of the corresponding task force (together with Risk Control)								●
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 - Identifies, assesses and manages reputational risks			●					●

[1] Monitoring of the assigned direct risk types (e.g. counterparty risk) also takes into account reputational risks that may potentially result. In this context, there is no second-line-of-defence function for reputational risk; this function is performed by the reputational risk task force.

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 among others 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 2023 for the Tier 1 capital ratio, the total capital ratio, the leverage ratio, the RWA- and LRE-based MREL ratios, the RWA- and LRE-based 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 RWA- and LRE-based MREL ratios and subordinated MREL requirements, and the 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 and ESG risk.

See also: Individual risk types: page 74 ff.

The Deka Group makes use of various 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 risk types. 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 cannot be taken into account. Based on the risk appetite, the Board of Management also allocates capital to the individual risk types and business divisions and to Treasury. 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, the RWA- and LRE-based MREL ratios and the RWA- and LRE-based 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 (baseline plan), 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 baseline plan.

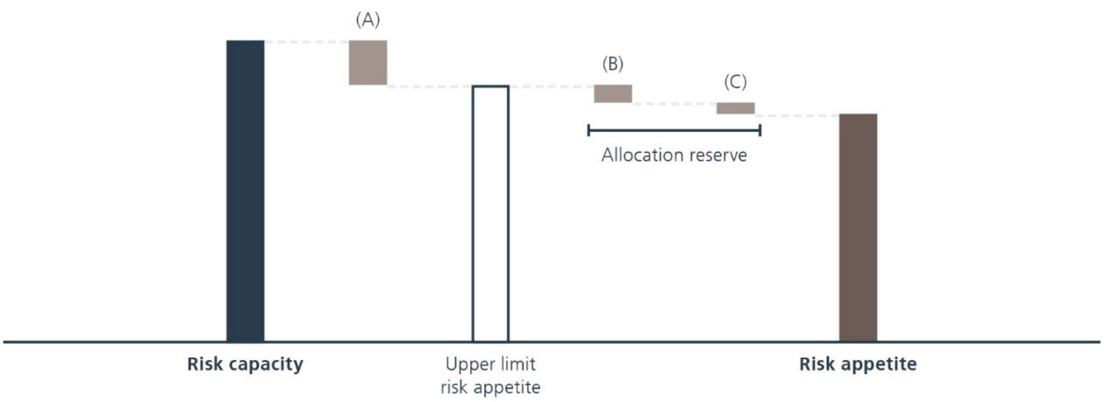
Economic perspective (current situation): Risk-bearing capacity and capital allocation
As a basic principle, internal capital is used to determine the maximum level of risk that can be incurred (impacting the income statement), taking into account risk concentrations. Risk capacity is analysed monthly. 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 material 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 under the going concern assumption. Internal capital, or risk capacity, essentially consists of equity under IFRS and income components. Balance sheet items whose amounts do not reflect the concept of economic value are taken into account using corresponding correction items. Deductible items for risks from pension obligations and for reputational risk also directly reduce internal capital. 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. 20)*



(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 at the end of each quarter and also include forecast values. 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. Starting from 2024, the allocation of RWAs to the business divisions and Treasury corporate centre can be adjusted throughout the year as required while adhering to the targeted capital ratios. 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 (adverse) events and events relating specifically to the Deka Group's business model and associated risk concentrations (standard stress scenarios). There are also scenarios for reputational and ESG 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, the RWA- and LRE-based MREL ratios, and the RWA- and LRE-based 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 scenarios, are assessed and reported annually and focus in greater depth on specific aspects.

The macroeconomic stress scenarios are subject to a regular annual review. In the light of current global economic and regulatory developments, the scenarios were updated and augmented in this process as necessary and the description and choice of parameters particularly for the hypothetical and institution-specific stress scenarios adjusted accordingly. This particularly also took account of current developments on the real estate market. In the Deka Group's view, the scenarios examined continue to provide an appropriate reflection of all risks relevant to it.

The climate scenarios, too, were reviewed and refined. Two scenario narratives were added to the centrally coordinated (long-term) baseline scenario, which reflects the most likely expected macroeconomic and sector-specific developments for the short-, medium- and long-term perspective. These two scenario narratives show adverse developments resulting between now and 2050 from the climate targets set and focus on the resulting physical and transition risks. Depending on how they are designed, the scenarios put greater emphasis on either the medium-term or long-term perspective.

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 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 a 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 relevant maturity bands for periods of up to 20 years.

In the normative perspective, thresholds are set that take into account the regulatory requirements. It is decisive 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 threshold 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 to ensure 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 haircuts 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 as material, 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 maturity bands 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. In the case of the latter, both short-term (LCR) and medium-to-long-term liquidity adequacy (NSFR) are examined under adverse scenarios. The liquidity subgroup is included in the Deka Group perspective.

Economic perspective: Funding matrices

Funding matrices (FMs) are the main measure of liquidity risk in the economic perspective. 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 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 an 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 (including the Treasury corporate centre).

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 the quarterly stress testing report, which particularly includes the results of macroeconomic stress tests and performs a crucial early warning function in this respect.

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 2023

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.

DekaBank opted for a project-based approach to implementing the IBOR reform and introducing the new risk-free rates (RFRs). This involved all affected areas at every step of the process chain, from front office units to the corporate centres. The necessary adjustments to internal systems, processes and methods were managed through the new product process. Management was regularly updated on the progress of these activities through the established committees. The US-dollar LIBOR transition in 2023 marked the end of the project. The remaining transitions, such as the transition for Canadian dollars, will be implemented via the existing line organisation.

See also: Economic environment: page 19 ff.

The interest rate environment and overall positive trend on stock markets were instrumental for the Deka Group in 2023. Market volatility was driven chiefly by the looming collapse of a major Swiss bank in March and the outbreak of war in the Middle East in October. Overall, volatility in the reporting year was on the low side. Active risk management allowed the Group to maintain a neutral position in the trading book even when crises hit, which meant that there was only minor fluctuation in market price risk throughout the year. The rapid rise in credit spreads and the higher volatility that accompanied this were balanced out for non-trading book portfolios by cautious positioning in new business. Thanks to the well-hedged interest rate risk position overall, there was also no material impact on market price risk from the sharp fall in interest in the fourth quarter of 2023. The attractive interest rate environment acted as one of the drivers for the certificates business, as was reflected in the strong sales of interest rate certificates, especially those with shorter maturities. In addition, the overall favourable development on the stock markets also continued to drive issuance business for express certificates. In terms of the risks from Riester products and pension obligations, the still elevated interest rates compared with the preceding years, combined with low credit spreads and stable stock markets, meant that there was little change. The level of risk remained low overall.

Along with financial markets, global trends in the commercial real estate market were a particular challenge on the lending side. Despite the strict selection criteria it uses when granting real estate financing, DekaBank was unable to fully escape the pull of falling real estate prices at global level. This resulted in a slight rise in counterparty risk. The relatively high quality of the DekaBank portfolio meant that it was very late in the reporting year before the Bank felt the impact of the market developments.

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, VaR; confidence level 99.9%, holding period of one year) at the 2023 reporting date was €2,553m, a slight increase of €65m on the 2022 reporting date (€2,488m). This was due to moderately increased market price risks and slightly higher counterparty risk. A significant rise in operational risk was almost fully compensated by a significant fall in business risk. Investment risk also increased over the year; however, it is not at a significant level.

At the same time, risk capacity saw a slight increase of €247m, taking it to €5,478m (year-end 2022: €5,231m). This was particularly due to the positive development in retained earnings and earnings components. The deduction item for reputational risk, which has been taken into account since March 2023, had a negative impact on risk capacity, as did the overall effect of changes in various correction and deduction items. As a result of the developments described, the utilisation of risk capacity declined to 46.6%, putting it marginally below the figure for the end of 2022 (47.6%). It therefore 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 €4,300m (slight increase compared to the end of 2022) was 59.4% utilised as at the 2023 reporting date (year-end 2022: 59.9%).

Change in Deka Group risk over the course of the year *€m (Fig. 21)*

	31 Dec 2023	31 Dec 2022	Change	
Counterparty risk	1,199	1,169	30	2.6%
Investment risk	26	23	3	12.7%
Market price risk	606	576	31	5.3%
Operational risk	458	331	127	38.4%
Business risk	263	388	–125	–32.2%
Total risk	**2,553**	**2,488**	65	2.6%

Normative perspective (current situation)

DekaBank made use of the exemption ("parent waiver") under Article 7 (3) CRR in conjunction with section 2a (5) 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 counterparty risk, market risk and operational risk, CVA risk is also taken into account. As in the previous year, and pursuant to Article 26 (2) CRR, the year-end profit less foreseeable charges and dividends was recognised in Common Equity Tier 1 capital within the same period as at 31 December 2023 (dynamic approach).

The Deka Group's regulatory own funds as of 31 December 2023 stood at €7,230m (year-end 2022: €6,751m).

Compared with the previous year, Common Equity Tier 1 capital increased by €385m from €5,462m to €5,848m. The increase was due to the inclusion of year-end effects from 2023 (mainly profit retention).

Additional Tier 1 capital was unchanged year-on-year. Compared with the previous year, Tier 2 capital rose by €94m to €784m. The increase was primarily due to newly issued subordinated capital of around €235m. Tier 2 capital was affected by the reduced eligibility under the CRR in the last five years before maturity.

RWAs declined overall by €874 m from the year-end 2022 figure of €31,360m to €30,486m. Market risk (€4,347m) fell significantly over the year (year-end 2022: €5,645m). Specific interest rate risk benefited from improved ratings for banks, which led to reduced risk weightings. In specific share price risk, there has been a significant reduction in net positions not fully closed out for regulatory purposes. RWAs for general market risk positions (internal model) have fallen slightly. Credit risk fell by €1,109m to €19,884m. This was chiefly due to a lower volume mirroring the changes in the balance sheet. RWAs from operational risk (€5,727m) increased significantly (year-end 2022: €4,139m). The change resulted from the receipt of amended tax assessment notices for the years 2013 to 2017 and the corresponding treatment of tax law risks from share trades transacted around the dividend record date as part of the operational risk scenarios (ex-ante view). CVA risk declined by €54m to €528m due to lower volumes of derivative transactions to be included.

At 31 December 2023, the Common Equity Tier 1 capital ratio stood at 19.2% (year-end 2022: 17.4%). The Tier 1 capital ratio as of the reporting date was 21.1% (year-end 2022: 19.3%). The total capital ratio increased from 21.5% as of 31 December 2022 to 23.7%.

Taking account of the requirements of the SREP, DekaBank had to comply at Group level with a Common Equity Tier 1 capital ratio of at least 8.91% as at 31 December 2023. This capital requirement is made up of the Pillar 1 minimum requirement (4.50%) plus the Pillar 2 requirement (1.5%, taking into account partial coverage of P2R by Tier 2 capital reduced to 1.13% for the Tier 1 capital ratio and 0.844% for the Common Equity Tier 1 capital ratio), the capital conservation buffer (2.50%), the countercyclical capital buffer (approximately 0.69% as at year-end 2023), the capital buffer for systemic risks (0.13%) and the capital buffer for other systemically important banks (0.25%). The capital requirement for the Tier 1 capital ratio was 10.69%. For the total capital ratio, it was 13.06%. These requirements were clearly exceeded at all times. The SREP Pillar 2 requirements remain unchanged for 2024.

Deka Group own funds in accordance with the CRR *in €m (Fig. 22)*

	31 Dec 2023	31 Dec 2022	Change	
Common Equity Tier 1 (CET 1) capital	5,848	5,462	385	7.1%
Additional Tier 1 (AT 1) capital	599	599	–	–
Tier 1 capital	**6,446**	**6,061**	385	6.4%
Tier 2 (T2) capital	784	690	94	13.6%
Own funds	**7,230**	**6,751**	479	7.1%
Credit risk	19,884	20,993	–1,109	–5.3%
Market risk	4,347	5,645	–1,298	–23.0%
Operational risk	5,727	4,139	1,588	38.4%
CVA risk	528	583	–54	–9.3%
Risk-weighted assets	**30,486**	**31,360**	–874	–2.8%
%				
Common Equity Tier 1 capital ratio	**19.2**	**17.4**		1.8%-points
Tier 1 capital ratio	**21.1**	**19.3**		1.8%-points
Total capital ratio	**23.7**	**21.5**		2.2%-points

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 9.2% as at 31 December 2023 (year-end 2022: 7.1%). The increase was due to higher Tier 1 capital combined with a lower leverage ratio exposure as a result of reduced total assets. The applicable minimum leverage ratio of 3.0% was exceeded at all times.

The MREL requirements are calculated using an RWA- and LRE-based method 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 54.1% (year-end 2022: 52.0%), while the figure under the LRE-based approach came to 23.5% (year-end 2022: 19.1%). Both ratios were well above the applicable minimum ratios. As at 31 December 2023, own funds and MREL-eligible liabilities came to €16.5bn. As of the reporting date, this figure was composed of own funds of €7.2bn, senior non-preferred issues of €5.9bn, senior preferred issues of €3.9bn and unsecured subordinated liabilities of €0.3bn. The repurchases recently approved in accordance with the CRR were deducted for the calculation of the MREL ratios.

The subordinated MREL requirements are also calculated using an RWA- and LRE-based method 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 2023, the subordinated MREL requirements in line with the RWA-based approach came to 37.7% (year-end 2022: 35.9%), while the figure under the LRE-based approach was 17.9% (year-end 2022: 14.2%). Both ratios were well above the applicable minimum ratios.

Macroeconomic stress tests

The in-depth analysis of the results of the regular macroeconomic standard 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.

The climate scenarios calculated for 30 September 2023 show only moderate impacts versus the baseline scenario overall over the period simulated. The result shows that capital adequacy continues to be achieved in both perspectives even when the impacts of climate and environmental risks are taken into account.

In the context of further geopolitical developments, an ad hoc scenario was also calculated to address a possible escalation of the Middle East conflict. This, too, has not identified any immediate need for action.

Liquidity adequacy in financial year 2023

Heightened uncertainty and volatile market conditions continued to shape the situation on the refinancing markets in the reporting year. Interest rates and inflation expectations initially rose sharply before falling significantly at the end of the year. DekaBank had access to ample liquidity on the money and capital markets throughout the year. Given the sufficient liquidity, a TLTRO tender with Deutsche Bundesbank worth €1.7bn was terminated and repaid in the first half of the year.

The Deka Group had sufficient liquidity, measured using the liquidity balances and normative indicators, throughout the reporting period. 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 2023 financial year, at both Deka Group and liquidity subgroup level.

As at 31 December 2023, 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 €7.8bn (year-end 2022: €8.2bn). In the maturity band of up to one month, the liquidity surplus totalled €9.4bn (year-end 2022: €8.0bn), and in the medium-term range (three months) it amounted to €10.2bn (year-end 2022: €10.5bn).

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 €3.2bn on day 1, the Deka Group has a high liquidity potential (around €11.5bn) 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.

"Combined stress scenario" funding matrix of Deka Group as at 31 December 2023 *€m (Fig. 23)*

	D1	>D1 to D5	>D5 to 1M	>1M to 3M	>3M to 12M	>12M to 5Y	>5Y to 20Y	>20Y
Liquidity potential (accumulated)	11,548	11,425	11,021	5,826	–600	–1,061	–326	–182
Net cash flows from derivatives (accumulated)[1]	–171	–159	–659	726	1,753	2,779	2,583	2,578
Net cash flows from other products (accumulated)	–3,017	–3,430	–940	3,698	10,714	10,586	2,411	–2,367
Liquidity balance (accumulated)	**8,360**	**7,836**	**9,422**	**10,250**	**11,867**	**12,305**	**4,668**	**29**
For information purposes:								
Net cash flows from derivatives by legal maturity (accumulated) [1]	–171	–161	–202	–191	385	739	1,960	2,677
Net cash flows from other products by legal maturity (accumulated)	–19,422	–19,720	–19,337	–16,854	–18,424	–4,326	–3,933	–2,296
Net cash flows by legal maturity (accumulated)	**–19,593**	**–19,881**	**–19,539**	**–17,045**	**–18,038**	**–3,587**	**–1,973**	**381**

[1] Including lending substitute transactions and issued CLNs

As at 31 December 2023, 51.4% (year-end 2022: 56.3%) of total refinancing related to repo transactions, daily 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 was cut from €1.1bn in the previous year to zero. 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 44.9% (year-end 2022: 35.5%), while other financial institutions accounted for 13.5% (year-end 2022: 19.8%), savings banks for 12.6% (year-end 2022: 18.1%). No funds were borrowed from the central bank (year-end 2022: 3.5%).

Some 56.4% of total refinancing was obtained in Germany and other eurozone countries. Approximately 39.0% 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 2023 stood at 209.0% (year-end 2022: 159.1%). The LCR at Deka Group level increased by 49.8 percentage points compared with 31 December 2022. In percentage terms, the reduction in net cash outflows was significantly stronger than the reduction in holdings of high-quality liquid assets. The average LCR for the reporting year was 153.8% (previous year's average: 178.3%). The LCR fluctuated within a range from 130.2% to 209.0%. It was thus always significantly above the applicable minimum limit of 100%.

The net stable funding ratio (NSFR) came to 120.9% (year-end 2022: 118.1%) and, at the end of December 2023, was thus significantly above the required 100%. Required stable funding decreased more strongly in percentage terms compared with available stable funding. The ratio expresses available stable funding in relation to required stable funding. The NSFR is 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 overarching risk strategy and applies 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) 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. ESG 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 defined 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 "back office" particularly include providing a second opinion independent of front office operations, ongoing management of exposures for certain financing, 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 loan-loss provisioning). Responsibility for applying risk classification procedures, and for establishing, reviewing and monitoring those procedures, is also classified as a back office function.

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

The Management Committee for Assets and Liabilities (*Managementkomitee Aktiv-Passiv* – MKAP) and the Risk Management Committee (*Managementkomitee Risiko* – MKR) are responsible for strategically managing 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, setting 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.

Capital allocation for counterparty risks
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, ESG 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 S Broker's Lombard lending business for retail customers, 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). The Bank has requested to return the IRBA approval and hence apply permanent partial use in accordance with Article 150 CRR for the models for public authorities outside Germany, the DSGV joint liability scheme, insurance companies and ships.

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 Banks 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.

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 credit portfolio model is appropriate.

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 by CVaR, 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 qualitative, quantitative 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 the liquidity management portfolio managed by 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 in accordance with the RSU's loss given default models is primarily based on the creditworthiness of the party providing the guarantee, or in the case of asset collateral, on the market value or fair 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. Due to the business model, these comprise by far the largest share of the collateral portfolio as compared to the lending business.

The Group's collateral policy sets minimum requirements for securities borrowed by counterparties or received as collateral in repo lending transactions and OTC/CCP derivatives 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. In addition, an analysis of collateral received is reported to the Risk Talk.

Performance of stress tests

In addition to the macroeconomic stress tests performed across all risk types, counterparty-specific stress tests are conducted regularly. Scenarios include a sovereign crisis in the eurozone and a banking crisis focused on counterparty clusters, for example. 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. In particular, this includes specifying early warning indicators and criteria to allocate exposures to different monitoring levels.

Operational responsibility for identifying defaults and 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 IFRS consolidated financial statements.

Current risk situation
The counterparty risk determined on the basis of the credit value at risk (CVaR), with a confidence level of 99.9% and a holding period of one year, increased moderately in the reporting year to €1,199m (year-end 2022: €1,169m). Risk capital allocated to counterparty risk stood at €1,505m (year-end 2022: €1,460m) and was 79.7% utilised (year-end 2022: 80.1%). The level of risk capacity utilisation was therefore non-critical.

The change in risk level was predominantly attributable to the switch in the calculation of the portfolio's migration risks from a one-year risk horizon to the current valuation date. In contrast, the additional market-driven increase in migration risks over the course of the year was balanced out by portfolio developments, particularly as a result of reductions in repo transactions.

There was a significant decrease in the risk position of the cluster portfolio compared with the previous year. The relative share of the cluster portfolio in the overall portfolio also declined. Risk concentration thus remained in line with the Deka Group's credit risk strategy.

Gross loan volume increased by €8.7bn from the end of 2022 to reach €120.7bn. The largest contribution to this decline came from the state-affiliated and supranational institutions risk segment due to reduced deposits with Deutsche Bundesbank and fewer repo transactions. In the funds risk segment, the gross loan volume fell due to fewer securities issued as collateral as part of borrowing transactions. The lending business volume (especially in the transport sector risk segment) was down on the figure for year-end 2022. In the other financial institutions risk segment, increased lending volumes and changes in the value of derivative hedging instruments had a risk-increasing effect. The savings banks risk segment also increased the gross loan volume, primarily as a result of bonds. The ship portfolio accounted for 1.1% of gross loan volume at the end of 2023 (year-end 2022: 1.0%). The aviation segment had a share of 1.7% (year-end 2022: 1.9%). Real estate financing (excluding real estate funds) accounted for 6.9% of gross loan volume at the end of 2023 (year-end 2022: 6.5%).

Gross loan volume *€m (Fig. 24)*

	31 Dec 2023	31 Dec 2022
Commercial banks	20,110	20,878
Other financial institutions	28,740	26,050
Savings banks	13,699	12,742
Insurance companies	949	724
Industrial sector	4,233	4,779
Service sector	1,733	2,256
Public sector	7,047	6,839
State-affiliated and supranational institutions	11,611	19,453
Transport sector	3,445	4,031
Renewable energies	1,471	1,434
Conventional energies and infrastructure	4,337	4,483
Real estate sector (including real estate funds)	11,355	11,669
Retail sector	60	76
Funds (transactions and units)	11,943	13,988
Total	**120,731**	**129,403**

Net loan volume fell by 9.0% as against the end of 2022 (€72.2bn) to €65.7bn, making it lower than gross loan volume. Collateralisation meant that the changes in gross loan volume observed in relation to repo lending volume (especially in the commercial banks, other financial institutions, state-affiliated and supranational institutions, and funds segments) had relatively small effects on the net loan volume. A risk-reducing effect in net loan volume resulted especially from lower deposits with Deutsche Bundesbank in the state-affiliated and supranational institutions risk segment. In contrast, the share of real estate financing (excluding real estate funds) in net loan volume rose to 0.7% at the end of 2023 (year-end 2022: 0.1%), not least due to reduced collateral value for real estate.

Net loan volume *€m (Fig. 25)*

	31 Dec 2023	31 Dec 2022
Commercial banks	9,511	10,311
Other financial institutions	5,704	5,438
Savings banks	13,278	12,624
Insurance companies	231	191
Industrial sector	2,093	2,376
Service sector	1,048	1,389
Public sector	4,929	4,976
State-affiliated and supranational institutions	11,154	17,153
Transport sector	656	536
Renewable energies	1,471	1,434
Conventional energies and infrastructure	3,280	3,420
Real estate sector (including real estate funds)	3,163	3,213
Retail sector	60	76
Funds (transactions and units)	9,113	9,064
Total	**65,689**	**72,199**

The gross loan volume in the eurozone fell by a total of €7.1bn. The backdrop to this was the decline in repo transactions with counterparties in Germany and Spain as well as reduced deposits with Deutsche Bundesbank. Increased lending transactions with counterparties in France and Luxembourg as well as increased securities volumes with German counterparties had a risk-increasing effect. As a result, the eurozone's percentage of gross loan volume declined by 0.2 percentage points to 78.3% at the end of 2023. The volume movements in America resulted primarily from reduced exposure to repo lending business with US counterparties.

Gross loan volume by region *€m (Fig. 26)*

	31 Dec 2023	31 Dec 2022
Eurozone	94,477	101,561
Europe excluding eurozone	12,861	13,579
America	9,752	10,870
Asia	2,419	2,864
Other countries	1,222	529
Total	**120,731**	**129,403**

The gross loan volume attributable to Germany fell by €10.3bn to €57.8bn and equated to 47.9% of the overall portfolio at year-end. In the eurozone, €14.8bn or 12.3% of the gross loan volume was attributable to counterparties in Luxembourg. Counterparties in France accounted for 9.9% of the gross loan volume, and counterparties in Belgium accounted for 4.3%.

Gross and net loan volume: regional concentration *in €m (Fig. 27)*

	Gross loan volume 31.12.2023	Percentage of Gross loan volume	Net loan volume 31.12.2023	Percentage of Net loan volume
Germany	57,813	47.9%	43,342	66.0%
Luxembourg	14,809	12.3%	4,216	6.4%
United Kingdom	9,919	8.2%	3,134	4.8%
France	11,941	9.9%	4,537	6.9%
United States	6,465	5.4%	1,894	2.9%
Other	19,783	16.4%	8,565	13.0%
Total	**120,731**	**100.0%**	**65,689**	**100.0%**

In terms of countries of geopolitical interest, counterparties in China accounted for 0.2% of gross loan volume, counterparties in Hong Kong for 0.2% and counterparties in Israel for 0.1%. In all three cases, the counterparties were mostly in the transport sector. There was no gross loan volume attributable to counterparties in Taiwan. The gross loan volume for counterparties in Russia came to €33m. 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 €1m. There remained no gross loan volume attributable to counterparties in Ukraine or Belarus at year-end 2023 and no country limit.

Gross loan volume by risk segment for selected countries as at 31 December 2023 *€m (Fig. 28)*

	Germany	Luxembourg	UnitedKingdom	United States	France
Commercial banks	6,208	777	809	1,335	6,001
Other financial institutions	5,088	9,839	6,309	431	2,016
Savings banks	13,699	-	-	-	-
Insurance companies	200	-	7	-	719
Industrial sector	2,193	13	387	450	300
Service sector	107	0	278	553	364
Public sector	4,697	-	53	295	640
State-affiliated and supranational institutions	11,047	1	-	-	152
Transport sector	360	37	242	672	115
Renewable energies	130	-	104	-	175
Conventional energies and infrastructure	1,985	141	161	103	268
Real estate sector (including real estate funds)	4,099	0	1,568	2,626	1,191
Retail sector	60	0	-	-	-
Funds (transactions and units)	7,942	4,001	-	-	-
Total	**57,813**	**14,809**	**9,919**	**6,465**	**11,941**
Change vs. previous year					
Commercial banks	757	–30	–495	–429	810
Other financial institutions	–2,129	2,260	1,943	–1,298	1,819
Savings banks	956	-	-	-	-
Insurance companies	–132	-	2	-	493
Industrial sector	–333	–2	–126	–2	2
Service sector	–74	–35	102	–382	–152
Public sector	2	–7	–173	107	–102
State-affiliated and supranational institutions	–8,318	0	-	-	147
Transport sector	–133	37	–37	–34	–13
Renewable energies	–28	-	1	-	–80
Conventional energies and infrastructure	269	6	–87	–23	–32
Real estate sector (including real estate funds)	–46	0	–279	81	29
Retail sector	–16	0	-	-	-
Funds (transactions and units)	–1,073	–842	-	-	-
Total	**–10,297**	**1,387**	**851**	**–1,979**	**2,921**

The gross loan volume remained focused primarily on the short-term segment at the end of 2023. The proportion of transactions with a time to maturity of less than one year was 44.0% (year-end 2022: 44.1%). The proportion of maturities longer than ten years was 4.8%, compared with 4.5% at 31 December 2022. The average legal residual term of gross lending was 2.9 years (year-end 2022: 2.8 years).

Gross loan volume by maturity *€m (Fig. 29)*

	31 Dec 2023	31 Dec 2022
Up to 1 year	53,100	57,083
1 to 2 years	13,395	13,894
2 to 5 years	18,935	17,199
5 to 10 years	10,030	10,294
10 to 15 years	2,418	2,336
15 to 20 years	1,027	945
>20 years	2,367	2,534
No maturity	19,458	25,118
Total	**120,731**	**129,403**

There was no significant change in the level of risk concentration in the loan portfolio during the reporting year. As at 31 December 2023, 12.8% (year-end 2022: 13.5%) 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 1 year-on-year to 24. Counterparties in the public sector, savings banks and state-affiliated and supranational institutions accounted for 19.3% of the total volume of the cluster portfolio. A total of 8.2% of net loan volume related to counterparty clusters (year-end 2022: 10.8%).

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 2023 related to shadow banking entities under the principal approach (limit utilisation of total net risk position: 15%). For shadow banking entities under the fallback approach, there were only very small exposures as at year-end 2023, which were attributable to third-party investment funds. The levels of utilisation are considered acceptable. The shadow banking entities have an average rating of 5 on the DSGV master scale (corresponds to BBB– on the S&P scale).

Gross and net loan volume by rating grade *€m (Fig. 30)*

	AAA	AA+ to AA–	A+ to A–	2 to 3	4 to 5	6 to 7	8 to 15	16 to 18	No rating
Gross loan volume	35,968	14,608	39,610	15,552	7,740	1,736	4,129	731	656
Net loan volume	32,640	6,202	13,890	6,960	3,929	346	1,044	228	449

The average rating for the gross loan volume was unchanged at a score of 4 on the DSGV master scale (S&P: BBB–). The average probability of default as at 31 December 2023 was 31 basis points (bps) (year-end 2022: 22 bps), which was partly due to rating downgrades affecting various US and British real estate financing and Scandinavian wind farm counterparties and to the rating downgrade of a central counterparty. The average rating for the net loan volume deteriorated by one notch to a rating of 3 (S&P: BBB) with a changed probability of default of 19 bps (year-end 2022: 12 bps). 83% of net loan volume remained in the same grouping (determined by rating class) as at the end of 2022. The target rating under the credit risk strategy was achieved without difficulty for both the gross and net loan volumes.

Net loan volume by risk segment and rating *€m (Fig. 31)*

	Average PD in bps	Average rating 31 Dec 2023	31 Dec 2023	Average PD in bps	Average rating 31 Dec 2022	31 Dec 2022
Commercial banks	3	AA	9,511	6	A	10,311
Other financial institutions	6	A	5,704	8	A	5,438
Savings banks	1	AAA	13,278	1	AAA	12,624
Insurance companies	14	2	231	14	3	191
Industrial sector	30	4	2,093	13	2	2,376
Service sector	14	2	1,048	13	2	1,389
Public sector	4	AA–	4,929	4	AA–	4,976
State-affiliated and supranational institutions	1	AAA	11,154	1	AAA	17,153
Transport sector	105	7	656	172	9	536
Renewable energies	436	11	1,471	211	9	1,434
Conventional energies and infrastructure	24	4	3,280	26	4	3,420
Real estate sector (including real estate funds)	52	6	3,163	13	2	3,213
Retail sector	N/A	N/A	60	N/A	N/A	76
Funds (transactions and units)	14	3	9,113	13	2	9,064
Total	**19**	**3**	**65,689**	**12**	**2**	**72,199**

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 the 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 and spread risk in the banking book. 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 the organisational structure. In addition to this, the Risk Talk sets sensitivity limits for the Capital Markets business division.

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 and spread risks in the banking book. 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 facilitate 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 and spread 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 strategy on an ongoing basis. The Group defines a stop-loss limit as another effective management tool for limiting losses. There are also separate monitoring processes for interest rate and credit spread risks in the banking book covered by the EBA Guidelines on the management of interest rate risk and credit spread risk arising from banking book activities (EBA/GL/2022/14). Within this framework, limits have been defined for interest rate risks in the banking book.

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, including the banking book. 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 based on business activities and on the focal areas of the portfolio determined by the business model. Risk factors particularly include issuer-specific spread risk curves along with sector curves for various country/industry/rating combinations, spread curves for credit derivatives, reference curves for various fixed-rate periods (tenor-specific), individual stocks, exchange rates and implicit interest rate, equity and currency volatilities. Appropriate consideration is given to basis risk.

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. They can also be used to manage risk concentrations, for example where risk factors are highly correlated.

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 and credit spread risks in the banking book
In accordance with the EBA guidelines (EBA/GL/2022/14), interest rate risk in the banking book (IRRBB) and credit spread risk in the banking book (CSRBB) are measured using scenarios from a net present value and earnings.based perspective. For IRRBB, the scenarios to be calculated include various shifts in the reference yield curve, which are used consistently for each currency in the two approaches. There are also scenarios for tenor basis risk. For CSRBB, the scenarios reflect rating-dependent shifts in market credit/market liquidity spreads.

In the net present value perspective (EVE), the sensitivity of the portfolio to changes in the risk factors affected by the respective scenario is calculated. In the earnings-based perspective, the impact of changes in interest rates and credit spreads on net interest income (NII) is calculated along with changes in market value. The scenarios for NII look at the three years following the date on which the calculation is based. The changes in market value are calculated for the first year, and the overall result for the earnings-based perspective corresponds to the change in net interest income for year one plus the changes in market value.

In the net present value perspective (EVE) for IRRBB, the limits defined for the scenario results are monitored on a monthly basis. In addition, the defined limits are monitored quarterly in the earnings-based perspective for IRRBB. In this perspective, there are rules for the results of the change in net interest income (NII) in each of the three years and rules for changes in market value of financial instruments measured at fair value in the IFRS consolidated accounts (including guarantee products and pension obligations). The combination of the two limits thus also limits total income. The limits defined at Group level apply for every scenario. A dedicated escalation process must be adhered to in the event of any limit breaches.

The results for CSRBB in both perspectives are also regularly evaluated in a synchronised way.

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 €606m. The increase versus the end of 2022 (€576m) was predominantly attributable to significantly increased credit spread risks. The risk development was influenced chiefly by market developments involving wider credit spreads, increased interest rates, fluctuating share prices and high volatility, and less by changes in positions.

Utilisation of the allocated risk capital for market price risk stood at €1,730m (year-end 2022: €1,800m). This represented a very comfortable utilisation level of 35.1%. 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. At the end of 2023, market price risk from guarantee products totalled €85.3m (year-end 2022: €88.8m). The risk-reducing effects of continuously increasing fund assets combined with declining volatilities compensated for the effects of the overall fall in interest rates over the year and of changes in positions.

With a confidence level of 99.0% and a holding period of ten days, market price risk (value-at-risk), excluding risks from guarantee products, stood at €78.5m as at the reporting date (year-end 2022: €73.3m). Utilisation of the operational management limit at Deka Group level (excluding guarantees) stood at €117.5m (year-end 2022: €105.0m). This represented a utilisation level of 67% and was therefore non-critical.

Deka Group value-at-risk excluding risks from guarantee products[1] (confidence level 99%, holding period ten days) *in €m (Fig. 32)*

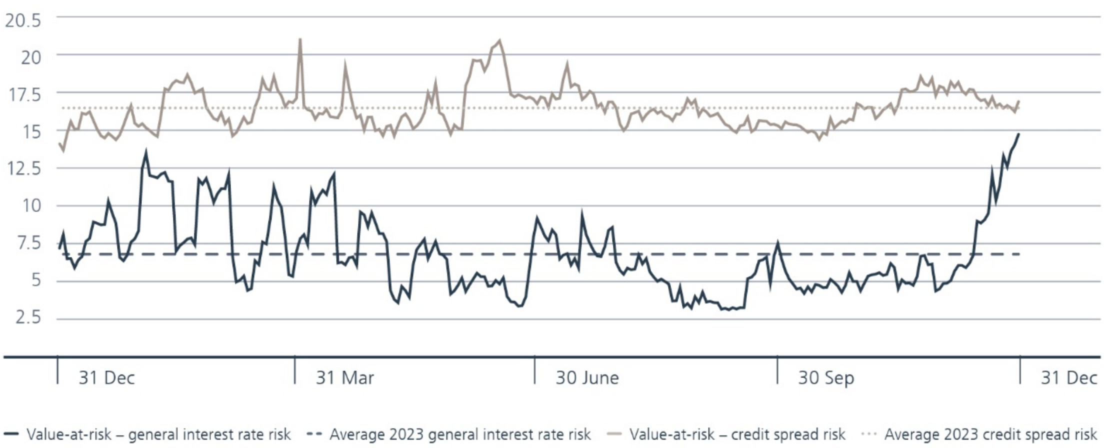
	31 Dec 2023						
Category	**Asset Management Securities business division**	**Asset Management Real Estate business division**	**Asset Management Services business division**	**Capital Markets business division**	**Treasury**	**Deka Group excluding guarantees**	Change in risk vs previous year
Interest rate risk	2.1	0.0	11.0	20.4	75.0	80.7	7.0%
Interest rate – general	0.1	0.0	11.7	14.7	21.9	17.1	–9.5%
Credit Spread	2.1	0.0	7.7	16.8	62.5	79.7	14.0%
Share price risk	0.6	0.7	0.8	6.6	0.0	6.7	–36.2%
Currency risk	0.5	0.0	0.0	1.5	4.3	3.7	42.3%
Total risk	**2.2**	**0.7**	**11.1**	**21.2**	**74.7**	**78.5**	7.1%

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

At the end of 2023, the VaR for credit spread risk totalled €79.7m, which was higher than the level seen at year-end 2022 (€69.9m). A moderate increase in exposures along with increased volatility and widening spreads were behind this rise. Credit 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 financial institutions, corporates and the public sector in Germany, Western Europe and North America. Risk concentration for spread risk was consistent with the Deka Group's market price risk strategy.

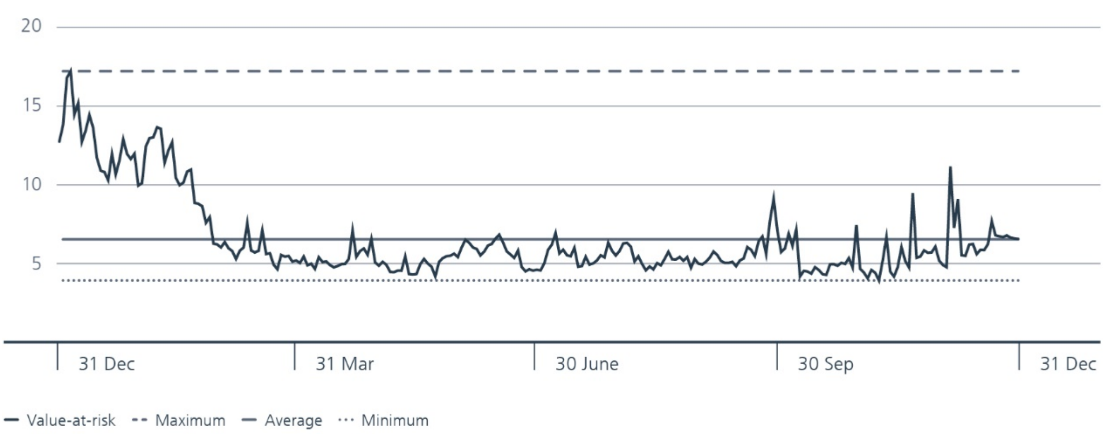
The VaR for general interest rate risk (excluding risks on guarantee products) fell from €18.9m at year-end 2022 to €17.1m. In the Capital Markets business division, the increased risk in the interest rate certificates business was attributable to the still strong demand. The increase here was offset by a decline in risk in the Treasury corporate centre against the backdrop of lower interest rates, especially in the longer maturities.

Value-at-risk – General interest rate risk and credit spread risk in the Capital Markets trading book over the course of 2023 *€m (Fig. 33)*



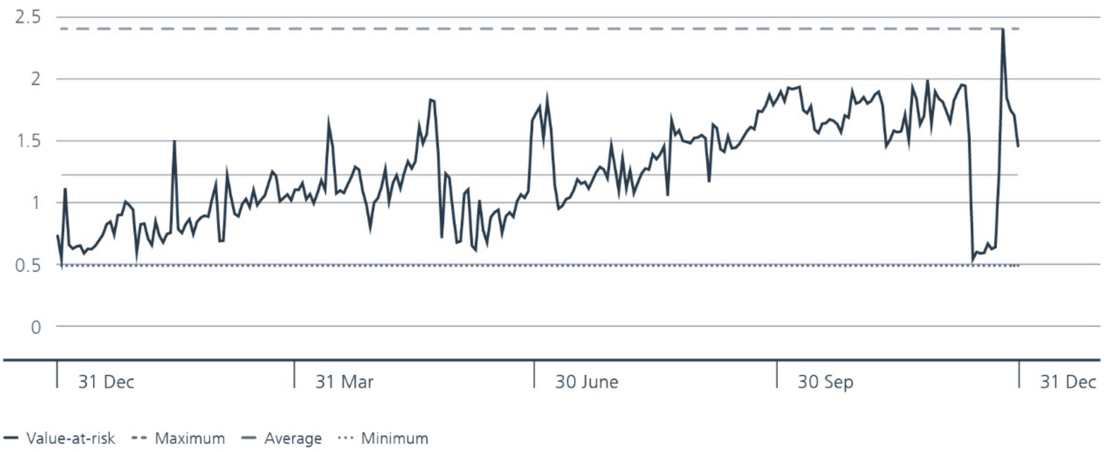
Share price risk fell compared with the end of 2022 (€10.5m) and stood at €6.7m at year-end 2023. The short residual terms to maturity of the macro hedges at the end of the year contributed to lower share price risk in the Treasury corporate centre. Share price risk remains of low significance at Group level. Share price risk in the Capital Markets business division trading book amounted to €6.6m (year-end 2022: €12.7m).

Value-at-risk – Share price risk in the Capital Markets trading book over the course of 2023 *€m (Fig. 34)*



Currency risk, which mainly resulted from positions in Canadian dollars, sterling and US dollars, increased to €3.7m (year-end 2022: €2.6m), mainly driven by market factors, and so continued to be of minor significance. Currency risk in the Capital Markets business division trading book stood at €1.5m (year-end 2022: €0.7m).

Value-at-risk – Currency risk in the Capital Markets trading book over the course of 2023 *€m (Fig. 35)*



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 (OR) 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 within the Deka Group.

OR management is based on coordinated collaboration between different units as part of the Deka Group's established Three Lines of Defence model. The Board of Management has overall responsibility for appropriate and consistent handling of OR and is supported by recommendations from the Risk Management Committee (*Managementkomitee Risiko* – MKR).

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

The Three Lines of Defence model takes a decentralised approach to risk management. This means that each unit is responsible in principle, as part of the first line of defence, for assessing and managing future risks and documenting loss events in its area of responsibility.

Units such as IT, whose role is to centrally provide infrastructure or processes, are a special case and are also responsible for assessing risks related to their services across the Group.

Centralised monitoring 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. 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), Data Protection Officer (data protection risk), Finance (tax law and tax compliance risk), Legal (legal risk), Information Security Management (ICT, security and service provider risk), Strategy & HR (personnel risk) and Organisational Development (process and project risk) units.

The central functions specialising in risk sub-types set specific objectives and guidelines for the design of processes and controls for the relevant risk type and monitor adherence to these. They also support the units in the first line of defence with risk type-specific methods for identifying, assessing and managing the relevant risk type.

The Operational Risk unit defines and monitors the Group-wide, methodological guidelines and common methods of OR management. In addition, it aggregates the information collected locally and reports this to the heads of department and the Board of Management.

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.

Objectives and guidelines
Maintaining a complete and up-to-date operational risk profile for the Deka Group is key to the handling of operational risks in order to ensure adequate capital and proper consideration of these risks in decision making. To minimise risks for the Deka Group and its stakeholders and make the best possible use of its resources, the Deka Group aims for appropriate management based on common principles. The common methods of OR management defined for this purpose and the minimum requirements for non-financial risks provide binding guidance and ensure the achievement of these objectives.

Integration into the concept of risk appetite
In the context of risk-bearing capacity, operational risks are limited by allocating risk capital (risk appetite) both overall and at business division level. The basis for this is a quantification model, which has been approved as an advanced measurement approach (AMA) and is used to calculate value-at-risk based on risk assessments and loss documentation. Value-at-risk is also incorporated into the regulatory capital requirement. The allocation of risk capital for OR to the business divisions (including Treasury) is primarily based on the number of employees and observed loss events in defined categories for the scale of losses.

Methods used
The Deka Group uses various methods for the management and control of operational risk. These complement each other and, taken together, enable a comprehensive management process for these risks. These include methods with a forward-looking (ex-ante) perspective, such as self-assessment and scenario analysis, as well as a backward-looking (ex-post) perspective, such as 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 non-financial risks.

The self-assessment is based on 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 an 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 the common methods described and external loss data to supplement the internal loss database.

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 operational risk model is appropriate.

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. Sensitivities to isolated stress factors are 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 significantly from €331m at year-end 2022 to €458m. This resulted particularly from the increased estimate of the likelihood of occurrence of serious losses in the scenario analysis (ex-ante perspective) for tax law risks from share trades transacted around the dividend record date. The number of observed loss events (ex-post perspective) remained at a similarly high level to the previous year, whereas the total losses were noticeably lower overall, meaning that no further risk-increasing effects resulted. The breakdown of VaR by business division (including the Treasury corporate centre), which is used for internal management purposes, led to a slight shift towards the Asset Management Securities business division. This was due to the development of loss events observed.

Following the increase in allocated risk capital for operational risks to €550m at the end of 2023 (year-end 2022: €385m), its utilisation stood at 83.3% and therefore remained non-critical.

Value-at-Risk *€m (Fig. 36)*

	2021	2022	2023
Asset Management Securities business division	104	119	169
Asset Management Real Estate business division	50	60	84
Asset Management Services business division	68	78	109
Capital Markets business division	38	52	65
Financing business division	13	14	19
Treasury Corporate Centre	8	9	12
Total	**280**	**331**	**458**

At €83m, the OR loss potential identified in the Group-wide risk inventory was also higher than the figure for year-end 2022 (€79m). One key driver was the "changed interpretation of the tax environment for past transactions" scenario analysis, in which the inclusion of very-high-loss variants in connection with share trades transacted around the dividend record date was revised following the receipt of amended tax assessment notices for the years 2013 to 2017. Increases in the probabilities of occurrence for process-related errors in the measurement of financial instruments as well as for various fraud risks in the context of internal or external actually observed loss events continued to be a significant factor, among other things. Meanwhile, the estimate of expected losses in connection with the ruling by the German Federal Court of Justice (BGH) on the mechanism for amending general terms and conditions of business was significantly reduced given the gradual expiry of the limitation period for potential customer claims. 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. 37)*

	2021	2022	2023
Asset Management Securities business division	9	10	10
Asset Management Real Estate business division	9	9	8
Asset Management Services business division	5	6	6
Capital Markets business division	7	14	16
Financing business division	4	3	3
Treasury Corporate Centre	1	1	1
Savings Banks Sales & Marketing	3	3	3
Corporate Centres	30	33	35
Total	**69**	**79**	**83**

In the loss documentation, a total of eleven major loss events, each with a loss amount of at least €100 thousand, were newly recorded in 2023. In terms of both the total losses and the number of cases, process risk accounted for the largest share but was spread across different organisational units of the Deka Group. This took the form of reimbursements to investment funds in the Asset Management business divisions, for example, or additional payments to service providers in a corporate centre. At the same time, significant changes were recorded for a total of twelve loss events already identified in previous years. Loss-reducing effects, for example from the reversal of provisions for customer claims to reimbursement that are now time-barred, were more than offset by additional loss components incurred, such as the cost of legal advice for certain proceedings currently still in progress.

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 cum/cum transactions, tax risks exist in connection with relief from capital yields tax on share transactions made around the dividend record date in 2013 and subsequent years. In December 2023, the tax authority issued tax assessment notices in which relief from all capital yields tax (*Kapitalertragsteuer*) relating to share trades conducted around the dividend record date was refused for the years concerned.

In issuing these tax notices, the tax authority stated that it was not possible to review the substance of the share trades and that changes in the amounts of tax relief may follow in future (subject to later review). An appeal has been lodged in each case. DekaBank paid the stipulated amounts, including interest, in January 2024.

DekaBank's risk assessment regarding an ultimate victory in fiscal court proceedings has not changed. This is consistent with the view of its tax adviser. All matters are reported in the Group management report and consolidated financial statements as at 31 December 2023 in accordance with DekaBank's interpretation of the relevant tax regulations and accounting standards.

In the past, transactions were concluded with business partners in connection with share trades transacted around the dividend record date, for which the tax office refused in full or in part to allow the relief from capital yields tax (*Kapitalertragsteuer*) claimed by these business partners. Corresponding agreements were reached with some of the business partners in 2022 to settle the matter. An agreement was reached with a further business partner at the end of 2023. Such agreements may in principle be reached with other affected business partners, which may result in further payments of approximately €27m. This amount could not be reported in the annual financial statements as at 31 December 2023, as the preconditions for recognition were not met.

In addition, DekaBank began 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. In light of ongoing investigations in relation to share trades transacted around the dividend record date, the Bank, in principle, faces the risk of a fine under section 30 of the Administrative Offences Act (*Ordnungswidrigkeitengesetz,* OWiG) and confiscation of potential proceeds. Based on the findings of these investigations 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 2023 or that a fine or confiscation of proceeds will apply. The official search of DekaBank's premises in June 2022, the additional information obtained as part of the search and further voluntary investigations carried out on this basis do not change the assessment at the present time. The situation is being constantly reviewed.

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.

Business risk is driven to a large extent by the fund business. In the Asset Management Securities, Asset Management Real Estate and Asset Management Services business divisions, value-at-risk is calculated based on the potential negative 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 net income contribution for the following year. This net income contribution is based on the economic result expected for the next twelve months but with a focus on earnings components that are achievable on an economically sustainable basis.

Commission directly depends on the asset management volume (for the Asset Management Securities business division and Asset Management Real Estate business division) or assets under custody (for the depositary in the Asset Management 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.

Business risks are currently not material in the Capital Markets and Financing banking divisions or in the Treasury corporate centre and are therefore not included in the quantification of business risk.

Overall, the validation exercises carried out confirmed that the business risk model is appropriate.

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. In addition to hypothetical equity stress, the hypothetical scenarios also analyse the effects of concentrations and adverse conditions on the real estate market. A combined scenario additionally takes account of concentrations and stress affecting margins and expenses. Alongside the hypothetical scenarios, the stress tests also continue to involve historical scenarios including market crashes akin to those seen after the terrorist attacks in 2001 or during the financial crisis in 2008 as well as during the coronavirus pandemic. 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 fell significantly to €263m (year-end 2022: €388m). The significant reduction in risk was mainly due to a sharp fall in volatilities in the Asset Management Securities and Asset Management Services business divisions as well as higher net commission income in the Asset Management Securities business division. The lower planning figures in the Asset Management Securities and Asset Management Real Estate business divisions also had a risk-reducing effect. Risk capital allocated to business risk was increased to €475m (year-end 2022: €460m). Utilisation was 55.4% and thus at a non-critical level. Should further geopolitical events increase market volatility or renewed interest rate hikes result in shifts to lower-margin products, an increase in business risk would not be ruled out.

Reputational risk

The Deka Group Board of Management has defined reputational risk guidelines in the form of specific measures and processes for the management of reputational risks. For example, as part of the holistic approach to reputational risks, proactive reputational risk management processes, which are designed to facilitate the handling of reputational risk for relevant business processes, are complemented by portfolio-oriented reputational risk management. The latter aims to ensure transparency along with adequate capital and liquidity backing. 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.

Reputational risks may arise directly from the business activity or as a result of events connected to other risk types and manifest themselves through their effect on business and liquidity risk.

Irrespective of its cause, reputational risk has an impact on the drivers of business risk and particularly on customer behaviour and sales performance.

Appropriate scenarios are used to describe chains of reputational effects, which may affect the relevant risk drivers. To transparently illustrate reputational risks, which may arise from all business activities and have a potentially adverse impact on stakeholders, these risks are separately quantified in a scenario-based approach starting from this reporting year.

Overall, the validation exercises carried out confirmed that the reputational risk model is appropriate.

The VaR of reputational risk was calculated for the first time as at the end of March 2023 and stood at €203m at year-end. The parameterisation of the reputational risk scenarios by the assessors in the business divisions, sales units and corporate centres was updated as at 31 December 2023 in accordance with the annual cycle. The scenarios assessed to be the most relevant are associated with stakeholder perceptions concerning inadequate controls, deliberate management decisions and insufficiently attractive products.

Other risks

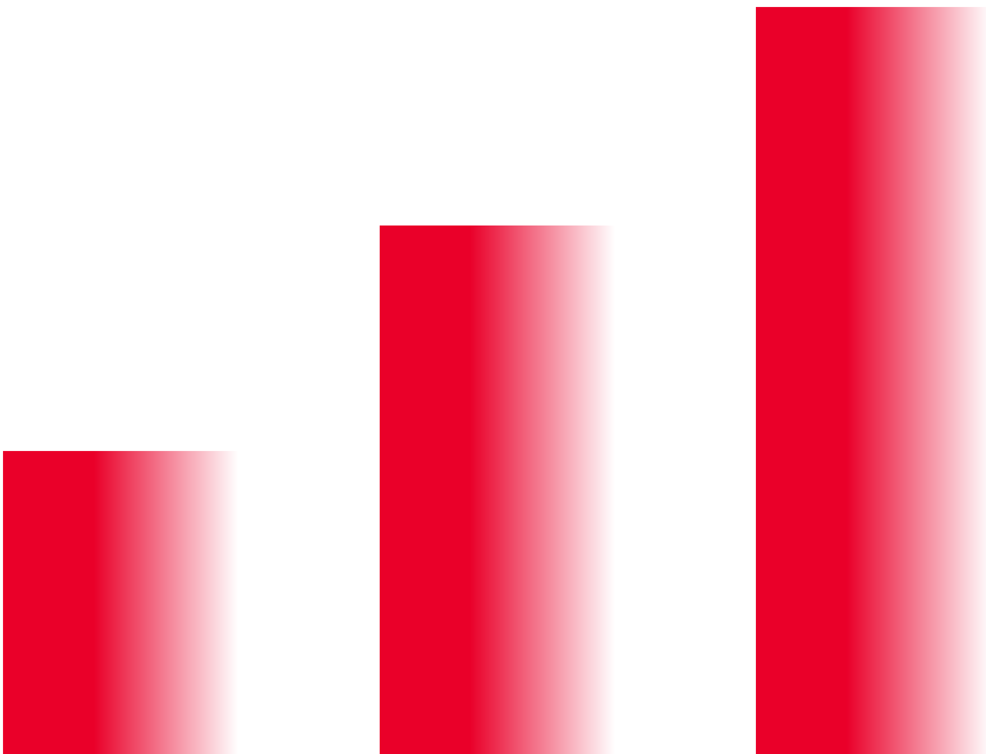
Investment risk

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.

Overall, the validation exercises carried out confirmed that the investment risk model is appropriate.

The VaR of investment risk was €26m at year-end 2023, up significantly on the level at the end of the previous year (year-end 2022: €23m). The main reasons for the sharp relative increase in risk were the addition of a previously fully consolidated company, which has been held as an equity investment since July 2023, as well as increases in the IFRS carrying values of other individual equity investments as part of the regular remeasurement of equity investments. The risk capital allocated to investment risk was reduced to €40m (year-end 2022: €45m). Utilisation of this amount at year-end was 66.0%.



Annual financial statements

Balance sheet

Assets	€	€	€	31 Dec 2023 €	31 Dec 2022 €'000
1. Cash reserves					
a) Cash on hand			18,117.64		5
b) Balances with central banks			317,912,188.41	317,930,306.05	244,857
of which:					
with Deutsche Bundesbank	317,324,897.10				(244,272)
2. Due from banks					
a) due on demand			11,607,590,947.61		18,163,352
b) other claims			11,633,826,703.16	23,241,417,650.77	10,523,801
of which:					
public sector loans	6,770,517.65				(63,329)
3. Due from customers				23,769,595,731.31	25,389,850
of which:					
mortgage loans	1,848,165,072.01				(1,879,939)
public sector loans	3,111,223,740.28				(3,579,489)
4. Bonds and other fixed-interest securities					
a) Bonds and debt securities					
aa) from public sector issuers		429,004,013.44			1,146,307
of which:					
eligible as collateral with Deutsche Bundesbank	415,496,218.83				(1,132,325)
ab) from other issuers		9,337,304,879.48	9,766,308,892.92		8,425,076
of which:					
eligible as collateral with Deutsche Bundesbank	6,232,874,294.90				(5,063,106)
b) own bonds			53,493,766.59	9,819,802,659.51	237,872
Nominal amount	60,257,000.00				(235,250)
5. Shares and other non fixed-interest securities				158,306,186.59	589,059
6. Trading portfolio				27,239,029,004.22	34,222,240
7. Equity investments				27,147,936.27	22,014
of which:					
in banks	7,867,903.91				(7,868)
8. Shares in affiliated companies				541,168,152.70	466,575
of which:					
in banks	22,987,733.45				(22,988)
in financial services providers	20,177,351.02				(20,177)
9. Trust assets				249,384,181.00	214,073
10. Intangible assets					
a) Concessions, industrial property rights, and similar rights and values as well as licences there to, acquired for a consideration			19,988,923.00		11,258
b) Goodwill			147,153,332.00		174,623
c) Advance payments			12,739,893.52	179,882,148.52	0
11. Tangible assets				30,356,774.61	28,062
12. Other assets				207,189,905.31	200,605
13. Prepaid expenses and accrued income					
a) from underwriting and lending business			61,382,731.23		77,523
b) other			313,149,285.06	374,532,016.29	282,353
Total assets				**86,155,742,653.15**	**100,419,508**

Liabilities	€	€	€	31 Dec 2023 €	31 Dec 2022 €'000
1. Due to banks					
a) due on demand			2,815,605,490.82		2,940,794
b) with agreed maturity or period of notice			5,786,300,326.70	8,601,905,817.52	11,030,175
of which:					
registered mortgage Pfandbriefe	0.00				(20,000)
registered public sector Pfandbriefe	127,014,922.71				(144,633)
2. Due to customers					
Other liabilities					
a) due on demand			21,211,630,716.12		20,990,750
b) with agreed maturity or period of notice			6,860,451,394.63	28,072,082,110.75	4,987,193
of which:					
registered public sector Pfandbriefe	263,265,855.40				(566,338)
3. Securitised liabilities					
a) bonds issued			11,147,630,517.42		10,624,113
of which:					
mortgage Pfandbriefe	655,525,918.89				(392,198)
public sector Pfandbriefe	2,809,554,005.57				(2,804,501)
b) other securitised liabilities			0.00	11,147,630,517.42	1,104,949
of which:					
Money market securities	0.00				(1,104,949)
4. Trading portfolio				29,069,062,538.42	39,902,394
5. Trust liabilities				249,384,181.00	214,073
6. Other liabilities				423,527,322.34	647,059
7. Accruals and deferred income					
a) from underwriting and lending business			11,265,182.73		14,352
b) other			239,177,287.47	250,442,470.20	282,086
8. Provisions					
a) provisions for pensions and similar obligations			79,733,531.70		104,276
b) provisions for taxes			358,338,621.52		101,953
c) other provisions			345,384,002.42	783,456,155.64	377,099
9. Subordinated liabilities				1,808,640,539.59	1,588,045
10. Fund for general banking risks				4,852,965,895.47	4,713,447
of which:					
special item pursuant to Section 340 e (4) HGB	367,632,000.00				(350,035)
11. Equity					
a) Subscribed capital			191,740,000.00		191,740
b) Capital reserve			239,479,816.06		239,480
c) other retained earnings			165,352,188.74		165,352
d) Net income			300,073,100.00	896,645,104.80	200,177
Total liabilities				**86,155,742,653.15**	**100,419,508**
1. Contingent liabilities					
Liabilities from guarantees and warranty agreements				6,129,326,176.21	5,772,985
2. Other liabilities					
Irrevocable lending commitments				590,410,088.12	1,149,931

Income statement

Expenses and income	€	€	€	2023 €	2022 €'000
1. Interest income from					
a) Lending and money market transactions		2,801,675,400.81			871,626
of which: negative interest income	303,244.27				(25,562)
b) Fixed-interest securities and debt register claims		197,734,243.23	2,999,409,644.04		113,763
of which: negative interest income	0.00				(0)
2. Interest expenses			2,544,266,589.15	455,143,054.89	912,222
of which: positive interest expenses	1,760,964.29				(78,254)
3. Current income from					
a) Shares and other non fixed-interest securities			4,768,138.12		5,100
b) Equity investments			1,210,391.10		1,568
c) Shares in affiliated companies			52,583,635.21	58,562,164.43	434,606
4. Income from profit pooling, profit transfer and partial profit transfer agreements				637,059,574.18	525,469
5. Commission income			1,628,037,532.46		1,627,261
6. Commission expenses			1,282,369,910.55	345,667,621.91	1,279,813
7. Net income/expenses from trading portfolio				158,158,154.88	558,260
8. Other operating income				466,585,495.66	434,964
9. General administrative expenses					
a) Personnel expenses					
aa) Wages and salaries		387,958,127.78			361,344
ab) Social security contributions and expenses					
for pensions and other employee benefits		103,647,174.86	491,605,302.64		58,297
of which:					
for retirement pensions	55,206,231.19				(14,661)
b) Other administrative expenses			559,162,898.28	1,050,768,200.92	538,240
10. Write-downs and valuation allowances on intangible assets and tangible assets				38,447,565.52	41,032
11. Other operating expenses				126,547,717.85	207,641
12. Write-downs and valuation allowances on receivables and certain securities and allocations to provisions for loan losses				0.00	135,449
13. Income from write-ups to receivables and certain securities and allocations to provisions for loan losses				96,896,826.28	0
14. Allocations to the fund for general banking risks				121,921,764.56	505,645
15. Write-downs and valuation allowances on equity investments, shares in affiliates and securities held as fixed assets				0.00	31,336
16. Income from write-ups to equity investments, shares in affiliates and securities held as fixed assets				41,717,422.48	0
17. Expenses from loss transfer				11,284,680.65	11,536
18. Profit or loss on ordinary activities				910,820,385.21	490,061
19. Income taxes				610,747,285.21	289,885
20. Net income				300,073,100.00	200,177
21. Accumulated profit				**300,073,100.00**	**200,177**

Notes

General information

DekaBank Deutsche Girozentrale, Frankfurt/Berlin, is entered in Commercial Register A at the District Court of Frankfurt am 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 2023 have been prepared in accordance with the provisions of the German Commercial Code (*Handelsgesetzbuch*, HGB) and the Regulation on Accounting Principles Relating to Financial Institutions and Financial Services Institutions (*Verordnung über die Rechnungslegung der Kreditinstitute, Finanzdienstleistungsinstitute und Wertpapierinstitute*, RechKredV). The provisions of the Pfandbrief Act (*Pfandbriefgesetz*, PfandBG) were also taken into account.

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 are 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 are 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, balance sheet offsetting is carried out provided that the corresponding preconditions are fulfilled. Securities lending transactions are 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.

In accordance with the applicable EU Benchmark Regulation, further interest rate benchmarks were replaced by new interest rate benchmarks in the reporting year. In 2023, implementation activities focused, in particular, on the lending business and related primarily to the USD-LIBOR transition, as the USD LIBOR was replaced by the SOFR interest rate benchmark during the reporting period. 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 2023. 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 the 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 and unobservable 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.

Structured products in the trading portfolio and the liquidity reserve are recognised as a single financial instrument. Structured products that are not subject to mandatory separation are permissible outside of the Bank's trading portfolio. These include own issues with termination rights. The structured liabilities in the non-trading portfolio not subject to mandatory separation are stated at the settlement amount.

Derivative financial instruments are generally measured using recognised models such as the Black-Scholes model, the Black-76 model, the SABR model, the Bachelier model, the G1PP model, the G2PP model or the local volatility model. The models are always calibrated using observable market data.

Interest rate 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 yield curves. Discounting of interest rate swaps is always carried out using the respective currency-specific yield curves, which are also used for the corresponding bootstrapping of the forward yield curves. For the foreign currency cash flows in interest rate/currency swaps, discounting is carried out taking into account the cross-currency basis.

Fair values for forward currency contracts are determined at the reporting date on the basis of the forward rates, which in turn are quoted by FX swap points in the market.

Fair values of single name and index credit default swaps are determined using a standard hazard rate model calibrated to the respective par CDS spreads.

Financial instruments in the trading portfolio are valued at fair value less a risk mark-down/mark-up. 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 are 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 (new version). 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. The valuation is 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, are valued in line with the imparity principle. For unrealised valuation losses, provisions were recognised for possible losses from pending transactions. Unrealised valuation gains are 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 management purposes.

The criteria defined in-house for the inclusion of financial instruments in the trading portfolio did not change in the financial year under review.

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 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.

Furthermore, the Deka Group recognised a margin valuation adjustment (MVA) at counterparty level when determining the fair value of derivatives for the first time in the reporting year. The MVA is used to reflect the expected future funding costs from initial margin payments in net present value terms. The MVA is taken into account in pricing and, as a result, also in the valuation carried out independently of trading activities. The MVA has the same form as the FVA, namely that of collateralisation costs over the entire term of the derivative for the initial margin.

Currency translation
Assets and liabilities in foreign currency as well as claims and obligations from foreign exchange transactions in the non-trading portfolio are translated and valued in accordance with the provisions of section 340h in conjunction with section 256a HGB and observing the Institute of Auditors (IDW) Comments on Accounting (*Stellungnahme zur Rechnungslegung*) IDW RS BFA 4. The results from currency translation are generally recognised in the income statement and reported in other operating income. Receivables/liabilities from derivative foreign exchange positions with special cover pursuant to section 340h HGB are shown in the foreign exchange equalisation item under other assets/other liabilities. The income is not recognised only in the case of foreign exchange transactions that are not included in any special cover or valuation unit and also have a remaining maturity of more than one year. Swap premiums from foreign exchange transactions in the non-trading portfolio, which hedge interest-bearing balance sheet items, are 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 foreign exchange 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 are translated and valued in accordance with the provisions of section 340e HGB. The results from the currency translation are reported in net income or net expenses from the trading portfolio.

Fixed assets
Equity investments, shares in affiliated companies, tangible assets and 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 (*Einkommensteuergesetz,* EStG) are written off in the year of acquisition in accordance with tax regulations.

Securities portfolios intended to be held long-term and for use in business operations on a permanent basis, are treated as fixed assets and valued according to the moderate lower-of-cost-or-market principle. These securities are continually checked for impairment. Scenarios in which changes in market value are only due to interest rates do not constitute permanent 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 latent credit risks. Specific and general valuation allowances for on-balance sheet lending are deducted from the respective asset items. Provisions are 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.

When calculating general valuation allowances for loan receivables, a distinction is made between two stages: At stage 1, loss allowances are recognised in the amount of the expected loss for the next twelve months, unless the risk of default has significantly increased. Stage 2 is used to recognise loss allowances in the amount of the expected loss over the entire remaining life of the loan receivable if the risk of default has increased significantly.

Within DekaBank, significant increases in default risk since the initial recognition of a loan receivable are assessed on the basis of quantitative and qualitative criteria, as well as based on the assessments performed by the units and committees responsible for early risk identification. A significant risk increase is assumed where the credit rating has dropped by a specified amount relative to the initial rating on the first balance sheet date, or where the exposure has been classified as requiring intensive support. A loan is classified as requiring intensive support, in particular, in cases involving non-compliance with contractual agreements providing concrete indications of an acute threat to debt servicing capabilities in the long term, as well as in the event of repayment deferrals or certain rating downgrades if the circumstances of the individual case call for intensive support. The 12-month probability of default is used to assess the rating downgrade and adequately reflects the change in the risks expected over the remaining term of the asset. Adequacy was verified by performing a further analysis. In addition, for loan receivables where payment is more than 30 days overdue, a check is also made as to whether the presumption of a significant increase in default risk can be rebutted. Individual cases are analysed to determine whether the default is creditworthiness-related or non-creditworthiness-related. Creditworthiness-related defaults are presented to the Monitoring Committee for a decision to be made on whether these should be transferred to stage 2 or should remain in stage 1.

Changes in general valuation allowances recognised in profit or loss are reported under ‘Write-downs and valuation allowances on receivables and certain securities and allocations to provisions for loan losses’ or under ‘Income from write-ups on receivables and certain securities and from the reversal of provisions for loan losses’.

If there is doubt regarding the recoverability of a receivable, this is taken into account through the recognition of specific valuation allowances. 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 profit or loss. Direct write-downs are also carried out if the Bank waives parts of a non-impaired receivable or sells a receivable for less than its carrying value.

Specific valuation allowances and provisions for credit risks 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 and provisions for credit risks are set up in the following circumstances:

- 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 unit-linked defined contribution plans consist primarily of fund assets allocated to each individual employee and other assets to cover the biometric risks arising from benefits becoming due early and the subsequent financing risk. In addition, commitments under final salary plans and general contribution schemes were funded through the creation of ring-fenced plan assets using a CTA. This section of the plan assets is invested in a special fund with an investment strategy based on 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 as well as obligations to pay other allowances 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 are 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 are 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 amounts due from customers, pension provisions and other provisions. As at the reporting date, there were no measurement differences between the financial statements and the tax base leading to the recognition of deferred tax liabilities. DekaBank's combined tax rate (31.9%) is used to measure deferred taxes.

3 Derivative transactions

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

	Nominal value		Full fair values positive market values		Full fair values negative market values	
€m	**31 Dec 2023**	**31 Dec 2022**	**31 Dec 2023**	**31 Dec 2022**	**31 Dec 2023**	**31 Dec 2022**
Interest rate risks						
OTC products						
Interest rate swaps	493,393.2	493,259.8	19,800.6	28,785.2	20,198.8	29,659.6
Forward rate agreements	98,657.0	80,186.0	81.3	81.9	80.5	75.5
Interest rate options						
Purchases	24,708.0	26,290.0	338.7	593.8	162.8	191.8
Sales	29,911.3	30,169.7	346.7	320.5	374.8	935.6
Caps, floors	23,011.7	25,763.7	165.1	226.0	277.0	470.1
Other interest rate futures	4,859.7	3,351.6	228.1	247.1	15.8	8.8
Exchange traded products						
Interest rate futures/ options on interest rate futures	46,382.0	45,561.0	47.1	21.7	8.0	53.8
Total	**720,922.9**	**704,581.8**	**21,007.6**	**30,276.2**	**21,117.7**	**31,395.2**
Currency risks						
OTC products						
Foreign exchange future contracts	9,835.3	13,142.8	91.5	132.6	95.3	131.3
Interest rate/currency swaps	795.9	1,021.9	20.7	17.5	28.6	29.9
Currency options						
Purchases	–	–	–	–	–	–
Sales	–	–	–	–	–	–
Total	**10,631.2**	**14,164.7**	**112.2**	**150.1**	**123.9**	**161.2**
Share and other price risks						
OTC products						
Share options						
Purchases	2,247.8	2,272.0	681.7	454.4	–	–
Sales	2,949.9	2,538.7	–	–	390.7	466.0
Credit derivatives	12,409.5	12,337.3	174.6	261.3	138.0	65.9
Other forward contracts	6,624.7	5,717.1	42.1	46.8	69.8	363.3
Exchange traded products						
Share options	40,916.4	35,659.0	1,865.5	1,492.7	1,225.8	1,731.5
Share futures	361.0	270.2	4.0	9.6	6.7	7.0
Total	**65,509.3**	**58,794.3**	**2,767.9**	**2,264.8**	**1,831.0**	**2,633.7**
Total	**797,063.4**	**777,540.8**	**23,887.7**	**32,691.1**	**23,072.6**	**34,190.1**
Amount carried in the statement of financial position:			7,662.5	8,497.3	8,650.9	13,099.4

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.

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

	Interest rate risks		Currency risks		Share and other price risks	
€m	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Residual term to maturity						
less than 3 months	95,558.2	77,866.3	6,076.1	6,709.9	7,444.5	4,093.6
> 3 months to 1 year	127,117.8	111,824.7	3,669.6	6,645.0	18,943.2	17,678.5
> 1 year to 5 years	240,338.9	255,020.0	668.2	382.5	32,645.5	33,074.5
> than 5 years	257,908.0	259,870.8	217.3	427.3	6,476.1	3,947.7
Total	**720,922.9**	**704,581.8**	**10,631.2**	**14,164.7**	**65,509.3**	**58,794.3**

Derivative transactions – classification by counterparties – trading portfolio

	Nominal value		Full fair values positive market values		Full fair values negative market values	
€m	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Banks in the OECD	620,501.4	612,806.2	15,090.4	21,467.9	17,306.5	26,732.9
Public sector entities in the OECD	16,234.9	17,484.1	1,225.0	1,599.7	194.0	260.3
Other counterparties	160,327.1	147,250.5	7,572.3	9,623.5	5,572.1	7,196.9
Total	**797,063.4**	**777,540.8**	**23,887.7**	**32,691.1**	**23,072.6**	**34,190.1**

Derivative transactions – volume – non-trading portfolio

	Nominal value		Full fair values positive market values		Full fair values negative market values	
€m	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Interest rate risks						
OTC products						
Interest rate swaps	69,419.8	58,366.7	1,469.2	1,938.5	923.7	1,236.3
Other interest rate futures	–	24.8	–	–	–	–
Exchange traded products						**–**
Interest rate futures/ options on interest rate futures	52.9	60.3		0.8	1.6	–
Total	**69,770.6**	**58,669.7**	**1,469.5**	**1,941.3**	**929.6**	**1,237.8**
Currency risks						
OTC products						
Foreign exchange future contracts	1,131.2	4,497.1	34.8	23.9	1.3	14.8
Interest rate/currency swaps	10,794.5	12,483.3	159.1	136.7	187.4	554.6
Total	**11,925.7**	**16,980.4**	**193.9**	**160.6**	**188.7**	**569.4**
Share and other price risks						
OTC products						
Share options						
Purchases	–	442.0	–	13.9	–	–
Exchange traded products						
Share options	–	112.5	–	0.4	–	–
Share futures	32.3	16.8	–	0.6	0.8	–
Total	**32.3**	**571.3**	**–**	**14.9**	**0.8**	**–**
Total	**81,728.6**	**76,221.4**	**1,663.4**	**2,116.8**	**1,119.1**	**1,807.2**

Derivatives in the non-trading portfolio are generally valued individually in line with the imparity principle. Provisions for possible losses from derivatives are generally established 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 €2.2m was recognised as at the reporting date. €1.4m of this amount relates to credit derivatives and €0.8m to equity derivatives. In the previous year, €6.3m related to credit derivatives and €1.8m to equity derivatives. This is recognised in 'Other provisions'.

Under EU Regulation No. 648/2012 (EMIR), there is a requirement to perform certain OTC derivative 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 €446.4m. 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 2023**	**31 Dec 2022**	**31 Dec 2023**	**31 Dec 2022**	**31 Dec 2023**	**31 Dec 2022**
Residual term to maturity						
less than 3 months	13,415.1	10,134.9	742.1	4,320.0	32.3	16.8
> 3 months to 1 year	17,272.0	9,333.4	2,425.3	1,317.7	–	554.5
> 1 year to 5 years	25,902.1	25,768.3	6,700.6	8,168.8	–	–
> than 5 years	13,181.4	13,433.1	2,057.7	3,173.9	–	–
Total	**69,770.6**	**58,669.7**	**11,925.7**	**16,980.4**	**32.3**	**571.3**

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 2023**	**31 Dec 2022**	**31 Dec 2023**	**31 Dec 2022**	**31 Dec 2023**	**31 Dec 2022**
Banks in the OECD	71,212.6	60,294.5	1,167.5	1,394.1	997.0	1,604.5
Other counterparties	10,516.0	15,926.9	495.9	722.7	122.1	202.7
Total	**81,728.6**	**76,221.4**	**1,663.4**	**2,116.8**	**1,119.1**	**1,807.2**

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 fluctuations in market parameters. Market price risks comprise interest rate risks (including credit spread risks), currency risks and share price risks. DekaBank defines credit risk as the risk that a borrower, issuer or counterparty will not fulfil their contractually agreed obligations or fulfil them in a timely manner and that DekaBank will incur 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			
bevestor GmbH, Frankfurt/Main[3)]	100.00	3,600.0	–9,849.0
Deka Beteiligungsgesellschaft mbH, Frankfurt/Main	100.00	2,336.9	–1,111.5
Deka Immobilien Investment GmbH, Frankfurt/Main[3)]	100.00	70,009.7	136,740.6
Deka Investment GmbH, Frankfurt/Main[3)]	100.00	93,183.1	394,380.6
Deka Investors Spezial InvAG m.v.K. u. TGV (TGV Unternehmensaktien), Frankfurt/Main[4)]	100.00	211.6	–9.5
Deka Treuhand Erwerbsgesellschaft mbH, Frankfurt/Main[3)]	100.00	25.0	–12.9
Deka Treuhand GmbH, Frankfurt/Main	100.00	228.2	43.5
Deka Vermögensmanagement GmbH, Frankfurt/Main[3)]	100.00	29,960.0	33,162.7
Deka Vermögensverwaltungs GmbH, Frankfurt/Main[3)]	100.00	404.6	–1,721.2
Deka Verwaltungsgesellschaft Luxembourg S.A., Luxembourg	100.00	123,356.9	51,896.7
Deka Vorratsgesellschaft 03 mbH, Frankfurt/Main[3)]	100.00	24.8	0.5
Deka Vorratsgesellschaft 04 mbH, Frankfurt/Main[3)]	100.00	24.8	0.5
Deka Vorratsgesellschaft 05 mbH, Frankfurt/Main[3)]	100.00	24.8	0.5
IQAM Invest GmbH, Salzburg	100.00	5,849.3	314.9
IQAM Partner GmbH, Wien[5)]	100.00	472.6	–6.3
IQAM Research der DekaBank GmbH, Frankfurt/Main[3)]	100.00	49.3	1.3
LBG Leasing Beteiligungs-GmbH, Frankfurt/Main	100.00	29.8	–0.2
S Broker AG & Co. KG, Wiesbaden	100.00	64,658.7	7,361.0
WestInvest Gesellschaft für Investmentfonds mbH, Düsseldorf[3)]	99.74	11,338.6	73,623.0
WIV GmbH & Co. Beteiligungs KG, Frankfurt/Main	94.90	12,826.4	726.4
WIV Verwaltungs GmbH, Frankfurt/Main	94.90	83.6	2.3
Equity investments			
Dealis Fund Operations GmbH i.L., Frankfurt/Main	50.00	32,955.1	–89.7
Merry Hill NewCo Limited, Jersey[6)]	21.40	–218,219.1	–218,219.2
S-PensionsManagement GmbH, Cologne	50.00	42,774.2	–65,390.6
SWIAT GmbH, Frankfurt/Main	30.00	1,991.6	–3,138.4
Indirect shares in affiliated companies			
Deka Far East Pte. Ltd., Singapore	100.00	4,340.7	39.4
Deka International S.A., Luxembourg	100.00	128,749.4	51,286.0
Deka Real Estate International GmbH, Frankfurt/Main	100.00	6,528.9	828.5
Deka Real Estate Services USA Inc., New York	100.00	3,800.6	2,825.2
S Broker Management AG, Wiesbaden	100.00	679.3	624.3

Name, registered office	Share of equity %	Equity[1] €'000	Result[2] €'000
Indirect equity investments			
DPG Deutsche Performancemessungs-Gesellschaft für Wertpapierportfolios mbH, Frankfurt/Main	22.20	3,625.7	325.0
Heubeck AG, Cologne	30.00	5,047.2	834.4
HEUBECK pen@min GmbH, Cologne	30.00	311.7	157.2
Heubeck Richttafeln GmbH, Cologne	30.00	84.6	18.1
Richttafeln-Unterstützungskasse GmbH, Cologne	30.00	162.8	7.0
Sparkassen Pensionsfonds AG, Cologne	50.00	3,386.3	– 199.9
Sparkassen Pensionskasse AG, Cologne	50.00	175,009.7	1,532.6

[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.
[4] Balance sheet date of the annual financial statements as at 31 May 2023
[5] Balance sheet date of the annual financial statements as at 30 June 2023
[6] Balance sheet date of the annual financial statements as at 31 Dec 2021
Unless otherwise stated, the figures are taken from the annual financial statements as at 31 December 2022.

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, 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 additional funding obligation for the deposit guarantee scheme of the *Landesbanken* and *Girozentralen* of €27.4m (previous year: €41.2m). 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 2023	31 Dec 2022
This item includes:		
Receivables		
to affiliated companies	20.1	0.3
to companies in which an interest is held	66.4	130.6
Subordinated loans	–	–
Sub item b (other claims) – breaks down according to residual term to maturity as follows:		
less than 3 months	3,399.6	3,704.2
> 3 months to 1 year	2,269.7	2,840.6
> 1 year to 5 years	5,299.0	3,561.6
> than 5 years	665.5	417.4
	11,633.8	**10,523.8**
Used as cover funds	**68.9**	**136.0**

8 Due from customers

€m	31 Dec 2023	31 Dec 2022
This item includes:		
Receivables		
to affiliated companies	1,100.7	995.6
to companies in which an interest is held	0.0	0.2
Subordinated loans	–	–
This item – Due to customers – breaks down by residual term to maturity as follows:		
with indefinite term to maturity	1,298.3	2,598.6
less than 3 months	1,743.2	1,097.3
> 3 months to 1 year	2,586.2	1,951.0
> 1 year to 5 years	11,506.0	11,934.1
> than 5 years	6,635.9	7,808.8
	23,769.6	25,389.8
Used as cover funds	**4,785.5**	**5,181.6**

9 Debt securities and other fixed-interest securities

€m	31 Dec 2023	31 Dec 2022
This item includes:		
marketable securities		
listed	9,117.9	8,899.1
unlisted	701.9	910.2
Subordinated securities	**–**	**–**
Securities due within one year	**1,640.3**	**2,305.2**
Used as cover funds	**616.4**	**448.7**
Book value of securities valued according to the moderate-lower-of-cost-or-market principle	7,924.9	7,475.7
Book value of securities reported at more than fair value	5,893.6	7,249.7
Market value of securities reported at more than fair value	5,640.1	6,783.2

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 2023	31 Dec 2022
This item includes:		
marketable securities		
listed	–	–
unlisted	49.4	39.1
Subordinated securities	**–**	**–**

11 Trading portfolio (assets)

This item breaks down as follows:

€m	31 Dec 2023	31 Dec 2022
Derivative financial instruments	7,662.9	8,497.3
Receivables	11,205.4	16,462.7
Debt securities and other fixed-interest securities	7,784.8	7,768.0
Shares and other non fixed-interest securities	453.4	1,211.1
Other assets	179.3	324.4
Risk mark-down	–46.8	–41.3
Total	**27,239.0**	**34,222.2**

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 trust assets recognised include €249.4m in amounts due from customers.

15 Tangible assets

This item comprises plant and equipment amounting to €30.4m (previous year: €28.1m).

16 Changes in fixed assets

Development in tangible 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 2023**	**31 Dec 2022**
Intangible assets	362.3	27.4	–	209.8	33.4	179.9	185.9
Property, plant and equipment	68.9	7.4	0.0	46.0	5.1	30.4	28.1
Total	**431.3**	**34.7**	**0.0**	**255.8**	**38.4**	**210.2**	**214.0**

Development in equity investments, shares in affiliated companies and securities

€m	1 Jan 2023	Changes +/– [1]	31 Dec 2023
Equity investments	22.0	5.1	27.1
Shares in affiliated companies	466.6	74.6	541.2
Securities held as fixed assets	7,475.7	449.2	7,924.9
Total	**7,964.3**		**8,493.2**

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

The goodwill reported under intangible assets relates to the business activities of DekaBank Deutsche Girozentrale Niederlassung Luxemburg 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 €147.2m as of 31 December 2023 (previous year: €174.6m). No significant changes are expected for the future development of the sector or the company.

17 Other assets

€m	31 Dec 2023	31 Dec 2022
This item includes amongst others:		
Devisenausgleichsposten	69.0	0
Tax refund claims	45.2	97.9
Premiums paid and margins for derivative financial instruments	2.8	21.6

18 Prepaid expenses and accrued income

€m	31 Dec 2023	31 Dec 2022
This item includes:		
Premium/discount from underwriting and lending business	61.4	77.5
Prepaid expenses and accrued income – derivative financial instruments	281.7	249.0

19 Genuine repurchase agreements

As at 31 December 2023, the book value of lent securities or securities sold under repurchase agreements amounts to €1,477.2m (previous year: €1,978.9m). Pass-through securities lending transactions of €5,215.2m (previous year: €7,075.2m) were executed in which the borrowed securities were lent on to other parties.

20 Collateral transfer for own liabilities

As well as the receivables serving as the cover pool for issued covered bonds (*Pfandbriefe*), assets were also transferred as collateral in the following amounts for the following own liabilities:

€m	31 Dec 2023	31 Dec 2022
Due to banks	97.6	571.6
Due to customers	62.4	89.2
Trading portfolio (liabilities)	2,807.1	6,681.1

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 €1,185.2m (previous year: €3,359.8m) were pledged as collateral for transactions on German and foreign futures exchanges.

21 Investment shares

€m	Carrying value 31 Dec 2023	Market value 31 Dec 2023	Difference market value – carrying value	Distribution 2023	Daily redemption possible	Omitted depreciation
Equity funds	31.9	33.2	1.3	0.2	Yes	No
Bond funds	78.1	78.1	0.0	2.1	Yes	No
Mixed funds	56.8	56.9	0.2	1.5	Yes	No
Funds of funds	29.8	31.2	1.4	–	Yes	No
Total	**196.6**	**199.5**	**2.8**	**3.8**		

22 Due to banks

€m	31 Dec 2023	31 Dec 2022
This item includes:		
Liabilities		
to affiliated companies	38.5	126.5
to companies in which an interest is held	0.0	71.7
Sub item b (with agreed maturity or period of notice) breaks down by residual term to maturity as follows:		
less than 3 months	1,731.6	3,294.5
> 3 months to 1 year	2,193.5	3,017.1
> 1 year to 5 years	864.6	3,885.8
> than 5 years	996.6	832.8
	5,786.3	**11,030.2**

23 Due to customers

€m	31 Dec 2023	31 Dec 2022
This item includes:		
Liabilities to		
affiliated companies	1,651.1	1,362.2
companies in which an interest is held	254.5	11.7
Sub item b (with agreed maturity or period of notice) breaks down by residual term to maturity as follows:		
less than 3 months	2,603.0	1,867.0
> 3 months to 1 year	2,831.7	1,435.3
> 1 year to 5 years	814.6	859.8
> than 5 years	611.2	825.1
	6,860.5	**4,987.2**

24 Securitised liabilities

€m	31 Dec 2023	31 Dec 2022
Proportion of sub item a (issued bonds) maturing in the following year	**2,417.4**	**1,645.3**
Sub item b (other securitised liabilities) breaks down by residual term to maturity as follows:		
less than 3 months	458.4	1,104.9
	458.4	**1,104.9**

25 Trading portfolio (liabilities)

This item breaks down as follows:

€m	31 Dec 2023	31 Dec 2022
Derivative financial instruments	8,651.3	13,099.4
Liabilities	20,417.7	26,803.0
Sub-total	**29,069.1**	**39,902.4**

26 Trust liabilities

Trust liabilities of €249.4m relate to amounts due to customers.

27 Other liabilities

€m	31 Dec 2023	31 Dec 2022
This item includes:		
Bonuses for sales offices	117.2	114.4
Trade payables	75.8	82.7
Other tax liabilities	61.9	24.2
Share of profit attributable to atypical silent partners	52.6	5.9
erhaltene Prämien und Margins für derivative Finanzinstrumente	4.1	3.8
Foreign exchange equalisation items	–	354.7

28 Accruals and deferred income

€m	31 Dec 2023	31 Dec 2022
This item includes:		
Premium/discount from underwriting and lending business	11.1	14.4
Prepaid expenses and accrued income – derivative financial instruments	239.2	282.1

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 2023	31 Dec 2022
Pension trend for adjustments according to Section 16 (2) Company Pensions Fund Act (BetrAVG)	2.20	2.20
Pension adjustment with overall trend updating	2.00	2.00
Salary trend	2.50	2.50

The above parameters are not relevant for the valuation of unit-linked pension commitments as these are not dependent on final salary.

For non-vested projected benefits, staff turnover profiles published by Heubeck Richttafeln GmbH are also used in the calculation with a level parameter of 1.5.

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 1.83%. The difference arising under section 253(6) sentence 1 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 (1.75%), is €6.4m. The amount is not, however, blocked for distribution in accordance with section 253(6) sentence 2 HGB, since the free reserves of the company exceed this figure.

€m	31 Dec 2023	31 Dec 2022
Provisions for pensions	**79.7**	**104.3**
Acquisition cost of plan assets	372.0	365.2
Fair value of plan assets	601.8	534.1
Settlement amount of offset liabilities	681.5	638.4
Income from plan assets	62.3	–73.6
Expenses for accumulated interest	11.2	11.7
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 €229.7m, which is, however, 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 2023	31 Dec 2022
Provisions in investment funds business	79.2	79.1
Provisions for legal risks	0.9	6.3
Provisions for credit risks	8.7	12.7
Provisions for operational risks	7.1	7.9
Provisions in human resources	135.7	139.8
Sundry other provisions	113.8	131.3
Total	**345.4**	**377.1**

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 €6.7m 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 amount of €3.8m as at 31 December 2020. As at 31 December 2022, the amount of the provision was increased by €2.9m to €6.7m based on further analyses. No further risks in this regard were evident as at 31 December 2023. The official search of DekaBank's premises in June 2022, the additional information obtained as part of the search and further voluntary investigations carried out on this basis do not change the assessment at the present time. The situation is being constantly reviewed.

31 Subordinated liabilities

€m	31 Dec 2023	31 Dec 2022
Expenses from subordinated liabilities	60.1	65.3
Accrued interest on subordinated liabilities	48.0	38.9

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

Issue	Nominal amount €m	Year of issue	Interest rate % p.a.	Maturity
AT 1	177.4	2022	3.63	--
AT 1	125.0	2021	3.20	--
AT 1	296.2	2014	5.20	--

There were no such borrowings 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 for distribution) is as follows:

€m	31 Dec 2023	31 Dec 2022
a) Subscribed capital	191.7	191.7
b) Capital reserve	239.5	239.5
c) Other retained earnings	165.4	165.4
Balance sheet equity	**596.6**	**596.6**

33 Contingent and other liabilities

The off-balance sheet contingent liabilities amounting to €6,129.3m (previous year: €5,773.0m) 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 €6,011.4m (previous year: €5,653.6m). The other liabilities consist of irrevocable lending commitments of €590.4m (previous year: €1,149.9m). Based on the credit rating analyses carried out, it can essentially be assumed that borrowers will meet their commitments. 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 2023	31 Dec 2022
Foreign currency assets	14,012.2	14,741.0
Foreign currency liabilities	2,628.3	2,447.0

Notes to the income statement

35 Breakdown by geographical market

The total amount of interest income, commission income and other operating income is distributed across the following markets:

€m	31 Dec 2023	31 Dec 2022
Germany	4,886.7	2,850.5
Luxembourg	207.3	197.1
Sub-total	**5,094.0**	**3,047.6**

36 Current income

Current income from shares in affiliated companies is largely due to the distribution made by Deka Verwaltungsgesellschaft Luxembourg S.A., Luxembourg, in the amount of €51.9m.

37 Net income from trading portfolio

€17.6m (previous year: €62.0m) of the net income from the trading portfolio totalling €158.2m (previous year: €558.3m) was transferred to the fund for general banking risks in the reporting year.

38 Other operating income

Other operating income consists mainly of €352.0m from Group offsetting and €70.2m from the reversal of provisions (including interest effect of €51.3m).

39 Other operating expenses

This item includes interest expenses on income taxes from previous years in the amount of €41.6m and additions to provisions of €3.9m (including interest effect of €28,000). It also includes €6.2m in expenses from Group offsetting.

40 Income from write-ups on receivables and certain securities and from the reversal of provisions for loan losses

This item includes a write-up resulting from the reversal of impairment losses associated with shares in affiliated companies in the amount of €57.3m and reversals of specific valuation allowances on securities held as fixed assets of €8.0m.

41 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.

42 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.

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 (*Kapitalertragsteuer*), 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 view taken by the tax authorities as set out in the revised circular dated 9 July 2021 published by the Federal Ministry of Finance (BMF) on the tax treatment of share trades around the dividend record date, there are tax risks associated with relief from capital yields tax as a result of share trades around the dividend record date for the years from 2013 onwards. In December 2023, the tax authorities issued tax assessment notices refusing to allow any relief from capital yields tax relating to share trades around the dividend record date for the years from 2013 onwards. In the context of these assessment notices, the tax authorities pointed out that the content of the share trades could not be reviewed, and that changes to the tax relief amounts could be made in the future (subject to a review). An appeal has been lodged in each case. DekaBank paid the amounts set out in the assessment notices, including interest, in January 2024. DekaBank's risk assessment with regard to ultimate victory in fiscal court proceedings has not changed and continues to match the view taken by its tax advisor. As a result, 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 (*Abgabenordnung*, AO). 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 2023, the related provision amounts to €308.0m due to the liquidity outflows of January 2024 (previous year: €28.0m, in each case including interest on tax back-payments recognised as a liability), and the associated receivable corrections amount to €201.1m (previous year: €61.3m). A commitment of €47.4m (previous year: no commitment) has also been recorded as a liability for an associated liquidity outflow expected in the first quarter of 2024 for charges accessory to taxes (interest).

The Pillar 2 income tax regulations (regulation on global minimum tax) are applicable in the EU for the first time for financial years beginning on or after 1 January 2024. No actual tax expenses in connection with Pillar 2 income taxes were incurred in the reporting year in the context of the application of these rules. Based on an in-depth analysis, DekaBank does not currently expect application of the Pillar 2 income tax regulations to have any negative financial impact.

43 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 covered bond (*Pfandbrief*) business

44 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	2023	2022	2023	2022
Outstanding mortgage Pfandbriefe	931.0	691.0	918.5	646.9
Cover pool mortgage Pfandbriefe	1,429.9	1,194.3	1,414.8	1,142.7
Overcollateralization	498.9	503.3	496.3	495.8
Overcollateralization as a % of outstanding	53.6	72.8	54.0	76.6

[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	2023	2022	2023	2022	2023	2022
Outstanding mortgage Pfandbriefe	875.7	609.1	964.9	688.5	875.7	609.1
Cover pool mortgage Pfandbriefe	1,327.4	1,078.3	1,513.5	1,216.2	1,327.4	1,078.3
Overcollateralization	451.7	469.3	548.6	527.7	451.7	469.3
Overcollateralization as a % of outstanding	51.6	77.0	56.9	76.6	51.6	77.0

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

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

Maturity structure

Maturity ranges	Outstanding mortgage Pfandbriefe		Cover pool mortgage Pfandbriefe	
€m	2023	2022	2023	2022
up to 6 months	0.0	40.0	68.2	54.3
> 6 months to 12 months	80.0	20.0	214.5	113.8
> 12 months to 18 months	50.0	0.0	0.0	67.2
> 18 months to 2 years	440.0	80.0	241.7	227.7
> 2 years to 3 years	306.0	440.0	153.9	241.7
> 3 years to 4 years	55.0	56.0	352.2	153.9
> 4 years to 5 years	0.0	55.0	249.6	93.1
> 5 years to 10 years	0.0	0.0	149.7	242.6
> 10 years	0.0	0.0	0.0	0.0
Total	**931.0**	**691.0**	**1,429.9**	**1,194.3**

Breakdown of cover pool assets by size

	Total nominal value	
€m	2023	2022
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]	35.4	0.0
> €10.0m[1]	1,169.8	1,095.0
	1,205.2	**1,095.0**
Other cover pool assets[1]	224.7	99.3
Total	**1,429.9**	**1,194.3**

[1] secured by mortgages

Additional information

	2023	2022
Share of fixed-interest assets outstanding (in %)	100.0	100.0
Share of fixed-interest assets in cover pool (in %)	83.2	66.7
Volume-weighted average age of receivables (in years)	4.0	3.3
Average weighted mortgage loan-to-value (in %)	59.8	59.8

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

Total amount of additional cover pool assets

€m	2023	thereof: exposure in covered bonds[1]	2022	thereof: exposure in covered bonds[1]
Other Cover pool assets according to Section 19 (1) no. 2 a) and b) PfandBG	**52.7**	**52.7**	**0.0**	**0.0**
based in:				
Federal Republic of Germany	32.7	32.7	0.0	0.0
France	20.0	20.0	0.0	0.0
Other Cover pool assets according to Section 19 (1) no. 3 a) to c) PfandBG	**122.0**	**121.0**	**99.3**	**0.0**
based in:				
Federal Republic of Germany	1.0	0.0	99.3	0.0
Belgium	50.0	50.0	0.0	0.0
Finland	18.0	18.0	0.0	0.0
France	28.0	28.0	0.0	0.0
Norway	25.0	25.0	0.0	0.0
Other Cover pool assets according to Section 19 (1) no. 4 PfandBG	**50.0**	**-**	**0.0**	**-**
based in:				
Federal Republic of Germany	50.0	-	0.0	-
Cover pool assets according to Section 19 (1) s. 2 PfandBG	**224.7**	**-**	**99.3**	**-**

[1] pursuant to Article 129 of Regulation (EU) 575/2013

Breakdown of cover pool assets by type of use

Total amounts	Federal Republic of Germany		France		Total	
€m	2023	2022	2023	2022	2023	2022
Commercial use	623.2	494.5	582.0	600.6	1,205.2	1,095.0
Total	**623.2**	**494.5**	**582.0**	**600.6**	**1,205.2**	**1,095.0**

[1] Including mandatory overcollateralization/safeguarding liquidity

Breakdown of cover pool assets by type of building

Total amounts	Federal Republic of Germany		France		Total	
€m	2023	2022	2023	2022	2023	2022
Office buildings	327.2	291.5	572.3	600.6	899.6	892.0
Retail buildings	63.0	63.0	0.0	0.0	63.0	63.0
Other commercial buildings	232.9	140.0	9.7	0.0	242.6	140.0
Total	**623.2**	**494.5**	**582.0**	**600.6**	**1,205.2**	**1,095.0**

[1] Including mandatory overcollateralization/safeguarding liquidity

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

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

As in the previous year, no foreclosure sales were carried out in financial year 2023.

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	2023	2022	2023	2022
Outstanding public sector Pfandbriefe	3,178.4	3,807.4	3,012.2	3,499.4
Cover pool public sector Pfandbriefe	4,040.9	4,571.9	3,795.8	4,166.9
Overcollateralization	862.5	764.5	783.6	667.4
Overcollateralization as a % of outstanding	27.1	20.1	26.0	19.1

[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	2023	2022	2023	2022	2023	2022
Outstanding public sector Pfandbriefe	2,744.4	3,170.1	3,333.4	3,898.8	2,737.0	3,162.5
Cover pool public sector Pfandbriefe	3,409.0	3,769.1	4,302.0	4,688.3	3,394.7	3,751.0
Overcollateralization	664.6	599.0	968.7	789.5	657.7	588.5
Overcollateralization as a % of outstanding	24.2	18.9	29.1	20.2	24.0	18.6

[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	**2023**	**2022**	**2023**	**2022**
up to 6 months	352.5	520.0	350.4	313.5
> 6 months to 12 months	69.3	15.0	102.5	200.1
> 12 months to 18 months	270.0	351.2	182.9	359.2
> 18 months to 2 years	270.0	319.9	105.6	95.0
> 2 years to 3 years	331.7	290.0	199.3	234.7
> 3 years to 4 years	510.0	327.8	450.1	224.8
> 4 years to 5 years	291.0	510.0	510.8	518.0
> 5 years to 10 years	810.7	1,177.0	835.0	1,186.3
> 10 years	273.1	296.6	1,304.4	1,440.4
Total	**3,178.4**	**3,807.4**	**4,040.9**	**4,571.9**

Breakdown of cover pool assets by size

	Total nominal value	
€m	**2023**	**2022**
Ordinary cover:		
up to €10.0m	154.5	140.3
> €10.0m to €100.0m	2,103.2	2,641.1
> €100.0m	1,672.2	1,761.3
	3,929.9	**4,542.7**
Other cover pool assets[1]	111.0	29.3
Total	**4,040.9**	**4,571.9**

Additional information

	2023	**2022**
Share of fixed-interest assets outstanding (in %)	100.0	100.0
Share of fixed-interest assets in cover pool (in %)	84.8	80.8
Net present values for each foreign currency in €m:		
USD	91.1	114.5

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

Total amount of additional cover pool assets

€m	**2023**	**thereof: exposure in covered bonds[1]**	**2022**	**thereof: exposure in covered bonds[1]**
Other Income from plan assets to Section 20 (2) no. 2 PfandBG	**110.0**	**110.0**	**0.0**	**0.0**
based in:				
Federal Republic of Germany	110.0	110.0	0.0	0.0
Other Cover pool assets according to Section 20 (2) s. 1 no. 4 PfandBG	**1.0**	**0.0**	**0.0**	**0.0**
based in:				
Federal Republic of Germany	1.0	0.0	0.0	0.0
Cover pool assets according to Section 20 (2) PfandBG	**111.0**	**0.0**	**29.3**	**0.0**

[1] pursuant to Article 129 of Regulation (EU) 575/2013

Distribution of cover pool assets

Total nominal value of cover pool assets by country/type

	Sovereign		Regional authorities		Local authorities		Other debtors		Total	
€m	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Federal Republic of Germany	55.3	84.1	275.8	497.4	2,382.8	2,615.6	750.6	792.4	3,464.5	3,989.5
Denmark	0.0	0.0	0.0	0.0	0.0	0.0	122.2	106.5	122.2	106.5
Canada	0.0	0.0	27.7	28.7	0.0	0.0	0.0	0.0	27.7	28.7
Latvia	0.0	0.0	0.0	0.0	50.3	69.3	0.0	0.0	50.3	69.3
Netherlands	81.4	100.3	0.0	0.0	0.0	0.0	0.0	0.0	81.4	100.3
Norway	12.5	25.0	0.0	0.0	0.0	0.0	0.0	0.0	12.5	25.0
United States of America	41.4	53.0	0.0	0.0	0.0	0.0	0.0	0.0	41.4	53.0
United Kingdom of Great Britain and Northern Ireland	129.9	170.5	0.0	0.0	0.0	0.0	0.0	0.0	129.9	170.5
Total	**320.6**	**432.8**	**303.4**	**526.1**	**2,433.2**	**2,684.9**	**872.8**	**898.9**	**3,929.9**	**4,542.7**

of which: guarantees from export credit agencies

€m	2023	2022
Federal Republic of Germany	55.3	84.1
Denmark	122.2	106.5
Netherlands	81.4	100.3
Norway	12.5	25.0
United States of America	41.4	53.0
United Kingdom of Great Britain and Northern Ireland	129.9	170.5
Total	**442.7**	**539.3**

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

Other information

45 Average number of staff

Number	2023			2022		
	Male	Female	Total	Male	Female	Total
Full-time employees	1,860	791	2,651	1,778	709.25	2,487
Part-time and temporary employees	303	648	951	242	620	862
Total	**2,163**	**1,439**	**3,602**	**2,020**	**1,329**	**3,349**

46 Remuneration of Board members

€	2023	2022
Remuneration of active Board members		
Board of Management	6,536,236	6,012,309
Administrative Board	1,142,774	1,046,186
Remuneration paid to former Board members and surviving dependants		
Board of Management	3,304,880	3,457,145
Provisions for pension commitments to these persons	54,941,364	50,919,842

The remuneration to active members of the Board of Management presented above includes all remuneration and benefits in kind paid in the respective financial year. This also includes variable components that are attributable to previous years and are thus dependent on business performance in earlier periods.

In the 2023 financial year, variable remuneration components amounting to €3.9m (previous year: €3.5m) were committed to current 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 altogether in accordance with the statutory provisions in the event of failure to meet targets 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, variable remuneration components that have already been paid out can still be clawed back for a period of up to two years following the end of the last waiting period for the financial year in question.

Total emoluments include deferred variable remuneration components from previous years payable to active members of the Board of Management amounting to €2.4m and to former members of the Board of Management amounting to €0.4m. The entitlement of active board members comprises €0.8m for the 2022 financial year, €0.9m for the 2021 financial year, €0.2m for the 2020 financial year, €0.2m for the 2019 financial year, €0.2m for the 2018 financial year and €0.1m for the 2017 financial year.

47 Loans to board members

No loans or advances were granted to members of the Board of Management or Administrative Board. No guarantees or other commitments were entered into in favour of such persons.

48 Recommendation regarding appropriation of net profit

The proposed appropriation of the net profit for the 2023 financial year of €300,073,100 is as follows:

Distribution of a dividend amounting to €300,073,100, i.e. 156.5% on existing shares in the Bank’s subscribed capital (€191,740,000.00) that are entitled to dividends as at 31 December 2023.

Seats on supervisory bodies

49 Notes regarding the seats on supervisory bodies (as at 10 January 2024)

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
Managing Director	Deka Treuhand Erwerbsgesellschaft mbH	Frankfurt/Main

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

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

Torsten Knapmeyer (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

Martin K. Müller (Member of the Board of Management)		
Chairman of the Administrative Board	Deka Verwaltungsgesellschaft Luxembourg S.A	Luxembourg
Managing Director	Deka Treuhand Erwerbsgesellschaft mbH	Frankfurt/Main

Dr. Olaf Heinrich (Head of Digital Multichannel Management)		
Member of the Supervisory Board	S Broker AG & Co. KG	Wiesbaden

Manfred Karg (Head of Corporate Office & Communications)		
Member of the Supervisory Board	Heubeck AG	Cologne
Member of the Supervisory Board	S-PensionsManagement GmbH	Cologne
Member of the Supervisory Board	Sparkassen Pensionskasse AG	Cologne
Member of the Supervisory Board	Sparkassen Pensionsfonds AG	Cologne

Holger Knüppe (Head of Equity investments)		
Chairman of the Supervisory Board	Deka International S.A	Luxembourg
Member of the Supervisory Board	S-PensionsManagement GmbH	Cologne
Member of the Supervisory Board	Sparkassen Pensionskasse AG	Cologne
Member of the Supervisory Board	Sparkassen Pensionsfonds AG	Cologne

Thomas Leicher (Head of Institutional Customer Sales)		
Member of the Supervisory Board	IQAM Invest GmbH	Salzburg

Kalliopi Minga (Head of Strategy & HR)		
Member of the Administrative Board	Deka Verwaltungsgesellschaft Luxembourg S.A	Luxembourg

Dr. Hans-Jürgen Plewan (Head of IT)		
Member of the Supervisory Board	S Broker AG & Co. KG	Wiesbaden

Marion Spielmann (Head of COO Banking Business and depositary)		
Member of the Administrative Board	Deka Verwaltungsgesellschaft Luxembourg S.A	Luxembourg

Sebastian Vetter (Head of Financing)		
Member of the Supervisory Board	Deka Investors Spezialinvestmentaktiengesellschaft mit veränderlichem Kapital und Teilgesellschaftsvermögen	Frankfurt/Main

50 Notes on the Board members of DekaBank Deutsche Girozentrale (as at 10 January 2024)

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

Martin K. Müller
Member of the Board of Management

Administrative Board

Helmut Schleweis
(until 31 December 2023)
Chairman
President of the German Savings Banks and Giro Association e.V.
President of the German Savings Banks and Giro Association ö.K.

Prof. Dr. Ulrich Reuter
(since 1 January 2024)
Chairman
President of the German Savings Banks and Giro Association e.V.
President of the German Savings Banks and Giro Association ö.K.
(until 31 December 2023)
President of the Savings Banks Association of Bavaria

Walter Strohmaier
Member
First Deputy Chairman
Chairman of the Management Board 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 Management Board of Sparkasse Oberlausitz-Niederschlesien

Michael Breuer
President of the Rhineland Savings Banks and Giro Association

Ingo Buchholz
Chairman of the Management Board of Kasseler Sparkasse

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

Matthias Dießl
(since 1 January 2024)
President of the Savings Banks Association of Bavaria

Ralf Fleischer
(until 31 December 2023)
Chairman of the Management Board of Stadtsparkasse München

Michael Fröhlich
(until 31 December 2023)
Chairman of the Management Board of Sparkasse Bielefeld

Johannes Hartig
(since 1 April 2023)
Chairman of the Management Board of Sparkasse Bielefeld

Thomas Hirsch
(since 1 January 2023)
President of the Savings Banks Association of Rhineland-Palatinate

Melanie Kehr
Member of the Executive Board of Kreditanstalt für Wiederaufbau

Dr. Stefan Kram
Chairman of the Management Board of Kreissparkasse Herzogtum Lauenburg

Ludwig Momann
(until 31 March 2023)
Chairman of the Management Board of Sparkasse Emsland

Nancy Plaßmann
(since 1 April 2023 until 30 June 2023)
Member of the Management Board of Sparkasse Osnabrück (since 1 July 2023 until 30 September 2023)
Executive Manager of Berliner Sparkasse (since 1 October 2023)
Member of the Management Board of Berliner Sparkasse

Stefan Reuß
Executive President of the Savings Bank and Giro Association Hesse-Thuringia

Klaus Richter
(since 1 January 2024)
Chairman of the Management Board of Sparkasse Münsterand-Ost

Katrin Rohmann
Freelance auditor

Frank Saar
Chairman of the Management Board of Sparkasse Saarbrücken

Jürgen Schäfer
(since 1 January 2024)
Chairman of the Management Board of Sparkasse Aschaffenburg-Alzenau

Peter Schneider
President of the Savings Banks Association of Baden-Württemberg

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

Ludger Weskamp
Executive President of the Eastern German Savings Banks Association

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

Alexander Wüerst
Chairman of the Management Board of Kreissparkasse Köln

Employee representatives appointed by the Staff Committee

Barbara Wörfel
First Deputy Chairwoman of the Staff Committee of DekaBank Deutsche Girozentrale

Edwin Quast
Member of the Staff Committee of DekaBank Deutsche Girozentrale

Representatives appointed by the Federal Organisation of Central Municipal Organisations

Dr. Uwe Brandl
(until 31 December 2023)
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

Ralf Spiegler
(since 1 January 2024)
Mayor of the Nieder-Olm community

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 am Main, 4 March 2024

DekaBank Deutsche Girozentrale

The Board of Management

Dr. Stocker Dr. Danne Dietl-Benzin

Kapffer Knapmeyer Müller

INDEPENDENT AUDITOR'S REPORT

To DekaBank Deutsche Girozentrale AöR, Berlin and Frankfurt am Main/Germany

REPORT ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND OF THE MANAGEMENT REPORT

Audit Opinions

We have audited the annual financial statements of DekaBank Deutsche Girozentrale AöR, Berlin and Frankfurt am Main, which comprise the balance sheet as at 31 December 2023, and the income statement for the financial year from 1 January to 31 December 2023, and the 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, Berlin and Frankfurt am Main, for the financial year from 1 January to 31 December 2023. In accordance with German legal requirements, we have not audited the content of the separate non-financial report referenced in section "Reference to the non-financial report" of the management 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 business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2023 and of its financial performance for the financial year from 1 January to 31 December 2023 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 audit opinion does not cover the content of the afore-mentioned non-financial report, referenced in section "Reference to the non-financial report".

Pursuant to Section 322 (3) sentence 1 German Commercial Code (HGB), 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 Audit 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 (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 audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 2023. These matters were addressed in the context of our audit of the annual financial statements as a whole and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In the following we present the key audit matters we have determined in the course of our audit:

1 Determination of fair values of assets and derivative liabilities in the trading portfolio for which significant valuation parameters cannot be measured by observation.

2 Valuation of issued certificates in the trading portfolio (liabilities)

Our presentation of these key audit matters has been structured as follows:

a) description (including reference to corresponding information in the annual financial statements)

b) auditor's response

1 Determination of fair values of assets and derivative liabilities in the trading portfolio for which significant valuation parameters cannot be measured by observation

a) Customer-led trading of financial instruments is part of the DekaBank's core business activities. Assets (bEUR 27.2 or 31.6% of total assets) and derivative liabilities (bEUR 8.7 or 10.0% of total assets) resulting from these business activities are disclosed under the line item "trading portfolio" on the assets and on the liabilities side of the balance sheet. In accordance with Sec. 340e (3) HGB, financial instruments of the trading portfolio are measured at fair value (taking into account a risk mark-down). Significant valuation parameters cannot be derived from observable market data for a substantial proportion of these assets (bEUR 8.1) and derivative liabilities (mEUR 41.6) in the trading portfolio. The recognition of unrealised gains and losses pursuant to Sec. 340c HGB as well as the valuation at fair value (taking into account a risk mark-down) have a material impact on the assets liabilities as well as on the financial performance of the bank.

The fair value for financial instruments for which there is no active market and therefore there are no observable price-determining parameters for are being determined by means of model non-observable parameters. In this respect, the characteristics used for the non-observable parameters represent management's assumptions as regards the measurement premises used as a basis by market participants to determine the pricing of these assets and derivative liabilities.

In our opinion, the determination of the fair values for financial instruments, whose valuation is based on non-observable parameters to a significant extent within the scope of model-based valuations, is of particular significance as the assumptions and estimates are based on the bank management's judgement and are prone to inherent estimate uncertainties for accounting. For this reason, we identified the determination of fair values for these financial instruments to be a key audit matter.

Corresponding information on the determination of the fair values of the trading portfolio are presented in section 2 "Accounting and valuation methods" subsection "Valuation of securities portfolios and derivatives" of the notes to the financial statements.

b) In the context of our risk-based audit approach, we audited the relevant internal control system and also performed substantive audit procedures based on our risk assessment. In so doing, we analysed the trading transactions measured using models. For this purpose, we gained an understanding of the underlying processes and assessed the appropriateness and effectiveness of the relevant internal control for the measurement of these trading transactions, particularly regarding the controls in respect of the verification process for prices and market data independent of trading as well as of the model validation. We assessed the suitability of the used measurement models for products selected according to risk-based criteria by involving our internal evaluation specialists, who are part of the audit team. In addition, we audited the effectiveness of the general and application-specific IT controls of the IT systems used.

Our evaluation specialist performed independent subsequent measurements of the fair values on the basis of a sample test and independent of the determined values as at the balance sheet date determined by DekaBank’s valuation models. The results of these subsequent measurements were then compared with the measurement results provided by DekaBank.

In addition, we checked the disclosures in the notes for completeness and accuracy.

2 Valuation issued certificates in the trading portfolio (liabilities) of the Bank

a) DekaBank issues structured financial instruments (so-called certificates), which are subscribed by private customers and institutional investors and which are disclosed as trading portfolio on the liabilities side in the amount of bEUR 18.9 or 22.0% of total assets. In accordance with Sec. 340e (3) HGB, financial instruments of the trading portfolio are measured at fair value. The measurement of issued certificates is based on observable and non-observable input parameters. The recognition of unrealised gains and losses pursuant to Sec. 340c HGB as well as the valuation at fair value have a material impact on the assets liabilities as well as on the financial performance of the bank.

The risk for the financial statements is particularly seen in appropriate market prices, measurement methods and models as well as parameters not being used for the determination of the fair values for issued certificates. For this reason, we identified the valuation of fair values for issued certificates to be a key audit matter.

b) In the context of our risk-based audit approach, we audited the relevant internal control system and also performed substantive audit procedures based on our risk assessment. In so doing, we analysed the trading transactions measured using models. For this purpose, we gained an understanding of the underlying processes and assessed the appropriateness and effectiveness of the relevant internal control including general and application-specific IT controls for the valuation of these trading transactions, particularly regarding the controls in respect of the verification process for prices and market data independent of trading as well as of the model validation. We assessed the suitability of the used measurement models for products selected according to risk-based criteria by involving our internal evaluation specialists. In addition, we audited the effectiveness of the general and application-specific IT controls of the IT systems used.

As at 31 December 2023, we, with the help of internal evaluation specialists, have audited the subsequent measurement in application of independent measurement procedures, parameters and models in a risk-oriented manner by means of substantive procedures. In this respect, we covered the main product/model combinations used by DekaBank. Furthermore, we verified the discount curves used for the measurement of issued certificates by means of external market data.

In addition, we checked the disclosures in the notes for completeness and accuracy.

Other Information

Management is responsible for the other information. The other information comprises

- the separate combined non-financial report according to Sec. 289b (2) in conjunction with Sec. 315b (3) HGB referenced in the management report,
- management’s confirmation regarding the annual financial statements and the management report pursuant to Section 264 (2) sentence 3 and Section 289 (1) sentence 5 HGB.

Our audit opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information identified above and, in doing so, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the audited content of the management report 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 business corporations, 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 it, in accordance with German Legally Required Accounting Principles, has determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud (i.e. fraudulent financial reporting and misappropriation of assets) 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 it has 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 audit 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 audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement 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 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 audit opinion on the effectiveness of these systems of the Company.
- 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 audit 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.
- obtain sufficient appropriate audit evidence regarding the financial information of the Company or its business activities to express audit opinions on the annual financial statements and on the management report. We are responsible for the direction, supervision and performance of the audit. We assume the sole responsibility for our audit opinions and 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 audit 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 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 actions taken or safeguards applied to eliminate independence threats.

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 for the current period and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

REPORT ON THE AUDIT OF THE ELECTRONIC REPRODUCTIONS OF THE ANNUAL FINANCIAL STATEMENTS AND OF THE MANAGEMENT REPORT PREPARED FOR PUBLICATION PURSUANT TO SECTION 317 (3A) HGB

Audit Opinion

We have performed an audit in accordance with Section 317 (3a) HGB to obtain reasonable assurance whether the electronic reproductions of the annual financial statements and of the management report (hereinafter referred to as "ESEF documents") prepared for publication, contained in the file, which has the SHA-256 value 251c46377b8b8732ddce80ddf0e254f5bfa7fdf62a2a560f36d4bb9a4925217b, meet, in all material respects, the requirements for the electronic reporting format pursuant to Section 328 (1) HGB ("ESEF format"). In accordance with the German legal requirements, this audit only covers the conversion of the information contained in the annual financial statements and the management report into the ESEF format, and therefore covers neither the information contained in these electronic reproductions nor any other information contained in the file identified above.

In our opinion, the electronic reproductions of the annual financial statements and of the management report prepared for publication contained in the file identified above meet, in all material respects, the requirements for the electronic reporting format pursuant to Section 328 (1) HGB. Beyond this audit opinion and our audit opinions on the accompanying annual financial statements and on the accompanying management report for the financial year from 1 January to 31 December 2023 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 electronic reproductions or on any other information contained in the file identified above.

Basis for the Audit Opinion

We conducted our audit of the electronic reproductions of the annual financial statements and of the management report contained in the file identified above in accordance with Section 317 (3a) HGB and on the basis of the IDW Auditing Standard: Audit of the Electronic Reproductions of Financial Statements and Management Reports Prepared for Publication Purposes Pursuant to Section 317 (3a) HGB (IDW AuS 410 (06.2022)). Our responsibilities in this context are further described in the "Auditor's Responsibilities for the Audit of the ESEF Documents" section. Our audit firm has applied the requirements of the IDW Quality Management Standards.

Responsibilities of Management and the Administrative Board for the ESEF Documents

Management of the Company is responsible for the preparation of the ESEF documents based on the electronic files of the annual financial statements and of the management report according to Section 328 (1) sentence 4 no. 1 HGB.

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

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

Auditor's Responsibilities for the Audit of the ESEF Documents

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 audit. 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 audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion.
- obtain an understanding of internal control relevant to the audit on the ESEF documents in order to design audit 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 containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815, in the version in force at the balance sheet date, on the technical specification for this electronic file.
- evaluate whether the ESEF documents enable a XHTML reproduction with content equivalent to the audited annual financial statements and to the audited management report.

Further Information Pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor by the shareholders' meeting on 20 July 2021. We were engaged by the administrative board on 17 October and 17 November 2022. We have been the auditor of DekaBank Deutsche Girozentrale AöR, Berlin and Frankfurt am Main/Germany, since the financial year 2023.

We declare that the audit 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 the audited Company the following services that are not disclosed in the annual financial statements or in the management report:

- review of the interim financial report
- voluntary annual financial statements audits of subsidiaries
- securities accounts audit and German Securities Act (WpHG) audits pursuant to Sec. 89 WpHG and Sec. 68 (7) German Investment Code (KAGB)
- limited assurance engagements pursuant to ISAE 3402 / ISAE 3000
- supporting services within the scope of the reconciliation of a matter
- assurance services under supervisory law

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 with the audited ESEF documents. The annual financial statements and the management report converted into the ESEF format – including the versions to be submitted for inclusion in the Company Register – are merely electronic reproductions of the audited annual financial statements and the audited management report and do not take their place. In particular, the ESEF report and our audit opinion contained therein are to be used solely together with the audited ESEF documents made available in electronic form.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Stephanie Fischer.

Frankfurt am Main/Germany, 7 March 2024

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Signed: Klaus Löffler Wirtschaftsprüfer (German Public Auditor)	Signed: Stephanie Fischer Wirtschaftsprüferin (German Public Auditor)

TRANSLATION

– German version prevails –

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.

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.

Asset management net sales
Asset management net sales is an indicator of sales performance and customer acceptance in asset management. This figure essentially consists of total direct sales of mutual and special funds, fund-based asset management, funds of cooperation partners, master funds, advisory/management mandates and ETFs. Sales generated through proprietary investment activities are not included.

Asset management volume
The management volume essentially comprises the income-relevant volume of mutual and special fund products (including ETFs), direct investments in cooperation partner funds, the portion of fund-based asset management activities attributable to cooperation partners, third-party funds and liquidity, master funds and advisory/management mandates.

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

Certificate volume
The certificate volume comprises only the certificates issued by Deka. It does not include cooperation certificates.

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.

Fund assets according to BVI
Fund assets according to BVI comprise the fund assets of the mutual funds, special funds, funds-of-funds and the master fund. In contrast to the method for determining the asset management volume of the Deka Group, direct investments in cooperation partner funds, the proportion of unit-linked asset management products attributable to cooperation partner funds, third-party funds and liquidity, and advisory/management and asset management mandates are not attributed to the Deka Group fund volume according to BVI.

Gross certificate sales
Gross certificate sales are an indicator of certificate sales performance. Redemptions and maturities are not taken into account, since the impact on earnings primarily occurs at the time of issue. Gross certificate sales include both certificates issued by Deka and cooperation certificates issued by other institutions and sold via sales support platforms.

Gross loan volume
In accordance with the definition set out in section 19 (1) of the German Banking Act (Kreditwesengesetz), 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
Net funds inflow according to BVI is the difference between funds inflow from unit certificate sales and funds outflow from unit certificate redemptions. In contrast to the method for determining the Deka Group's net sales, cooperation partner funds and advisory/management and asset management mandates are not attributed to the Deka Group's net funds inflow according to BVI. Net sales from proprietary investments are included in net funds inflow according to BVI only.

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. The payments to alliance partners have also included commissions on certificates.

Return on equity (RoE)
Return on equity before tax at the Deka Group is calculated as the return on balance sheet equity. The annualised economic result is expressed relative to the average balance sheet equity excluding Additional Tier 1 (AT1) capital and adjusted for intangible assets. Average balance sheet equity is calculated based on the capital at the previous year-end and the last quarterly financial statements. At business division level, return on equity before tax is calculated as regulatory return on equity. This involves expressing the annualised economic result (before income distribution of the Treasury function) relative to the average regulatory capital employed. The average is calculated using monthly risk-weighted assets multiplied by 13% (the strategic target for regulatory capital employed), starting with the figure at the previous year-end.

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 relevant maturity bands for periods of up to 20 years.

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, and the risk appetite defined by the Board of Management.

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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This report was prepared in March 2024

Produced in-house with firesys

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