DekaBank
Deutsche Girozentrale
Annual financial statements 2015

Finanzgruppe

Content

Management report

At a glance

During the 2015 financial year the Deka Group continued to systematically develop its business model as the *Wertpapierhaus*, the securities service provider for the savings banks. In an environment of extremely low and in part negative interest rates, it has opened up new opportunities for its customers to generate returns through the continued enhancement of its product range and advisory approach. In doing so, Deka makes an essential contribution to the creation and safeguarding of wealth in Germany.

During the reporting period, the economic result increased by 12.8% compared with the previous year, to €610.6m. A substantial portion of this was attributable to the favourable performance of net commission income.

Overall Deka achieved net sales of €19.5bn and increased total customer assets to €240.0bn. This particular trend was a key driver for net commission income.

The successful expansion of Savings Banks Sales – in conjunction with the "Anlegen statt stilllegen" campaign – made a significant contribution towards incorporating a stronger emphasis on timely investment solutions for securities-related saving into customer advice.

Improvements in key financial and risk indicators represent further good news for the reporting period. Total risk-bearing capacity remained at a non-critical level throughout the whole of the year under review. The Deka Group's liquidity position remains comfortable. The Common Equity Tier 1 capital ratio is calculated by reference to the CRR/CRD IV requirements, without the transitional provisions (fully loaded). At the end of 2015 it increased to 12.4%.

During the 2016 financial year as well the Deka Group will continue to develop its business model as the *Wertpapierhaus* for the savings banks. In retail business, the completed expansion will be complemented in 2016 by new aspects, such as optimal support for savings bank branches online and the continued development of income-based fund products. There will also be an emphasis on expanding institutional sales. In this respect, Deka will focus on extending its Asset Servicing offering, broadening its product range with new types of investment and playing an even stronger role as strategic adviser and solutions provider in relation to property investment.

Information about the Deka Group

Deka Group profile and strategy

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

DekaBank is the *Wertpapierhaus* for the savings banks. Together with its subsidiaries, it makes up the Deka Group. Its services comprise investments, asset management and support for the savings banks throughout the entire investment and advisory process for securities-related business. In addition, it offers comprehensive advice and solutions to the savings banks and third-party institutional customers (institutional customers outside of the *Sparkassen-Finanzgruppe*) on their investment, liquidity, funding and risk management requirements.

Legal structure and corporate governance

DekaBank Deutsche Girozentrale is a German federal institution incorporated under public law with registered offices in Frankfurt am Main and Berlin. It is wholly owned by the German savings banks. 50% of the shares are held via Deka Erwerbsgesellschaft mbH & Co. KG. The savings banks have pooled their shares in this company via the regional savings banks and giro associations affiliated with them. The other 50% of the shares are held by the *Deutsche Sparkassen- und Giroverband ö.K.* (German Savings Banks and Giro Association – DSGV).

The Deka Group strictly adheres to the principles of good and responsible corporate management. The corporate governance concept for the management and supervision of the Group defines clear and distinct responsibilities for boards and committees and enables efficient decision-making processes. As a member of the *Sparkassen-Finanzgruppe* (Savings Banks Association), DekaBank is committed to the principles of subsidiarity and a focus on the greater good.

They form the basis of its code of ethics, which provides binding guidelines for the actions of corporate bodies and employees. It represents the basic structure for a corporate culture within the Deka Group that complies with the law and is open, transparent and value-oriented.

DekaBank is jointly managed by the Board of Management, which comprised five members as at the 2015 reporting date.

In February 2015, DekaBank's Administrative Board appointed Manuela Better as a member of the Board of Management. She took up her position on 1 June 2015. As the bank's Chief Risk Officer, she is responsible for the Risk Control Capital Market Funds, Risk Control, Credit Risk Office, Legal and Compliance. Dr. Georg Stocker, who had additionally been responsible for the Risk Control Capital Market Funds, Risk Control and Credit Risk Office functions on an interim basis, now once again concentrates on Savings Banks Sales & Marketing. Dr. Matthias Danne has now taken over responsibility for Treasury from Martin K. Müller.

With effect from 1 October 2015, the Administrative Board appointed Dr. Georg Stocker as Deputy CEO of the Board of Management.

As at 31 December 2015, therefore, the responsibilities of the Board of Management members were as follows:

- Michael Rüdiger is CEO and responsible for Institutional Customers, Strategy, Communications, Internal Audit, and the Securities and Capital Markets business divisions,
- Dr. Georg Stocker is Deputy CEO of the Board of Management and has responsibility for Savings Banks Sales & Marketing,
- Manuela Better is responsible for Risk Control, Credit Control, Legal and Compliance,
- Dr. Matthias Danne is responsible for Real Estate, Lending, Finance and Treasury, and
- Martin K. Müller is responsible for Business Operations, Custody Services, IT and Human Resources.

In addition, Stefan Keitel was appointed as Executive Manager and designated member of DekaBank's Board of Management in June 2015. He took up his post on 1 January 2016, as planned. As soon as the regulatory requirements have been met, he will join the Board of Management, where he will assume responsibility for the Securities and Capital Markets business divisions.

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

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

Business model

The business model of Deka Group is characterised by close links between asset management and banking business. The core business of Deka Group comprises the provision of securities funds, property funds, credit funds and certificates, together with the associated asset management services for private and institutional investors. Core business also includes activities relating to investment funds in asset management business, activities that support institutional clients in their asset management, and capital, liquidity and risk management. In this regard, the Deka Group acts as finance provider, issuer, structurer, trustee, asset servicing provider and custodian.

The Deka Group's product offering and range of solutions primarily focus on the requirements of the savings banks and their customers in the retail customer segment. Commercial and corporate customers of the savings banks are also an increasingly significant target group. Besides the savings banks, institutional customers include insurance companies, pension funds, foundations, companies from various sectors and the domestic public sector.

In addition to asset management activities in the narrower sense, the Deka Group also provides the transaction of securities business, securities accounts, asset servicing and custodian bank services. The range of advisory and other services for asset management purposes, which can be used by savings banks and other institutional customers, includes the bank's role as a platform for liquidity, risk and collateral, its securities lending offering and support for the settlement and administration of securities and financial derivatives and in regulatory matters. The Deka Group also offers related supplementary services, such as the provision of market analyses and infrastructure services.

In business involving securities funds and real estate funds, the Deka Group primarily earns commission income from management and transaction fees, some of which is passed on to the savings banks in their capacity as sales partners in the form of payments to the alliance partners, taking into account regulatory requirements. Additional commission income is generated from banking transactions and capital market activities. Interest income is mainly derived from real estate, transport and infrastructure financing, as well as from the refinancing of the savings banks and from treasury activities.

Deka Group strategy

Strategic objectives

As the *Wertpapierhaus* for the savings banks, the Deka Group's strategy is geared to supporting the savings banks in a competitive environment on a sustained basis and consolidating its important role in helping German households to build up their assets. To this end, the Deka Group continues to develop its comprehensive range of investment and asset management solutions, modelling these on the requirements of the savings banks and their customers.

In the retail business, the Deka Group aims to encourage more people to invest in securities and hence to promote a securities culture in Germany overall, working in close cooperation with the savings banks and the DSGV. The intention is for customers to be given the opportunity to participate in market developments by means of simple and easy-to-understand product solutions, and to generate appropriate returns on their investments – particularly against the backdrop of the sustained low interest rates. The ongoing, customer-focused expansion of the range of products and solutions allows various different customer groups to be targeted with differentiated approaches.

In institutional business, the focus is on leveraging additional sales and earnings potential and on offering new products and services. In this context, the aim is to further strengthen the role the Deka Group plays as a platform for liquidity, risk and securities collateral and to integrate the ever more demanding regulatory requirements into existing processes. With regard to the savings banks' own investments, the Deka Group intends to secure its leading position by expanding its advisory and solution offering. The Deka Group also aims to unlock additional market potential in third-party institutional business (institutional customers outside of the *Sparkassen-Finanzgruppe*).

The Deka Group wants to continue to generate significant added value for its shareholders in future and to be a reliable source of income. Managing its high-performance asset management and bank platform in a cost-efficient way will ensure an appropriate risk/return ratio for the long term. At the same time, value-oriented growth coupled with the efficient use of equity is also aimed at securing an ambitious target rating, which is of vital importance to the Deka Group's business model.

The objectives of the sales departments, the business divisions and the corporate centres are derived from the Deka Group's strategic targets.

Strategic measures

The D18 transformation programme launched in 2012 provides the framework for all measures undertaken to support the continued expansion of Deka as the *Wertpapierhaus*. Deka uses comprehensive, advice-oriented sales approaches and solution-based investment concepts to support the savings banks, particularly in connection with securities-related retail business and in asset/liability management. The D18 initiatives are embedded in the overall management and corporate governance of the bank. This ensures that all units draw on their skills and abilities to ensure long-term quality in products and services, and in order to continue to provide the best possible service to shareholders, sales partners and customers in terms of cost efficiency and earnings potential.

Support for savings banks in retail business

Sales support is geared towards the investment and advisory process. This allows the savings banks to access a consistent and regulatory-compliant range of services.

In addition to expanding the various offering components, sales support has been more closely integrated into the systems of the savings banks. Among other things, the research offering on funds and equities has been extended to cover the credit sector, so that there is now also coverage of credit-linked notes (*Bonitätsanleihen*). The savings banks can decide on how to make use of the range of support offered based on their needs.

The expansion of the sales support workforce was completed in the 2015 financial year. By the end of 2015, the savings banks were able to draw upon the expertise of around 200 sales representatives, who provide sales and technical support to savings bank advisers in all matters relating to the advisory process and assist in developing sales potential in the various customer segments.

For branch-based sales, the support offering is complemented by sales directors who act as local contacts for all issues relating to the investment process.

The savings banks' securities activities are promoted by extensive marketing activities, aimed at steering customer interest towards investing in securities. In order to further strengthen the Deka Investments retail brand, in September 2015 a campaign was launched with the aim of promoting a securities culture, entitled "Anlegen statt stilllegen". Alongside a national advertising campaign on TV, in print and online, Deka is offering innovative opportunities for customers to obtain information or engage in dialogue, including via internet information platforms. The new campaign has been well-received by the savings banks. During the year under review, the successful funds marketing programme was supplemented with a targeted campaign on certificates. The campaign highlights the advantages of this group of products for different investor types and market situations.

Further development of the range of solutions in the retail business

The range of solutions was further expanded over the past year, with an emphasis on comprehensive investment advice in the current low interest rate environment. The focus was on bond funds and mixed funds. In the area of bonds, alongside fixed-term bond funds, new total-return products were also launched, which can generate attractive returns through active management and the addition of high-interest-bearing segments. New mixed fund concepts such as *Deka-BasisStrategie Flexibel* allow asset allocations to be swiftly adapted to market changes, which enables them to outperform index-based products over the medium to long-term. In addition, new income-orientated products were developed, which – like Deka-Multi Asset Income – actively allocate varied, profitable asset classes and make distributions twice a year.

In the certificates business, market share was substantially increased. The focus was on equity-based structures, in particular 'express' certificate structures and reverse convertible bonds. However, credit-linked notes and certificates on funds also proved extremely popular. Another focal point was the introduction of a commission-based secondary market.

In the retail business there was also a strong emphasis on the continued improvement of product quality. To this end, processes in asset management were further enhanced and asset allocation was more closely aligned with the quantified market views of Deka Research.

Awards

The prestigious awards received by the Deka Group over the past year reflect the further improvements made in product and service quality. Deka received the highest possible rating of five stars in the "Capital-Fonds-Kompass 2015" awards run by *Capital* business magazine for the third time in a row, placing it among the top ten of the 100 most important investment fund companies in Germany. The panel particularly highlighted DekaBank's service and the quality of its fund management, as well as the high quality of individual equity, bond and mixed funds. LBB-INVEST achieved second place in the "specialist" category, nine places higher than in the previous year. Furthermore, Deka Investment once again entered the "Feri Asset Manager Rating", obtaining the second-best score of AA (excellent quality) on a twelve-mark scale.

In the "Feri EuroRating Awards 2015", Deka Immobilien Investment was named the best capital management company (*Kapitalverwaltungsgesellschaft*) in the "Real estate" category.

During the reporting year, Deka won two prizes at the "Scope Awards". Deka Immobilien was selected as the winner of the category "Global open-ended property funds for private investors" for the management of the open-ended mutual property fund Deka-ImmobilienGlobal, once again achieving the very good rating of AA+ for the quality of its management. For the sixth time in succession, the fund won recognition as the best globally-investing open-ended property fund for private investors in its peer group. Furthermore, Deka won the award for "Best retail certificate provider" in the primary market.

At the "ZertifikateAwards 2015", Deka took second place in "Certificate House of the Year", which is decided by public vote. In the "Credit-linked notes" (*Bonitätsanleihen*) category it achieved second place and in the "Primary market" category it was ranked third. The "ZertifikateAwards" are awarded by *Der Zertifikateberater* magazine and the newspaper *Die Welt* in collaboration with the Frankfurt and Stuttgart stock exchanges.

Eight Deka investment funds received the highest scores in financial publisher *Finanzen Verlag's* "Euro Fund Awards". At the "Lipper Fund Awards", one bond fund and one equity fund came top of their respective categories.

For a second time, ServiceValue GmbH issued the largest 'confidence rating' survey in Germany, in cooperation with the economic weekly *WirtschaftsWoche* and under the scientific supervision of the Institute for Psychology of Goethe University in Frankfurt am Main. Deka was the only firm to be awarded the rating "highest level of customer confidence" in the category of "Fund provider" and thus took first place. In the "Deutscher Fairness Preis 2015" awarded by the *Deutsches Institut für Service-Qualität* in collaboration with the news channel *n-tv*, Deka also achieved first place in the "Investment companies" category.

The consulting firm XTP Implementation Services once again awarded Deka the "Best Execution Certificate" for its efficient trading process on the global bond market. The certificate acknowledges that the global bond trading activities of DekaBank's subsidiary are in the best interests of the investors and that the order process meets the high standards expected on the international stage.

Further development of the private banking offering

For a growing number of savings banks, tapping potential in the private banking customer segment constitutes an essential element of their sales and marketing focus. Deka is providing support in this respect with a newly extended and optimised offering. This includes both on-site support to the private banking units of the savings banks and a wide range of private banking products and services, which can be utilised by private banking advisers at the savings banks. Due to the considerable overlap between private and commercial customer interests in private banking, the offering has been extended to include "Business financial management". This means that support can be given to both customer groups from a single source. The support offering is rounded off by the opportunity to meet with Deka private banking specialists at the savings banks to discuss private banking issues in relation to all core advisory areas.

Support for savings banks in digital multi-channel management

Digital Multi-Channel Management was formed as a separate business unit during the reporting year. The objective is to provide the savings banks' so-called 'multi-channel customers' – those customers who make use of the advice and services of branches but also use online banking – with an integrated, digital securities offering through the websites of their respective savings banks.

The offering reflects the savings banks' requirement for an attractive online offering in securities business. With specific proposals on measures to further develop the online business of the savings banks, the aim is for customers to be offered an interactive experience that encompasses the entire customer journey. This offering will facilitate efficient integration between media-based and bricks-and-mortar branch-based sales.

Further development of the range of solutions in the institutional business

The offerings and solutions for institutional customers are combined under the *Deka Institutionell* brand. During the year under review, product solutions and advisory services were substantially enhanced and were adapted to an even greater extent to meet the changing requirements of customers in an environment of low interest rates and strong market volatility, as well as in view of the new regulatory framework. This applies both to capital market and credit solutions as well as to quantitative securities concepts or advisory services such as fiduciary management. Increasingly, other customer segments such as pension schemes, insurance companies and non-profit organisations are being specifically targeted by specialised teams in addition to the savings banks. A broad market presence allows economies of scale to be leveraged and limits regulatory costs for individual customers.

In light of the low interest rate environment, the Deka Group has developed investment solutions for its institutional customers that encompass selected alternative investments to enhance yield. Different fund solutions for alternative asset classes, which are regulated under the Alternative Investment Fund Managers Directive (AIFM Directive), are consolidated on one platform under the label Deka Alternative Investments (DALI). This enables institutional investors to hold an interest, through an open-ended special fund from Germany or Luxembourg, in an individual sub-fund, which in turn invests in alternative investments such as private equity, mezzanine, real estate or private debt.

The products and services for the proprietary business of savings banks and institutional investors have been pooled in the new business division Asset Servicing. At the core of its offering is the amalgamation of different asset classes in master funds. Furthermore, by combining master KVGs (*Kapitalverwaltungsgesellschaft* – capital management company) with additional services such as overlay management, performance analysis, interactive reporting or active management of individual master fund segments, customised solutions can be created. Such a 'one-stop' offering considerably reduces complexity for customers, driven by regulation among other things.

Sustainable business policy

Sustainable corporate governance is enshrined in the Deka Group's philosophy and is underpinned by two factors. Firstly, as part of the *Dresdner Thesen* ("Dresden Theses"), the *Sparkassen-Finanzgruppe* is committed to a European financial market architecture based on sustainable principles, and secondly, the Deka Group has assimilated the guidelines they contain and derives its responsibilities from them. The companies in the Deka Group thus respect the regulatory and social environment, whilst setting themselves high ethical standards. They operate in a way that is economically, environmentally and socially sustainable and work in the interests of

- their customers – with superior-quality products and services,
- their shareholders – by ensuring a high corporate value, a sustainable dividend performance and an attractive risk profile, and
- their staff – as a highly sought-after employer that provides employee satisfaction.

Since the end of 2014, the sustainability strategy has been an integral part of the business strategy and is further developed on an ongoing basis. The comprehensive approach to sustainability comprises the following areas of activity, for which transparent presentation is of great importance to corporate governance:

Sustainable banking products: The Deka Group observes internationally recognised sustainability standards in its product development, thus responding to the growing social and environmental requirements of institutional and private customers. Sustainability aspects are taken into consideration for securities and property-based investment products, as well as in the area of financing and for proprietary investments.

Sustainable HR management: The Deka Group is responding to the challenges posed by demographic change. As a sought-after, responsible employer, it attracts highly qualified staff with the aim of fostering their long-term loyalty to the company. The promotion of key qualifications through practical experience, proactive support for equal opportunities for women and men and an active healthcare management policy are thus provided as a matter of course.

Sustainable banking/Environmental management: The Deka Group is committed to minimising the impact of its business operations on the environment, and is striving to achieve carbon-neutral banking operations in the medium-term. It acts on the basis of appropriate environmental guidelines and has a certified environmental management system in accordance with DIN EN ISO 14001. From 2016, this will also be expanded to include an energy management system pursuant to ISO 50001, in accordance with the provisions of the German Act on Energy Services and Energy Efficiency Measures (*Gesetz über Energiedienstleistungen und andere Energieeffizienzmaßnahmen* – EDL-G).

Corporate citizenship: The Deka Group promotes architecture, academia, culture, sports and the arts. Either on its own or together with other entities in the *Sparkassen-Finanzgruppe*, it focuses on projects across Germany such as the International Highrise Award of the City of Frankfurt *(Internationaler Hochhauspreis der Stadt Frankfurt)*, the National Museums in Berlin *(Staatliche Museen zu Berlin)*, the Dresden State Art Collections *(Staatliche Kunstsammlungen Dresden)* and the German Olympic Sports Confederation *(Deutscher Olympischer Sportbund)*.

From an operational perspective, the Deka Group considers sustainability in the overall context of the company as a responsibility that cuts across all areas of the bank, which also includes the further enhancement of its portfolio of sustainable products and services. In addition, the Deka Group is committed to national and international standards through its accession to the UN Global Compact and its compliance with the Equator Principles and the German Sustainability Code. The code of ethics, which was substantially revised in 2014 and is consistent with international standards, provides binding guidelines for employee conduct and thus forms the basis for a value-based corporate culture within the Deka Group that complies with the law and is open and transparent.

During the reporting year, the Deka Group further enhanced its attractiveness for investors who place value on sustainability principles. Alongside the rigorous application of the sustainability filter, which was introduced a year earlier for new investments in DekaBank's Treasury banking book, the product portfolio's emphasis on sustainability was demonstrated by the launch of the sustainable ETF 'Deka Oekom Nachhaltigkeit' as well as DekaBank's participation as one of the lead managers for the first sustainability bonds to be issued by the State of North Rhine-Westphalia. In addition, Deka Investment GmbH has signed up to the European Transparency Code for Sustainability Funds of the European Sustainable and Responsible Investment Forum (Eurosif) for the *Deka-Nachhaltigkeit* (Deka Sustainability) Equity, Bond and Balance funds and the *Deka-Stiftungen* (Deka Foundations) Balance fund, which is also managed on a sustainable basis. Moreover, DekaBank is one of the first *Girozentralen* to implement the mandatory requirement for an energy audit as required under the German Act on Energy Services and Energy Efficiency Measures (EDL-G).

The success of the Deka Group's efforts in the area of sustainability is evidenced by the awards and certifications received by Deka Group companies. Despite significantly more stringent criteria, in August 2015 DekaBank strengthened its "Prime" status rating from oekom research AG, one of the world's leading rating agencies on sustainable investment, obtaining an overall score of C. With this rating, DekaBank ranks among the top ten of the 83 banks evaluated worldwide. In June 2015, the rating agency sustainalytics attested that DekaBank has shown a rapid improvement above the industry average in its sustainability performance. With 73 points out of a possible 100, it was ranked in one of the top positions in its peer group of German banks. At the end of December 2015, Deka was assessed for the first time under MSCI's sustainability ratings. In its very first evaluation, Deka received a very good AA rating and thus ranks among the top 25 of the 135 institutions in its peer group.

Further details on the Deka Group's sustainable business policy will be published in a separate sustainability report, expected in mid-2016.

Organisational structure and locations

The Deka Group has arranged its activities in four business divisions, of which two business divisions relate to asset management and two to banking business. These work closely with one another and with the Sales departments and corporate centres. Alongside the Treasury corporate centre and the non-core business, the business divisions form the basis for the Deka Group's segment reporting in accordance with IFRS 8.

Securities business division

The Securities business division focuses on the active management of securities funds – both fundamental and quantitative – as well as investment solutions and services for private investors and institutional customers.

The product range comprises

- fundamental and quantitative actively managed, mutual securities funds in all major asset classes (equities, bonds, money market, mixed funds, capital protected funds and any combination of these),
- products relating to fund-based asset management, including *Deka-Vermögenskonzept*, asset management funds (funds of funds) such as *Deka-BasisAnlage*, and fund-linked private and company pension products,
- special funds for traditional and alternative investments, advisory/management mandates and solution-based asset servicing offerings with an emphasis on master KVGs for institutional customers, and
- passively managed index funds (exchange-traded funds – ETFs).

The product offering in the Securities business division is supplemented by customised and standardised securities-related services, such as macro/securities/funds research, fund reporting, central fund administration, overlay management and transition management.

Products and solutions are marketed under the brands Deka Investments (for retail products), Private Banking and Deka Institutionell (institutional products). The products of LBB-INVEST complete the range of mutual and special funds offered by the Deka Group.

The business division's strategic objectives are to expand its market position in retail activities and to achieve profitable growth in the institutional business. To this end, work is ongoing to improve product and service quality; underpinned by its high quality standards, Deka intends to be amongst the best securities providers.

Real Estate business division

The Real Estate business division offers property investment products for private and institutional investors as well as credit funds, and its activities also encompass the financing of commercial property. Commercial property financing activities are geared to the markets, business partners and property types that are also relevant to investment fund business. The focus is on the offices, shopping, hotels and logistics segments. Broad-based access to the market and investors means that property financing consolidates the expertise and business basis of the business division. A combined presence in investment fund and lending business represents an advantage over most of its competitors.

Investment fund business concentrates on buying marketable commercial properties in liquid markets, the value-oriented development of such properties and their sale.

The product range includes open-ended mutual property funds, special funds with a closed investor structure, individual property funds and credit funds. The Deka Immobilien GmbH subsidiary is responsible for global buying and selling of properties, property management and all other services related to property investment funds, covering all of the funds offered. The two capital management companies, Deka Immobilien Investment GmbH and WestInvest Gesellschaft für Investmentfonds mbH, focus on active portfolio and investment fund management. Responsibility for the issue and management of credit funds that invest in property, infrastructure or transport sector financing lies with Deka Investors Spezialinvestmentaktiengesellschaft mit veränderlichem Kapital und Teilgesellschaftsvermögen, which is externally administered by Deka Immobilien Investment.

The business division's aim is to consolidate its position as one of the leading providers of open-ended mutual property funds in Germany and as one of the top five real estate asset managers in Europe by adopting a quality- and stability-oriented approach. It also strives to be a highly sought-after financing partner for leading international property investors.

Capital Markets business division

The Capital Markets business division is the central product, solution and infrastructure provider while also acting as a service provider and driving forward innovation in the Deka Group's customer-focused capital markets business. As such, the business division provides the link between customers and the capital markets. With its tailored range of services relating to securities repurchase transactions, securities lending, and money market and foreign exchange trading, the capital markets business acts as a liquidity and risk platform as well as the central securities and collateral platform within the association. Via its trading platforms, the business division enables customers to carry out transactions in all asset classes. It serves as a centre of competence for trading and structuring capital market products as well as for DekaBank's issuance business. As a Clearing Member, it also offers the execution of OTC transactions via central counterparties (CCPs) to the savings banks, helping them to fulfil regulatory requirements efficiently.

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

- The Commission Business unit executes trading transactions in stock exchange traded securities and derivatives on behalf of customers within and outside the Group. It primarily acts on behalf of the Asset Management units of the Deka Group.
- The Trading & Structuring unit is the Deka Group's centre of competence for trading and structuring capital market products (spot instruments, bonds and equities), and for derivatives in all asset classes that are used by the investment funds or in the Depot A securities account of the savings banks or issued for other customers. This unit is also responsible for issuance business (bonds and certificates).
- During the reporting year, all of DekaBank's short-term capital market activities plus refinancing and liquidity management for terms of up to and including two years were pooled in the Cash/Foreign Exchange & Repo/Lending unit. As a liquidity platform, the unit is responsible for liquidity supply and management as well as for repo/lending business.

From the 2016 financial year, any securities investments that do not serve as a strategic liquidity reserve to meet regulatory requirements will be taken over from the Treasury corporate centre by the Capital Markets business division. As part of this new arrangement, Treasury is taking over responsibility for group-wide liquidity management across all maturity bands.

Financing business division

The Financing business division focuses on financing the savings banks as well as financing infrastructure, transport assets and export trades backed by export credit agencies (ECAs). Outside of savings bank finance, the business focus is on loans suitable for asset management business, part of which can usually be passed on to banks, savings banks, other institutional investors or the Deka Group's own investment funds.

As part of savings bank funding, loans are granted to the savings banks across all maturity bands. Infrastructure financing comprises the financing of energy, grid, utilities, transport and social infrastructure in Germany and abroad. Transport financing is focused on aircraft and ships.

Sales

Savings Banks Sales & Marketing

Savings Banks Sales & Marketing focuses on comprehensive sales support for the savings banks in business with retail and commercial, non-institutional customers. It therefore represents an important link between Deka and customer advisers at the savings banks as well as between production and marketing within the Group.

To ensure nationwide support, Sales are divided into six sales regions in Germany. Sales directors maintain regular dialogue on markets and customers with the savings banks and associations. In addition, Deka sales representatives and other employees provide the savings banks with on-site assistance in marketing and sales activities as well as with sales training for customer advisers.

The Deka Group provides the savings banks with products and services for distribution. The savings banks retain exclusive responsibility for directly approaching their customers and for customer advice and support. In order to generate active demand from end customers at their savings banks and thus to better support the savings banks, the Deka Group's marketing activities also, in coordination with the savings banks, directly target end customers.

The Sales Management and Marketing business unit pools together savings bank forecasts and competitor and market analyses and determines advisory requirements on this basis. It also has responsibility for private banking sales.

The Product and Market Management business unit provides support in all matters related to securities products throughout the entire product life cycle (from the initial launch through to any post-sales support required).

The Digital Multi-Channel Management business unit develops online services along the entire value chain and links securities accounts with media-based sales channels and customer service.

Institutional Customer Sales

The Institutional Customer Sales business unit essentially supports savings banks and their corporate customers as well as the Deka Group's own institutional clients in Germany and abroad. The customer advisers adopt a comprehensive approach which includes all products, services and solutions offered by the Deka Group across all business divisions. In this regard, one tool that assists in customer retention is Asset Servicing, an area in which Deka Group is one of Germany's leading providers.

In the savings bank sector, the Institutional Customer Sales team is available to individual savings banks as a management partner, and develops immediately viable solutions for proprietary business and overall management of the bank. These solutions are based on comprehensive analyses of the earnings and risk situation and are supplemented with advice and support.

The Institutional Customers – Savings Banks & Financial Institutions unit brings together business with major savings banks and support for savings banks, sub-divided by region. In addition, it prepares and maintains asset-liability management analyses.

The Institutional Investors unit handles business with insurance firms, companies, public bodies, non-profit organisations and international investors. It also manages relationships with consultants.

The Institutional Customers Sales Management unit has a cross-cutting function, supporting all aspects of Institutional Customer Sales.

Corporate centres

Treasury

The Treasury corporate centre acts as a resource manager for the Deka Group. It manages liquid banking books including existing guarantee risks for the bank, market price risks and default risks in the banking book, Group liquidity and the Deka Group's refinancing. It is also responsible for asset/liability management. By setting transfer prices for the whole Group, Treasury helps to ensure that the structure of the balance sheet is balanced and in line with strategy. It also makes sure that transactions are managed and calculated on a source-specific basis. Treasury controls liquidity reserves across the Group and manages them with a clear focus on liquidity.

Through its resource management and associated control duties, Treasury also supports the business divisions in meeting their targets. In addition, Treasury performs a key role as head of the Management Committee Assets/Liabilities (*Managementkomitee Aktiv-Passiv* – MKAP), which manages the Deka Group's balance sheet and funding structure.

Since the start of 2016, group-wide operational liquidity management across all maturity bands has been pooled in the Treasury corporate centre. As part of this reorganisation, any securities investments that do not serve as a liquidity reserve to meet regulatory requirements have now been taken over from Treasury by the Capital Markets business division.

Other corporate centres

Alongside Treasury, a further 13 corporate centres support Sales and the business divisions. As at the reporting date, these were the Corporate Office & Communications, Internal Audit, Legal, Compliance, Corporate Development, Human Resources & Organisation, Risk Control Capital Market Funds, Custody Services, Risk Controlling, Finance, IT, Credit Risk Office, and Transaction & Custodian Services corporate centres.

Non-core business

The Deka Group's business activities that are to be discontinued have been pooled into non-core business. The portfolio mainly includes corporate financing, leveraged loans, trade financing and non-ECA-covered export finance, legacy business with securitised products and financing of regional and local authorities that is not eligible for *Pfandbrief*-based funding. Following extensive disposals and redemptions over the previous years, the portfolio volume is relatively small as at the 2015 balance sheet date.

Furthermore, potential appreciations in value, default risk and expected net interest income are analysed regularly for all items using a number of scenarios. Taking into account these criteria, a decision is then taken as to whether to sell or hold the positions or seek further collateral.

Major companies and locations

The Deka Group's business is managed from the head office in Frankfurt am Main. The major capital management companies are also located there. WestInvest Gesellschaft für Investmentfonds mbH is based in Düsseldorf. LBB-INVEST, which is based in Berlin and was taken over in 2014, offers mutual and special funds that invest mainly in Europe or worldwide. It also deals with mandate-based business and individual asset management for the savings banks.

DekaBank Deutsche Girozentrale Luxembourg S.A. in Luxembourg is the most important international subsidiary. In addition, DekaBank maintains a foreign branch in Luxembourg. The Deka Group also maintains companies or representative offices in London, Milan, New York, Paris, Tokyo and Vienna, and since the reporting year also in Singapore.

Together with public sector insurance companies, DekaBank offers products and consultancy services relating to company pension schemes via its associated insurance company S PensionsManagement GmbH in Cologne (DekaBank shareholding: 50%).

Fund accounting in Germany and some areas of fund administration are handled by Dealis Fund Operations GmbH, a joint venture with Allianz Global Investors (shareholding: 50%).

S Broker AG & Co. KG in Wiesbaden (shareholding: 30.6%) is an online broker.

Markets and influencing factors

With a focus on investments and portfolio and wealth management as well as on the related essential asset management and banking services, the Deka Group's business activities are positioned in fiercely competitive and highly regulated market segments. Accordingly, a wide variety of market and competition factors may influence the financial position and future prospects of the Deka Group.

In securities-related asset management, the economy, capital market environment, sales environment for the *Sparkassen-Finanzgruppe* and product quality all strongly influence business development and profit performance. These factors have an impact on sales to retail and institutional investors as well as on the performance of portfolios.

As is the case with property finance, property-related asset management is largely influenced by the situation and developments in commercial property investment and letting markets, as well as by the money and capital markets.

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

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

The Deka Group's business divisions all have a strong position in their respective markets:

- With fund assets of around €114.9bn (according to the German Association for Investment and Asset Management, *Bundesverband Investment und Asset Management* – BVI, as at 31 December 2015), the Securities business division is Germany's fourth largest provider of mutual securities funds. Furthermore, the business division holds a leading position in the area of asset management and with respect to funds-of-funds.
- The Real Estate business division has fund assets totalling roughly €24.6bn (according to BVI, as at 31 December 2015), making it the second largest mutual property fund manager in Germany.

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 monitored solely at Group level, and not at the level of individual institutions. Therefore, no separate section on performance indicators has been prepared for DekaBank on an individual basis.

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

Financial performance indicators

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

The economic result is the key in-house management and performance indicator and is based on IFRS accounting standards. In addition to net income before tax, the economic result includes changes to the revaluation reserve before tax as well as the interest rate and currency related valuation result from original lending and issuance business. The interest expense on Additional Tier 1 bonds, which is reported directly within equity (Additional Tier 1 capital), is also taken into account in the economic result. Furthermore, potential future charges are included in the economic result if the probability of such charges arising in the future is assessed as possible but they may not yet be recorded in IFRS reporting, due to the fact that accurate details are not available. The aim of adjustments compared with net income before tax (under IFRS) is to reflect actual growth during the period under review more accurately.

The economic result has been used in external reporting at Group and business division level since 2007. For information on reconciling the economic result with net income before tax according to IFRS, refer to segment reporting in note [2] of the consolidated financial statements of Deka Group, which shows the measurement and reporting differences in the "reconciliation" column. This ensures that it is possible to reconcile the figures presented with net income before tax. Differences between the Deka Group's net income before tax according to IFRS in the consolidated financial statements and DekaBank's net income before tax prepared under HGB result primarily from different accounting policies under HGB and IFRS, and from consolidation effects.

The Common Equity Tier 1 capital ratio is used as a key performance indicator for assessing the adequacy of the total amount of own funds of the Deka Group in line with regulatory requirements. It is therefore also of major importance for rating agencies' assessments of the Deka Group. The Common Equity Tier 1 capital ratio is defined as the ratio of Common Equity Tier 1 capital to risk-weighted assets (RWA) of all relevant credit, market and operational risk positions plus the credit value adjustment (CVA) risk. Risk-weighted assets are managed in line with the Deka Group's strategy, balance sheet structure and the capital market environment. In accordance with the provisions of the Capital Requirements Regulation (CRR) and the German act to implement the EU Capital Requirements Directive (CRD IV), the capital ratios are reported both applying the transitional provisions (phase-in) and disregarding the transitional provisions (fully loaded). To supplement these, further regulatory key indicators are monitored, including leverage ratio exposure and liquidity coverage ratio (LCR).

Utilisation of the risk cover potential, applying the leading liquidation approach, is the key risk management parameter. The monthly risk-bearing capacity analysis involves comparing the Deka Group's risk cover potential that may be used to cover losses with total risk determined across all risk types that have an impact on profit or loss. This makes it possible to establish whether total risk limits have been adhered to at Group and divisional level.

Non-financial performance indicators

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

Net sales represent the key performance indicator of sales success in Asset Management. This figure essentially consists of the total direct sales of the Deka Group's mutual and special funds, fund-based asset management, funds of partner organisations, master funds and advisory/management mandates, ETFs and certificates. Net sales performance in investment fund business corresponds to gross sales performance less redemptions and maturities. Sales generated through proprietary investment activities are not counted. Starting from this reporting year, redemptions and maturities are no longer taken into account for certificates, since in the certificates business the impact on earnings primarily occurs at the time of issue.

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

A distinction is made here between:

- mutual funds and fund-based asset management,
- special funds and mandates,
- certificates and
- ETFs.

The trend in the two key non-financial performance indicators during the reporting year is described in the section on business development and profit performance at Deka Group level and of the Securities, Real Estate and Capital Markets business divisions.

Economic report

Economic environment

During the 2015 financial year, money markets and capital markets were once again strongly influenced by the ongoing exceptionally expansionary monetary policy pursued by central banks, in particular the ECB. For the Deka Group, this resulted in both positive and negative effects. The unattractive rates on deposits pushed savers towards securities, such that investment funds recorded a substantially greater inflow of funds than in the prior year. This effect was reinforced by the performance of equity markets, which was positive for long stretches of the year, and was itself also favourably impacted by the interest rate environment. Even temporary and at times sharp market corrections, growing geopolitical tensions and weakening growth in emerging markets did not cause lasting damage to the positive market sentiment. On the other hand, the market for retail certificates cooled significantly.

The extremely low market interest rates meant that returns on bond and money market products remained at a low level. This curbed the bank's and funds' income from invested liquidity, while a virtually limitless availability of liquidity reduced demand in short-term capital markets business. On the other hand, the capital markets business benefited from high market volatility.

Overall economic conditions

Following a bumpy start, in the second quarter of 2015 the global economy moved into a phase of subdued but nonetheless steady growth. According to estimates from Deka economists, global gross domestic product grew by 3.0% during 2015, whereas in 2014 growth of 3.3% had been achieved. The sluggish growth reflects the slowdown of growth in China and other Asian emerging markets as well as the economic slump in some Eastern European and Latin American economies. On the other hand, the economic recovery in industrialised countries continued.

Germany also made a cautious start to the year. Only as the year progressed did clearer signals of growth appear, with German domestic demand proving to be an essential pillar for the economy. New industrial orders, supported among other things by solid export figures, combined with falling unemployment contributed to the positive development. Towards the end of the year sentiment indicators split into two categories: while domestic demand remained strong, non-eurozone exports weakened.

Growth in the eurozone reached 1.5% compared to 0.9% in the previous year. Brighter global growth prospects towards the middle of the year, the depreciation of the euro and falling energy prices helped to boost growth in Europe. Among the eurozone's larger countries, only France exhibited temporarily weak growth, while Spain's strong performance stood out.

In the USA, some one-off effects led to a temporary deceleration at the start of the year but it soon made up for lost ground. This was followed by a period of recovery, accompanied by favourable developments in the labour market and an upturn in both private consumer spending and international trade. Towards the end of the year momentum slowed once again, due to non-recurring effects related to public spending.

In 2015, Asia was once again by far the strongest region globally in terms of growth. In China, however, the performance of the industrial sector was weaker than expected. The Chinese government took steps at an early stage in order to achieve their target of 7% economic growth and to counter the pressures created when the equity markets bubble burst mid-year. The Chinese central bank further responded to economic concerns by devaluing the renminbi, and decided to allow the market to play a greater future role in determining the exchange rate. Later in the year, equity and currency markets finally stabilised once again. Anxieties over the global economy decreased in parallel.

The performance of emerging markets outside of Asia was also rather weak during the past year. The Russian economy slumped sharply at the start of the year as a result of Western sanctions in relation to the crisis in Ukraine and overdue structural reforms. Russia's military intervention in Syria exacerbated uncertainty in the second half of the year. Latin America also provided no significant impetus for growth. In Brazil, unemployment rose sharply in the autumn, which was primarily damaging to private consumption. However, Central European emerging markets, in particular the Czech Republic, recorded positive trends. These countries benefited especially from economic conditions in Western Europe.

Sector-related conditions

Trends in money and capital markets

In 2015, the performance of money markets and capital markets was once again strongly influenced by the oversupply of liquidity in the markets. Interest rates remained at historic lows, while equities and securities funds were in demand in the absence of high-yield alternatives.

In March, the European Central Bank (ECB) began its programme of bond purchases, whereby it intends to purchase €60bn of European government bonds per month and which at present is expected to run until at least September 2016. This led to an increase in the excess reserves of European banks, which in turn placed increasing downward pressure on money market rates, driving them deep into negative territory. The US Federal Reserve, too, maintained its expansionary monetary policy and despite announcements to the contrary, held off from raising its key interest rates until just before the end of the year.

To start with European equity markets recorded new highs thanks in part to the loose interest rate policy and ECB bond purchases, but also due to cheaper crude oil and the devaluation of the euro. The German stock index (DAX) reached a new record level of 12,374 in April, and the EURO STOXX and Dow Jones both achieved new highs. However, the subsequent collapse of the Chinese equities market dragged stock markets down worldwide. The DAX slipped down to a level of 9,427, falling to its lowest level since mid-December of the previous year. Following this low point, a period of recovery followed in the autumn, despite investor concerns around risk factors such as the economic downturn in emerging markets. The DAX index closed the year at 10,743 points, corresponding to an overall gain of 9.6% for the year.

In the bond markets, the start of the ECB's programme of bond purchases initially led to another dramatic fall in yields, primarily on long-term German government bonds. As expected, the extensive bond-buying programme also impacted the covered bond and *Pfandbrief* markets. As the year progressed, however, there was a surprisingly strong reversal of the previous declines in yields, causing yields on ten-year German government bonds to recover from close to zero to 1.0%. Towards the end of the year, the yields on German government bonds fell once again, due to market expectations of a further loosening in ECB monetary policy. September proved to be one of the strongest months of recent years for new issues of covered bonds. Many new bonds were brought to market, particularly from the peripheral countries. However, with investors becoming increasingly risk averse, these bonds were more difficult to place and their spreads widened. Towards the end of the year, higher risk premiums meant that new issues of German *Pfandbriefe* once again attracted other buyers in addition to the Bundesbank.

Trends in property markets

The low interest rate level continued to place tight restrictions on potential returns for investors in European property markets. The continued high demand for property over the past year also ensured that net initial returns remained low. The availability of high-quality properties at reasonable prices currently constitutes the greatest limiting factor for asset management.

Buoyed by the economic recovery, business confidence returned in the eurozone, which was reflected in higher overall demand in office rental markets. At the same time, there was a greater focus on optimising and consolidating rented spaces than on expanding the office space available.

In the USA, demand for class A office space held at the level of the prior year. Vacancy rates fell both in city centres and in peripheral locations and have now once again reached the pre-crisis level of mid-2008. Rental growth continued in most markets.

Asian office markets continued to perform well in 2015, following their positive development in the prior year. Tokyo and Hong Kong recorded the strongest increases in rents along with falling vacancy rates, while in Singapore rent continued to fall due to the high volume of new construction. In Australia, Sydney and Melbourne reported further declines in vacancy rates and slight rent increases. Brisbane was characterised by stagnation, whereas in Perth rent fell sharply and the available supply continued to rise.

Investor attitudes

Despite interest rates being close to zero, in 2015 private households in Germany continued to show a preference for highly liquid investments such as demand deposits. Nonetheless, the use of securities for wealth creation, for example through fund savings schemes, noticeably increased. This is also reflected in investment statistics.

According to the BVI, from January to December 2015 mutual funds attracted the record level of €71.9bn. Almost all categories of funds recorded net inflows, most notably mixed funds, followed by equity funds, bond funds and open-ended property funds. Special funds also achieved record inflows, amassing €121.5bn in the same period.

Regulatory environment

Changes to regulations, both those already initiated and those in the pipeline, once again had an impact on the Deka Group during the 2015 financial year. Above all, the resourcing requirements for implementing these regulations remain extremely high. In addition to the resourcing needs and expense of implementing individual measures, changes were required to the design of products as well as to the Bank's capital, liquidity and risk management activities.

Regulatory topics

In its delegated act on the liquidity coverage ratio (LCR) of October 2014, in conjunction with the provisions of the Capital Requirements Regulation (CRR), the European Commission set out the rules governing the calculation of LCR. Compliance with these rules has been mandatory since the fourth quarter of 2015. The LCR sets holdings of high-quality liquid assets against total net cash outflows over the following 30 calendar days. Under the transitional arrangements, up until the end of 2015 the LCR must be at least 60%. From 1 January 2016 a ratio of 70% must be maintained, with the figure then being increased each year, reaching 100% in 2018.

In addition, mandatory adherence to the leverage ratio (the ratio of own funds to the balance sheet total, adjusted in line with regulatory requirements) is planned for 2018. Following the European Commission's modification of the LCR in January 2015 subsequent to its adoption of the delegated act, the Deka Group used this key ratio throughout the reporting year as part of its balance sheet management. It constitutes a crucial component of the Group's reporting.

With effect from 1 January 2015, the Bank Recovery and Resolution Directive (BRRD) was transposed into national law within the framework of the German BRRD Implementation Act *(BRRD-Umsetzungsgesetz)*. The EU regulation establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism (SRM) and a Single Resolution Fund (SRF) came into force on 1 January 2016. The aim of the new regulations is that shareholders, bondholders and other investors should share in the losses of banks which fail. If a bank falling under the Single Supervisory Mechanism (SSM) gets into difficulties, the European Commission will decide whether it should be wound up. In the event that a bank is wound up, funding is provided by the Single Resolution Fund, which is maintained by Europe's banks and managed by the EU resolution authority – the Single Resolution Board (SRB). The new regulations also set out how the levies paid by the banks to the Single Resolution Fund are to be calculated.

Furthermore, banks are obliged to adhere to minimum requirements on holding own funds and eligible liabilities for the purposes of loss absorption and recapitalisation in the event the bank is wound up (Minimum Requirement for Eligible Liabilities – MREL). The SRB will determine the minimum requirements for institutions on a case-by-case basis; this is expected to take place during the course of 2016. In November 2015, the G20's Financial Stability Board (FSB) issued a final standard on Total Loss-Absorbing Capacity (TLAC). The standard is not directly relevant to DekaBank as it only applies to global systemically important banks. However, it is assumed that the SRB will include core elements from the TLAC standard in its determination of MREL for other systemically important banks, and thus also for DekaBank.

In order to take into account the regulations relating to a Single Resolution Mechanism and its associated powers from 1 January 2016, as well as the recent European Level II provisions on the collection of bank levies, in 2015 the German Resolution Mechanism Act (*Abwicklungsmechanismusgesetz* – AbwMechG) was adopted, which incorporates the SRM regulations into national law. The AbwMechG includes an addendum to the German Banking Act (Section 46f of the KWG), which amends the ranking of creditors in the event of a German credit institution becoming insolvent. According to this, for insolvencies that occur after 1 January 2017 claims under certain unsecured debt instruments, namely plain bearer bonds, registered bonds and promissory note loans will rank below other unsecured claims.

2015 was the first complete financial year in which Deka was subject to supervision by the ECB. On 4 November 2014, the ECB took over responsibility for the direct supervision of some 120 banks deemed to be of systemic importance, among them DekaBank. In the exercise of its supervisory duties, the ECB follows the Supervisory Review and Evaluation Process (SREP) guidelines, which were published by the European Banking Authority (EBA) in December 2014. Along with an analysis of an institution's business model, the evaluations focus on internal governance and controls, the capital, liquidity and funding risks, and the adequacy of capital and liquidity. Based on these analyses, the ECB has established minimum capital ratios for banks on a case-by-case basis, which as a result of the additional SREP components exceed the minimum requirements in accordance with Basel III. The specified minimum ratios do not yet include the counter-cyclical buffers to be gradually established from 2016 or an additional buffer for systemically important banks. In addition to changes expected on the basis of Basel IV, it is assumed that this will lead to an increased regulatory capital requirement for the banking sector, including DekaBank.

The Separate Banks Act *(Trennbankengesetz)*, which is enshrined in Section 3 of the German Banking Act (*Kreditwesengesetz* – KWG) obliged banks to conduct a risk analysis by 31 December 2015, and in the event that any forbidden proprietary trading or loans to certain alternative investment funds (AIFs) are identified, to discontinue them, or hive them off into legally independent subsidiary entities, by 1 July 2016. In this regard, no business transactions will be hived off into a subsidiary by DekaBank. The European legislative process for reforming the banking structure includes plans for similar regulations, although the precise form these will take has not yet been defined.

On 3 July 2015, the new German Deposit Guarantee Act (*Einlagensicherungsgesetz* – EinSiG) entered into force, which transposed the European Deposit Guarantee Schemes Directive into national law. Deposit protection is one of the three pillars of the European banking union. According to this principle, every member state must arrange for one or more deposit protection schemes to be set up and officially recognised. A credit institution may not accept any deposits if it is not a member of such an officially recognised deposit guarantee scheme. Each officially recognised scheme must fulfil all the requirements in terms of depositor compensation. In other words, it must have the financial and organisational means to compensate depositors with up to €100,000 in a worst-case scenario. To this end, all deposit guarantee schemes must set aside at least 0.8% of the covered deposits of their member institutions by 2024. DekaBank is part of the institutional guarantee scheme and alliance of guarantors of the *Sparkassen-Finanzgruppe*. The *Sparkassen-Finanzgruppe*'s guarantee scheme consists of a total of 13 independent guarantee schemes: eleven regional savings bank support funds, the security reserve of the *Landesbanken* and *Girozentralen* and the guarantee fund of the *Landesbausparkassen* (building societies). These individual guarantee schemes are combined into one guarantee scheme. This guarantee scheme is an officially recognised deposit protection scheme in accordance with Section 43 of the German Deposit Guarantee Act (EinSiG).

In November 2015, the European Commission submitted its proposal for a Regulation on a European deposit insurance scheme (EDIS). The proposed Regulation includes communitarisation of all legally recognised guarantee schemes at national level; this proposal is rejected by the *Sparkassen-Finanzgruppe*. In particular, at present the proposal does not adequately take into account institutional guarantee schemes recognised under EU law.

At the end of December 2015, the European Parliament and European Council published the Regulation on Transparency of Securities Financing Transactions (SFT Regulation), which then entered into force on 12 January 2016. The Regulation is aimed at increasing financial stability and constitutes a component of shadow banking regulation. Securities financing transactions (SFTs) provide market participants with access to collateralised refinancing through securities lending transactions, repurchase agreements, buy-sell back or sell-buy back transactions and margin lending transactions. The SFT Regulation essentially sets out three core obligations: the reporting of SFTs to central databases, disclosure obligations for investment funds with respect to providing information to their investors, and more stringent requirements with respect to the re-use of collateral. Deka is currently examining the implications of the Regulation and discussing steps to be taken for its implementation.

The EBA has published final guidelines on limits on exposures to shadow banking entities. The guidelines provide a definition of 'shadow banking entities' and stipulate internal limits for individual and aggregate shadow banking exposures, which will apply from 1 January 2017. In addition, specific risk management processes for shadow banking entities will need to be implemented. The EBA defines 'shadow banking entities' as entities that carry out credit intermediation activities and that are not explicitly 'excluded undertakings', such as CRR credit institutions, EU insurance undertakings and German leasing firms for example. Most of the Deka Group's funds are covered by this exemption and hence do not constitute shadow banking entities. Investment funds deemed to be shadow banking entities include credit funds, money market funds and triple-leveraged funds. Appropriate steps have been taken in relation to credit and money market funds; Deka Group does not issue triple-leveraged funds. Therefore, virtually no impact on business strategy is anticipated.

Product and performance-related regulatory proposals

At European level, the Markets in Financial Instruments Directive (MiFID II), a revision of its predecessor MiFID I, entered into force in July 2014. Core elements of MiFID II include the regulation of off-floor trading, closer supervision of commodities derivatives markets, the regulation of high-frequency trading and enhanced investor protection. The Markets in Financial Instruments Regulation (MiFIR) entered into force at the same time as MiFID II. MiFIR is aimed at improving the transparency of off-floor trading.

According to the original schedule, MiFID II and MiFIR should be applied by the institutions concerned from 3 January 2017 onwards. Since both the European Securities and Markets Authority (ESMA) and the European Commission are unable to meet the timetable for the measures to be taken by them to ensure consistent implementation, the application of certain sections of these regulations will probably be postponed by one year.

German legislators are not expected to postpone any part of the regulations, since the official product intervention rights provided for in MiFIR were already incorporated into German law in July 2015. These allow the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht* – BaFin) to restrict or prohibit the sale of products if it is in the interests of investor protection or the proper functioning of financial or commodity markets to do so. BaFin can also place a limit or ban on specific forms of "financial activity or financial practice". However, there are not yet any indications as to whether products like those offered by the Deka Group are to be targeted.

On 17 December 2015, the German Ministry of Finance (*Bundesministerium der Finanzen* – BMF) published a draft bill on the German Investment Tax Reform Act (*Investmentsteuerreformgesetz* – InvStRefG). The aim of the reform is to eliminate EU-level legal risks, to simplify investment tax law and to prevent tax avoidance schemes. The draft legislation provides, among other things, for extensive changes to the system with respect to investment fund taxation law. The planned reform is based on separate taxation of investment funds and investors, a "non-transparent" taxation system. Up until now, investment funds were tax-exempt and their income was largely taxed at the level of the investor, as if the investor had personally generated the income (under the principle of tax transparency). According to the proposed draft, in future all UCITS funds and alternative investment funds (AIFs) as well as certain other forms of investment vehicle will fall within the scope of this taxation. The planned reform would have far-reaching consequences for both retail and institutional investors, could lead to substantial tax increases and could also make investment funds less attractive as an investment product due to the considerably greater degree of complexity. At Deka, the administrative burden could considerably increase and result in substantial costs, in particular for the conversion of IT systems.

Business development of Deka Group

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

At €610.6m, the economic result of the Deka Group once again exceeded the good prior year result, by 12.8%.

Net sales totalled €19.5bn and surpassed the already strong performance of the previous year (€13.2bn) by 48.1%. A crucial factor for this was the substantially higher sales of mutual funds, predominantly attributable to strong inflows in relation to solutions that were a focus of sales and marketing activities. The greater emphasis on securities in advice given by the savings banks, which was also helped by enhanced sales support, had a positive influence in this regard. In addition, the sharp increase reflects the growing attractiveness of securities funds in the current low-interest rate environment. In the area of certificates, a satisfactory sales performance was achieved. As expected, with respect to special funds and mandates the high levels achieved in the previous year were not quite reached.

Net sales Deka Group *(Fig. 1)*

€m	2015	2014
Net sales Deka Group	**19,505**	**13,169**
by customer segment		
Retail customers	10,196	5,204
Institutional customers	9,308	7,965
by product category		
Mutual funds and fund-based asset management	8,462	3,204
Special funds and mandates	5,861	6,351
Certificates	4,569	3,452
ETFs	613	161

Total customer assets of the Deka Group rose by €19.7bn to €240.0bn during the reporting period, primarily due to the high net sales performance.

Total customer assets Deka Group *(Fig. 2)*

€m	31 Dec 2015	31 Dec 2014	Change	
Total customer assets Deka Group	**240,045**	**220,356**	19,689	8.9%
by customer segment				
Retail customers	123,058	110,322	12,735	11.5%
Institutional customers	116,987	110,034	6,954	6.3%
by product category				
Mutual funds and fund-based asset management	126,351	114,768	11,583	10.1%
Special funds and mandates	94,846	90,654	4,192	4.6%
Certificates	11,797	8,503	3,294	38.7%
ETFs	7,050	6,431	619	9.6%

Good progress has been made in systematically aligning the service offering with the changing needs of private and institutional investors in an environment of extremely low or even negative interest rates. Whether it involves income-based products with active asset allocation in retail business or a blend of alternative investments for institutional investors, the Deka Group is tapping new earnings potential for investors. In addition, in an ever more challenging regulatory environment, it is reducing complexity for its customers. Asset Servicing enables both savings banks and other institutions to make use of tailored investment concepts and services. This has further consolidated the Deka Group's position and reputation as an end-to-end provider of solutions in the securities business.

Utilisation of total risk-bearing capacity increased marginally in comparison to the end of 2014 (39.3%) to 41.6%, but remained consistently at a non-critical level. The Deka Group's liquidity position remains comfortable. The Deka Group will therefore have no restriction in being able to continue to fulfil its function as a central platform for liquidity, risk and collateral for the savings banks in the future.

The Common Equity Tier 1 capital ratio is calculated by reference to the CRR/CRD IV requirements, without the transitional provisions (fully loaded). At the end of 2015, it increased to 12.4%, while the total capital ratio increased to 16.7%. In the next few years, further tightening in regulatory requirements is likely to place additional strain on the capital ratios, such that it will continue to be essential to compensate for the negative effects by reinvesting annual net profits.

The Deka Group's capital ratios are well above minimum supervisory requirements, and also above the minimum ratio requirements established by the ECB for individual banks as part of the SREP.

Comparison of forecast and actual growth

The comparison between the actual and forecast change corresponds to the relevant section published in the Deka Group's Group management report. Group and business division planning is 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.

Expectations regarding Deka Group's results in 2015 as set out in the forecast report of the 2014 Group management report were largely confirmed or exceeded.

Deka Group key performance indicators *(Fig. 3)*

		31 Dec 2014	Forecast report 2014	Half-year report 2015	31 Dec 2015	Change	
Economic result	€m	541.1	Roughly at the previous year's level	Slightly above previous year's level	610.6	69.5	12.8%
Total customer assets	€bn	220.4	Moderate increase	Moderate increase	240.0	19.7	8.9%
Net sales	€bn	13.2	Moderate increase	Moderate increase	19.5	6.3	48.1%
Common Equity Tier 1 capital ratio	%	11.8	At around the previous year	Slightly above	12.4	0.6%-points	
Utilisation of total risk-bearing capacity	%	39.3	Slight increase	Similar level	41.6	2.3%-points	

Ratings

Strong ratings are essential to the smooth implementation of the Deka Group's business model. They have a major impact on the terms on which the Group obtains funding on the capital markets and its ability to perform its extensive functions as the *Wertpapierhaus* for the savings banks.

In the first half of 2015, Moody's changed its methodology for rating banks to bring it into line with the current regulatory environment. In particular, bail-in mechanisms are now included in instrument ratings and the way in which state support is taken into account has been revised. The changes meant that the long-term ratings of 15 German financial institutions improved, including those of DekaBank. Specifically, the ratings analysts raised the "long-term deposits" rating and the "long-term senior unsecured and issuer rating" by one notch to Aa3. Following the transposition of the BRRD into German law and corresponding adjustments to methodology, Moody's further revised its ratings for a number of German banks. The results were published on 26 January 2016. For DekaBank, the "long-term senior unsecured and issuer rating" was confirmed as Aa3, while the deposits rating was raised by one notch to Aa2. The outlook for both ratings is stable. The short-term rating remains unchanged at P-1. Compared to the market, DekaBank has one of the best Moody's ratings among its peer group of German commercial banks.

Standard & Poor's (S&P) ratings have been A (long-term) and A-1 (short-term) since October 2013. In August 2015, the outlook was raised from stable to positive. This reflected S&P's recognition of the growing importance of DekaBank as an integral component of the investment and advisory process, which resulted in special strategic importance for the savings bank sector as a whole.

The ratings for *Pfandbriefe* issued by DekaBank have not changed, with S&P providing a rating of AAA and Moody's rating them at Aaa.

Compared with the sector as a whole, DekaBank's ratings remain strong.

Profit performance of the DekaBank

DekaBank recorded a strong result in the year under review. Ordinary income from the total of net income from interest and equity investments, commission income, trading profit and other operating income amounted to €1,247m, growing by 9.3%. Net income from interest and equity investments showed a slight increase of €13m to €422m. Net interest income fell by €11m compared to the previous year to €31m, whereas net income from equity investments rose to €391m, predominantly due to profit transfers increasing by 6.7% versus the previous year. Net commission income also increased and at €218m was significantly above the 2014 result of €186m. Trading profit was up by €24m against the previous year's result of €210m. Other operating income amounted to €373m (previous year: €336m), although intra-group services accounted for a major portion of this. General administrative expenses rose to €749m in the year under review, representing a change of 1.7%. Of this amount, other administrative expenses, including depreciation and amortisation, rose by 3.5% to €341m, which was attributable in part to higher bank levies.

Overall, the result before risk provisioning thus amounted to €498m, up €93m on the previous year. The overall valuation result from the lending, securities and investment business for the past financial year stood at €–53m (previous year: €106m). The valuation result reflects an increase in provisions for loan losses in the lending business in comparison to the low figure in 2014. The higher allocations are predominantly the result of specific provisions, notably in relation to individual ship and infrastructure loans. In addition, the contribution to earnings made by securities in the liquidity reserve was substantially lower than in the previous year. After deducting taxes on profits and making the allocation to the fund for general banking risks to strengthen its core capital, DekaBank achieved an operating result after tax of €125m (previous year: €121m).

Profit performance DekaBank *(Fig. 4)*

€m	2015	2014	Change	
Selected items				
Net interest income and net income from equity investments	422	409	13	3.2%
Net commission income	218	186	32	17.1%
Trading result	234	210	24	11.4%
General administrative expenses (including depreciation)	678	656	22	3.4%
Risk provision/valuation	–53	106	–159	–150.2%
Income tax	129	148	–19	–12.6%
Net income after tax	**125**	**121**	4	3.1%

Business development in the business divisions

Business development in the Securities business division

At €306.0m, the economic result in the Securities business division was slightly up on the level of the previous year. The largest contribution to earnings was made by net commission income, reflecting the strong growth in total customer assets and favourable net sales performance. This was boosted by enhanced sales support, good fund performance and last but not least higher demand in business related to wealth creation and retirement planning.

Net sales performance and total customer assets

Net sales in the Securities business division totalled €13.2bn, increasing once again in comparison to the positive prior year result (€8.2bn).

Mutual securities funds and fund-based asset management increased net sales to €7.0bn, three times the net sales figure for 2014 (€2.3bn). The greatest contribution to this rise came from fund-based asset management, which generated net sales of €3.2bn (previous year: €0.6bn). A substantial portion of this was attributable to the products *Deka-BasisAnlage* and *Deka-Vermögenskonzept*, which were a strong focus of sales and marketing activity, and which each generated net sales of around €2bn. At a net result of €3.8bn, direct sales of mutual funds were significantly up against the previous year (€1.7bn), boosted in particular by mixed funds. Net sales of equity funds improved versus the previous year, primarily due to high inflows in relation to the *Deka-Dividenden-Strategie* fund.

ETF (equity and bond) funds achieved combined net sales of €0.6bn, thus exceeding the level of the previous year (€0.2bn).

Net sales of special securities funds, master funds and advisory/management mandates reached €5.6bn, just short of the prior year level (€5.8bn), with master funds and advisory/management mandates achieving gains thanks in part to the expanded asset servicing offering. This largely compensated for a decline in special funds.

Net sales Securities business division *(Fig. 5)*

€m	2015	2014
Net sales Securities business division	**13,169**	**8,244**
by customer segment		
Retail customers	6,356	2,289
Institutional customers	6,813	5,956
by product category		
Mutual funds and fund-based asset management	6,988	2,319
ETFs	613	161
Special funds and mandates	5,568	5,764

The business division's total customer assets rose by 8.0% to €198.7bn (end of 2014: €184.0bn). In addition to inflows, this was driven by strong performance in equity funds and institutional products in particular.

Total customer assets Securities business division *(Fig. 6)*

€m	31 Dec 2015	31 Dec 2014	Change	
Total customers assets Securities business division	**198,743**	**184,024**	14,719	8.0%
by customer segment				
Retail customers	94,379	85,547	8,832	10.3%
Institutional customers	104,365	98,477	5,888	6.0%
by product category				
Mutual funds and fund-based asset management	101,695	91,529	10,166	11.1%
thereof equity funds	24,247	22,217	2,030	9.1%
thereof bond funds	36,262	33,033	3,229	9.8%
thereof mixed funds	16,560	15,623	937	6.0%
ETFs	7,050	6,431	619	9.6%
Special funds and mandates	89,999	86,064	3,935	4.6%

Business development in the Real Estate business division

The market environment for the Real Estate business division continues to be difficult, and characterised by low market returns and low availability of adequately-priced property. Nonetheless the division achieved a very good economic result, slightly above the 2014 level. As a result of the noticeable pick-up in demand, sales quotas for retail funds were utilised in full this year. In view of the clear focus on sustainable performance and consistently high portfolio quality, sales quotas were not increased, and purchasing and sales activities were merely expanded within the framework of the existing business strategy. The business division increased its global reach through further international locations, in particular in Asset Management. New business in real estate financing increased in comparison to 2014.

Net sales performance and total customer assets

In an environment of historically low market interest rates, there was noticeably greater interest from private investors in property funds over the course of the year. The sales quotas stipulated at the beginning of the year for open-ended mutual property funds were utilised in full.

Net sales attributable to mutual property funds were significantly up on the previous year (€0.9bn), reaching €1.5bn. As in the previous year, *Deka-ImmobilienEuropa* generated the largest net volumes, however higher growth rates than the previous year were also recorded for *WestInvest InterSelect* and *Deka-ImmobilienGlobal*, which also focus on Europe. Part of the net sales result was due to the reinvestment of distributions.

Special funds and individual property funds generated net sales of €0.3bn, down on the previous year (€0.6bn). A considerable increase in gross sales, which was partly attributable to a large portfolio acquisition in the fourth quarter, was offset by the planned discontinuation of two individual funds and the liquidation of three special funds with a closed investor structure. It was not possible to fully meet the high demand, since the Group's focus on properties in the core segment with acceptable yield profiles currently limits investment opportunities. Credit funds contributed €0.2bn (previous year: €0.3bn) to net sales on the institutional side. Property finance funds accounted for the majority of this.

Net sales Real Estate business division *(Fig. 7)*

€m	2015	2014
Net sales Real Estate business division	**1,767**	**1,472**
by customer segment		
Retail customers	1,431	804
Institutional customers	335	668
by product category		
Mutual property funds	1,473	885
Special funds and individual property funds	293	587

The Real Estate business division's total customer assets rose by 6.0% to €29.5bn (end of 2014: €27.8bn) due in particular to the positive net sales performance. Of this increase, €24.7bn was attributable to mutual property funds. As measured by the mutual funds' assets according to BVI (as at December 2015), the division increased its market share over the year from 28.6% to 29.4%. The Real Estate business division thus remains Germany's second largest provider of open-ended mutual property funds.

Special funds and individual property funds increased their total customer assets during the year from €4.6bn to €4.8bn. The loan volume of credit funds climbed to €1.1bn (end of 2014: €0.9bn) and as at the reporting date related to the property, infrastructure and transport financing categories.

Total customer assets Real Estate business division *(Fig. 8)*

€m	31 Dec 2015	31 Dec 2014	Change	
Total customer assets Real Estate business division	**29,504**	**27,829**	1,675	6.0%
by customer segment				
Retail customers	22,998	21,672	1,326	6.1%
Institutional customers	6,506	6,157	349	5.7%
by product category				
Mutual property funds	24,657	23,239	1,418	6.1%
Special funds and individual property funds	4,847	4,590	257	5.6%

Overall, the performance of property funds was in line with the solid 2014 level. Mutual property funds generated an average volume-weighted yield of 2.5% during the year under review (previous year: 2.1%). A good yield was thus ensured for investors in the current interest rate environment.

The attractive return even in comparison to other investment products with a similar risk profile was achieved through a proven, well-balanced investment strategy. The liquidity ratio for mutual funds remained below 20% for the whole of the year under review, since firstly it is not currently profitable to invest liquidity, and secondly the provisions of the German Investment Code (*Kapitalanlagegesetzbuch* – KAGB) are steadily lowering the liquidity requirement.

To this end, fund managers on the sales side adopted a cautious approach despite the high prices achievable. On the purchasing side, the emphasis remained on high-quality properties in top locations. In addition, since initial yields are frequently low, a portfolio in mid-sized German towns with strong potential as well as properties with moderate renovation and modernisation needs were acquired. Deka Immobilien was equally active outside of Europe, and further extended its global presence.

The total transaction volume for property purchases and sales rose to the record level of €4.3bn (2014: €3.4bn). Around 62% of this figure was attributable to purchases of a total of 70 contractually secured properties, and the rest to 65 disposals. The Deka Group thus remains one of the world's biggest property investors. In addition, credit funds acquired a total of 23 loans with a volume of around €366m.

There was also targeted investment in modernisation of the property portfolio. The high quality of the portfolio was reflected in an occupancy rate which once again slightly improved to 93.7% (according to BVI) as at 31 December 2015.

Property financing

In property financing, the volume of new business arranged rose substantially to €4.4bn from the previous year's favourable result of €2.6bn. This total volume included extensions totalling €0.9bn. The volume of external placements stood at €1.6bn, also above the level of the previous year (€1.0bn). As in previous years, more than 50% of loans were placed with members of the *Sparkassen-Finanzgruppe*.

Driven by a high level of new business, at €6.9bn as at the end of 2015 gross loan volume was almost €1bn higher than at the end of the previous year. Overall this significantly overcompensated for the volume of loans maturing and unscheduled repayments. The average rating for the loan portfolio according to the DSGV master scale remained unchanged at 4. This corresponds to a rating of BBB– on S&P's external rating scale. Including the portfolio secured by collateral, the rating according to the DSGV master scale improved by two grades to AA (equivalent to a rating of A+ on the S&P scale).

Out of the total portfolio, €5.7bn (end of 2014: €4.8bn) was attributable to commercial property financing; €1.0bn (end of 2014: €1.0bn) to open-ended property fund financing; and €0.2bn (end of 2014: €0.2bn) to public-sector construction projects, a segment which is being phased out.

Business development in the Capital Markets business division

The Capital Markets business division closed the 2015 financial year with a strong economic result above the level of the previous year. High levels of activity in the commission business, which benefited from high market volatility, and the growing certificates business both contributed to this result. By contrast, the contribution to earnings from repo/lending transactions showed a slight decline in the low interest rate environment. Ongoing cost management had a positive impact. The business division's significant role as product, solution and infrastructure provider for the savings banks and other institutional customers was further strengthened.

Total net income in the division's short-term business fell short of the level reached in the previous year. This was predominantly attributable to a fall in income from money and currency transactions and higher short-term liquidity costs in view of the negative money market interest rates. In repo/lending business, the prior year results were not quite matched in the year under review. Nonetheless, demand for collateralised near-money market refinancing remained strong. This was supported by the savings banks making active use of the business division's function as a liquidity, risk management and collateral platform.

The Trading & Structuring department once again slightly exceeded the strong result of the previous year, thanks to the excellent position enjoyed in issuance, bond and derivatives business. Derivatives trading, which was able to meet high customer demand in full, rose particularly strongly. In addition, new issues for private and institutional investors also contributed to the positive earnings performance. The retail certificates business experienced robust customer demand, helped in part by the further enhanced product range, and continued to grow despite a strongly declining market. Due to favourable net sales of €4.6bn (previous year: €3.5bn) volumes totalled €11.8bn at the end of 2015 (end of 2014: €8.5bn). Starting from this reporting year, redemptions and maturities are no longer taken into account in the net sales management indicator, since in the certificates business the impact on earnings primarily occurs at the time of issue. If this method had been used to calculate the figures in the previous year, sales in 2014 would have been higher by €1.2bn. With the strong increase in issue volume, the Deka Group achieved a market share of 6.5% (as at September 2015) in the primary market for investment certificates and was thus ranked 7th in Germany. The market shares in credit-linked notes, express certificate structures and reverse convertible bonds were particularly high.

In commission business with equities, bonds and exchange derivatives, the business division benefited from increased customer activity driven by high market volatility. The previous year's income was significantly exceeded.

Business development in the Financing business division

In 2015, the Financing business division reported a negative economic result, primarily as a result of allocations to provisions for loan losses with respect to existing loans as well as the early repayment of high-margin loans. The volume of new business in the segment of transport and infrastructure loans that are suitable for asset management business grew compared to 2014.

The volume of new business arranged rose to €4.7bn (previous year: €3.5bn). The portion of this amount attributable to savings bank refinancing fell markedly, from 65% to 41%, whereas the volume of transport and infrastructure loans increased. The total volume of externally placed loans rose to €1.1bn (previous year: €0.8bn), of which around 19% (previous year: 21%) related to credit funds.

The division's gross loan volume decreased during the year from €17.9bn to €16.5bn, due to falling demand in the savings bank financing segment. Savings bank loans thus accounted for 56% of the total gross credit volume, a substantial decrease from the previous year (65%). On the other hand, the gross volume of lending to borrowers outside of the *Sparkassen-Finanzgruppe* increased from €6.3bn to €7.3bn. Of this total, infrastructure loans accounted for €2.0bn (previous year: €2.2bn), while transport and export loans accounted for €5.3bn (previous year: €4.1bn), including ship financing of €1.7bn and aircraft financing of €3.0bn.

The business division's level of risk, which had fallen in previous years, increased within acceptable limits. According to the DSGV master scale, the average rating for the loan portfolio rose by two notches to 6, corresponding to BB+ on S&P's rating scale.

Business development in non-core business

The proven strategy of reducing portfolios whilst safeguarding assets in non-core business was maintained consistently during the year under review. During the period, net interest income and net financial income, both key sources of income, reduced substantially due to the diminished portfolio.

The gross loan volume of lending business and credit substitute transactions that are not part of the core business fell from €1.8bn at the end of 2014 to €1.1bn at the 2015 reporting date. The main factors here were selective disposals and the final maturity of individual positions. The loan portfolio amounted to just €0.3bn (end of 2014: €0.9bn). The volume of capital market credit products stood at €0.9bn as at the end of 2015 (end of 2014: €0.9bn). The rating for the net loan volume on the DSGV master scale remained unchanged at 5, corresponding to BBB– on S&P's rating scale.

Financial position and assets and liabilities of the Deka Group

Financial management principles and objectives

DekaBank is a key liquidity provider for the savings banks. It actively manages its liquidity to perform this function in an economically viable manner.

The Treasury corporate centre manages the Deka Group's liquidity reserve in compliance with regulatory requirements, and thus ensures the liquidity of the Group at all times. It is also responsible for longer-term refinancing and asset/liability management.

DekaBank holds a large volume of highly liquid assets of central bank quality. Due to high liquidity in the banking book and the trading book as well as good ratings compared with competitors, it can also generate larger amounts through the repo market at any time.

Liquidity investments are currently focused on investments in bonds issued by German federal states, German development banks, German run-off institutions, German *Pfandbriefe*, supranational institutions and investment-grade corporate bonds, which serve as a liquidity reserve for the Bank.

Refinancing is carried out using conventional national and international money market and capital market instruments. This includes the issuance of public sector and mortgage *Pfandbriefe*, short-term bearer bonds based on the Commercial Paper (CP) Programme, and medium to long-term bearer bonds based on the Debt Issuance Programme. DekaBank also uses the repo and lending markets, call money and time deposits to raise and invest liquidity.

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

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

Financial position, capital structure, assets and liabilities

DekaBank's business volume shrank by around €4bn in 2015, or 3.4%, to €112.8bn (previous year: €116.9bn). Total assets dropped by €4.6bn or 4.1% from €112.6bn to €108.0bn. Receivables due from customers increased by €0.7bn to €15.7bn, thus representing around 14.6% of total assets. Receivables due from banks were down by €1.5bn to €16.5bn and equated to around 15.3% of total assets (previous year: 16.0%). Assets held for trading shrank by €0.8bn to €54.7bn, corresponding to 50.6% of total assets.

Amounts due to customers increased to €22.2bn (previous year: €19.0bn) while those due to banks remained unchanged from the previous year at €17.5bn. Securitised liabilities decreased by €6.2bn to €20.6bn. Liabilities held for trading amounted to €40.8bn, a decrease of €2.4bn.

Balance sheet changes DekaBank *(Fig. 9)*

€m	31 Dec 2015	31 Dec 2014	Change	
Balance sheet total	**108,001**	**112,646**	−4,645	−4.1%
Selected items on the assets side				
Due from banks and customers	32,216	33,000	−784	−2.4%
Financial assets at fair value	12,510	18,589	−6,079	−32.7%
Financial investments	54,694	55,489	−795	−1.4%
Selected items on the liabilities side				
Due to banks and customers	39,616	36,477	3,139	8.6%
Securitised liabilities	20,597	26,787	−6,190	−23.1%
Financial liabilities at fair value	40,848	43,225	−2,377	−5.5%

Changes in regulatory capital (own funds)

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

Capital adequacy is determined in accordance with the CRR/CRD IV. Alongside counterparty risk, market risk and operational risk, CVA risk is also taken into account. The own funds requirement under banking supervisory law was complied with at all times during the year.

The change in the Common Equity Tier 1 capital ratio (fully loaded) is discussed as part of the overall statement on the business trend and the Group's position. The corresponding total capital ratio amounted to 16.7% at year-end 2015 (end of 2014: 15.8%).

The leverage ratio determined in accordance with the delegated regulation of 17 January 2015, i.e. the ratio of Common Equity Tier 1 capital to the balance sheet total, adjusted in line with regulatory requirements, stood at 4.0% at 31 December 2015 without applying the transitional provisions (fully loaded), and 4.2% including the transitional provisions (phase in).

Regulatory capital Deka Group *(Fig. 10)*

	31 Dec 2015		31 Dec 2014	
€m	**CRR/CRD IV (without transitional provisions)**	**CRR/CRD IV (with transitional provisions)**	**CRR/CRD IV (without transitional provisions)**	**CRR/CRD IV (with transitional provisions)**
Common Equity Tier 1 capital	3,866	4,213	3,295	3,768
Additional Common Equity Tier 1 capital	474	292	474	196
Tier 1 capital	**4,339**	**4,505**	**3,768**	**3,964**
Tier 2 capital	855	814	663	556
Own funds	**5,194**	**5,319**	**4,431**	**4,520**
Credit risk	15,391	15,391	14,179	14,179
Market risk	11,884	11,884	10,378	10,378
Operational risk	2,185	2,185	2,006	2,006
CVA risk	1,727	1,727	1,458	1,458
Risk-weighted assets (total risk exposure amount)	**31,188**	**31,188**	**28,022**	**28,022**
%				
Common Equity Tier 1 capital ratio	**12.4**	**13.5**	**11.8**	**13.4**
Tier 1 capital ratio	**13.9**	**14.4**	**13.4**	**14.1**
Total capital ratio	**16.7**	**17.1**	**15.8**	**16.1**

Liquidity and refinancing

The liquidity management requirements set out under the Minimum Requirements for Risk Management (*Mindestanforderungen an das Risikomanagement* – MaRisk) were once again fulfilled by some margin during the reporting year. The regulatory requirements of the German Liquidity Regulation *(Liquiditätsverordnung)* were likewise exceeded at all times during the reporting period. Details about the Deka Group's liquidity position, including the liquidity coverage ratio (LCR), can be found in the risk report.

During the reporting year, DekaBank's CP Programme was granted the STEP (Short-Term European Paper) label. The label improves the liquidity of the commercial paper issued, as they become ECB-eligible. Furthermore, in the second half of the year additional subordinated capital with a volume of €300m was issued, strengthening the Group's total capital ratio and risk cover potential. This was predominantly placed with institutional investors as well as with savings banks and other banks.

Human resources report

The total number of employees of Deka Group rose slightly during the reporting year to 4,277 (end of 2014: 4,183). The increase is attributable firstly to the expansion in capacity in the Savings Banks Sales & Marketing department, which was largely completed by the end of the year. Secondly, a moderate expansion of the Real Estate business division's workforce was also necessary to service the increased property portfolio. The number of employees is determined by counting the number of employment contracts (temporary and permanent) in existence at the reporting date, including inactive employees, trainees and interns.

On average over the year, 81.3% (previous year: 82.4%) of the staff employed were in full-time posts. The number of employees relevant to the income statement increased slightly during the reporting year (1.2%) and totalled 3,722.1 (end of 2014: 3,678.2). The number includes part-time employees actively involved in work processes in the Deka Group calculated as full-time equivalents. The average age of active employees (excluding apprentices and inactive staff members) was 42.8 years (previous year: 42.4 years).

Post balance sheet events

No major developments of particular significance occurred after the 2015 balance sheet date.

Forecast and opportunities report

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

Forecast report

Forward-looking statements

The Deka Group plans its future business development on the basis of assumptions that seem most probable from a current perspective. However, plans and statements about growth during 2016 are subject to uncertainties.

Actual trends in the international capital, money and property markets or in the Deka Group's business divisions may diverge markedly from our assumptions, which are partly based on expert estimates. The Deka Group's risk position is summarised in the risk report. If the risk scenarios referred to in the risk report should arise, for example as a result of stress situations or counterparty default, this could mean that targets are not met in the 2016 financial year. Conversely, opportunities may result in expectations being exceeded.

Expected macroeconomic trends

In the view of DekaBank, global economic conditions in 2016 are unlikely to differ significantly from the economic environment in the year just ended. At an estimated 3.0%, the increase in gross domestic product will remain relatively modest, as was the case in the prior year. The year 2016 began once again with concerns about the global economy, particularly regarding the state of the Chinese economy, causing equity markets to fall. Nonetheless, in an environment of expansionary monetary conditions, Deka continues to anticipate moderate global expansion within the forecast period.

In the industrialised countries growth will be limited firstly by various structural weaknesses, and secondly by the necessary reduction of high debt levels and corresponding restrictions to spending. Moderate growth of 1.6% is expected for the eurozone. Whilst reforms in crisis-hit countries are gradually starting to bear fruit, the extent of reform activity in the three largest economies, Germany, France and Italy, remains disappointing. Although the German economy is in good shape overall, especially with respect to its labour market, concerns over economic developments are deterring companies from making major investments. At an estimated 1.7%, the expected growth of gross domestic product will be around the level of the prior year.

In the USA, growth momentum remains fundamentally intact, despite continuing industrial weakness. As structural changes have now been tackled as far as possible, a growth rate of 2.2% is expected for 2016. One factor that should underpin this trend is the labour market figures which remain encouraging.

With an estimated growth rate of 3.9%, momentum in emerging economies will be modest by historical standards. Many countries are still battling structural problems, which are likely to once again slow down the economy. As key interest rates in the USA rise, worsening global financing conditions may act as a brake on growth. In addition, exports have been hit by sluggish growth in the industrialised countries. The weakness in global trade is reflected in many small countries that are dependent on exports. In the major economies of China, Russia and Brazil, domestic factors are also a constraint. Nonetheless, China's economic growth looks set to remain relatively high, in line with government targets, although it will gradually decelerate. Deka projects economic growth of 6.5% for China in 2016.

Expected trends in the capital markets

Following the successful start to its bond-buying programme, at its last meeting of 2015 the ECB made an early decision to extend its purchase programme until at least March 2017. In addition, the deposit rate for banks was dropped a further ten basis points to –0.3%. The central bank is thus continuing its extremely loose monetary policy and is likely to wait until at least mid-2019 before raising key interest rates. In fact, there is even discussion on potentially lowering the deposit rate still further. In the USA, interest rates are likely to be only moderately adjusted upwards for the foreseeable future, such that the interest rate level will remain similarly low and the potential for yield increases will remain limited.

In view of the persistently low interest rates, investors in the eurozone will have to continue to deal with the fact that returns and bond yields, starting from an extremely low level, will rise only slowly. In particular, yields on short-dated German government bonds are expected to languish in negative territory for some time. However, the corresponding downward pressure on the long end of the yield curve for German government bonds should be more than offset by two opposing factors. Firstly, the loosening in monetary policy and the continued economic recovery should lead to a further increase in long-term inflation expectations. Secondly, the Fed's increase in key interest rates should be reflected in somewhat higher returns on long-term German government bonds.

Going forward, monetary policy will remain a key driver for European equity markets, even though its impact appears to be diminishing. The market's perception of an unstable global growth environment – in particular in emerging markets – as well as concerns associated with forthcoming interest rate hikes in the USA have led to sharp fluctuations in the equity and bond markets since the start of 2016. At the same time, economic fundamentals remain fairly positive for German equity markets. After the fall in share prices at the start of the year, German equities are attractively priced, while company profits are expected to rise further. Share prices should benefit from this throughout the course of 2016. However, in view of the weaker global growth prospects, Deka anticipates only moderate increases with strong fluctuations.

Expected trends in the property markets

The low interest rates should continue to fuel the investment boom on the property markets. In particular, for European office property markets Deka expects total income to remain high over a five-year horizon. In 2016 as well, yield compression is likely to be a significant driver for asset performance. In view of the low levels, however, downside potential should be limited. In order to ensure higher income in the future as well, rents would need to rise on a broad basis over the long term.

According to Deka forecasts, the reduction in vacancy rates in Europe should continue in 2016; the outlook for rental growth is rather subdued. Above average rent increases are expected for Madrid, Barcelona, Lisbon and Amsterdam over the next five years.

German markets should continue to see reasonable rent increases. Deka still anticipates somewhat stronger increases up until 2017 before momentum abates once again. A slight increase in completed construction projects is expected in 2016, and if vacancy rates decline further, speculative projects might also become attractive again. In terms of net initial returns, in 2016 a slight reduction is once again expected for Germany, however this should then bottom out.

Although recently the USA's best markets already experienced low points in terms of initial returns, for the time being a rapid rise in yields should not be expected, taking into account the sustained buoyant demand. Following some at times sharp increases, rentals may have reached their peak, and as a result of the well-advanced cycle, rental growth should slow in most markets during 2016.

The slowdown in Chinese economic growth is unlikely to be reflected at all in the performance of office markets in the Asian region. In light of the low vacancy rates, the best prospects for rental growth will continue to be provided by Hong Kong and Tokyo. The two-track development in Australia looks likely to prevail for some considerable time.

Overall assessment of the economic trends

Overall, the Deka Group expects no significant changes to economic conditions from the 2015 financial year. The central bank-driven increase in surplus liquidity on the money market and the low interest rates and yields, which are expected to remain low going forward, will continue to create some relatively challenging conditions for the Deka Group in the 2016 financial year. The shift by investors towards securities investments expected in principle as a result of the low interest rate environment could especially be overshadowed by the modest share price increases anticipated. Moreover, regulatory interventions such as the investment tax reform currently under discussion could unsettle investors and lead to fund outflows.

Expected business development and profit performance

During the 2016 financial year the Deka Group will continue to systematically develop its business model as the *Wertpapierhaus* for the savings banks. As in the past, in the coming year the framework for this development will continue to be set by the D18 transformation programme. In 2016, the Deka Group expects a stable trend overall in its financial position. Based on the assumptions made with regard to the economic environment, the aim is to achieve another good economic result in 2016. Although it is anticipated that the economic result will be moderate lower than the particularly strong economic result of the current reporting year, the 2016 result should be in line with the average figure over the last five years.

The forecast economic result will ensure that DekaBank remains able to distribute profits and to make the reinvestments required to strengthen its capital ratios in line with regulatory requirements.

The Securities business division expects net sales to remain comfortably positive in 2016, but moderately lower than the exceptional results achieved in 2015. This is likely to be the case in particular for near-money market bond funds, due to the current interest rate and yield environment. In institutional business, an overall increase in net sales is forecast, on the basis of further enhancements to the solutions and advisory offerings.

Alongside the risk of economic downturn, market risks include the potential to slip into deflation. Although in principle low interest rates make property investments more attractive than deposit products, greater deflationary trends could hurt the economy and destabilise the capital market environment for the long term. Meanwhile, risks arising from regulatory interventions could unsettle investors and hamper securities activities.

The Real Estate business division plans to further improve its market position, in particular at an international level. As demand for property fund products is expected to be high, net sales in retail business should be positive, slightly under the level of the previous year, enabling a slight increase to total customer assets. In institutional business, a positive but lower net sales performance is expected. In the coming year it is anticipated that business development will continue to be restricted above all by limited investment opportunities in the core segment.

Nonetheless, the division's growing international profile and the stronger focus on mid-sized towns and properties with moderate modernisation needs should enable a high purchasing volume to be achieved. Consistent use will thus be made of the benefits offered by an integrated investment fund business and real estate lending model.

As in the Securities business division, regulatory interventions in the pipeline, in particular the investment tax reform, pose a risk to future performance. Moreover, it is possible that the planned transaction volume and the expansion of real estate lending may not be achieved in light of the current competitive market conditions, which are characterised by yield compression.

Given the interest rate and liquidity environment, the Capital Markets business division is once again anticipating tougher conditions in 2016, in particular for short-term products and in commission business. Factors such as the flat yield curve and expected tightening in regulation will have an adverse impact. Nonetheless, the ongoing development of its function as a liquidity, risk management and securities collateral platform for savings banks, funds and other institutional customers – using its extensive expertise in trading and risk management – should enable a robust performance to be achieved. The development of suitable structured products and solutions in the Trading & Structuring unit should allow the Group to further enhance its market position in the primary market.

Regulatory and market-driven risks, most notably further pressure on commission, could hit the customer business and curb profitability in 2016 as well.

The Financing business division intends to retain its leading position in refinancing savings banks by actively seeking new business, while also generating loan assets eligible for asset management business by increasing new business in the infrastructure and transport financing segments. There are also plans to expand the range of financing structures.

Expected financial and risk position

In 2016, the Deka Group is anticipating a continued sound financial position and thus a stable trend in total assets. However, the planned increase to loan volumes in order to maintain the portfolio and protect margins in the financing business, in conjunction with higher refinancing costs due to the expiry of liabilities backed by guarantees as well as higher costs for maintaining liquidity in a period of negative market interest rates, will continue to place high demands on managing the balance sheet structure.

The Group's liquidity position will remain at a comfortable level. Even under the increasingly challenging market conditions, the Deka Group will be able to fully perform its function as a central platform for liquidity, risk and securities collateral for the savings banks.

Despite the expected slight increase in risk-weighted assets, the fully loaded Common Equity Tier 1 capital ratio is expected to be in line with the year-end 2015 level, on the basis of the intended partial reinvestment of profits.

Utilisation of total risk-bearing capacity is expected to increase moderately in 2016 compared with 2015, but will nonetheless remain at a non-critical level.

Development of the key performance indicators of the Deka Group *(Fig. 11)*

		31 Dec 2015	Forecast 2016
Economic result	€m	610.6	Moderately below the previous year's level
Total customer assets	€bn	240.0	Slight increase
Net sales	€bn	19.5	Slight decrease
Common Equity Tier 1 capital ratio	%	12.4	At around the previous year's level
Utilisation of total risk-bearing capacity	%	41.6	Moderate increase

Opportunities report

Opportunity management

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

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

- Opportunities arising from changes in circumstances result from market developments that are more favourable than expected. These include regulatory changes or changing investment trends on the part of customers.
- Corporate strategy opportunities are mainly linked to the ongoing transformation of the Deka Group into the *Wertpapierhaus*. The associated positive effects may be greater or could occur sooner than anticipated in the forecast report.
- Other opportunities are based primarily on process improvements and on strict cost management. These are likewise to be seen in the context of the ongoing development of the Deka Group as the *Wertpapierhaus*.

Current opportunities

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

A further devaluation of the euro against the US dollar, for example, could further boost exports and hence economic growth in Germany and in the eurozone. Moreover, economic growth in the USA and emerging markets could be even stronger than anticipated, which might also benefit eurozone countries. In such a case, this would have a positive impact on conditions in the property markets overall.

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

The money and capital market environment could also develop more advantageously than assumed in the forecast report. For instance, margins from liquidity investments could be increased if market interest rates are raised, although this is extremely unlikely now that the ECB has reaffirmed its low interest rate policy. Faster than expected yield growth on the bond market – following short-term valuation effects – would also open the door for higher returns on new investments in the long term.

In addition, a change in investment behaviour could also create opportunities on the market. However, it is the view of Deka Group that investors will only shift towards securities slowly, even in an environment of negative interest rates on deposits. Nonetheless, if the popularity of funds and certificates should increase, due not least to more securities-related advice being provided at the savings banks, this would have a beneficial impact on net sales performance and total customer assets.

Strategic and other opportunities arise in connection with the systematic development of the business model of the Deka Group as the *Wertpapierhaus* for the savings banks. The resulting effects are already incorporated in the forecasts for 2016. They will only have a positive impact on the Deka Group's business and profit situation if their implementation is accomplished even more quickly, or if the effects are greater than expected.

Risk report

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

Risk policy and strategy

The basic principles underlying the Deka Group's risk policy and strategy remain largely unchanged from the previous year. To achieve its objectives, the Deka Group consciously incurs risk in line with strategic requirements in order to generate sustainable added value for the savings banks. The Deka Group utilises in particular the advantages arising from the interconnection of its activities in the areas of investment funds and real estate, and in its lending and capital market businesses, to successfully implement its vision of the *Wertpapierhaus*. This involves not only counterparty, market price and operational risks but, more particularly, business and reputational risks as well as liquidity risks. These risks are limited by a comprehensive risk management system that covers all types of risk and all business divisions, sales and corporate centres in order to ensure the success of the Deka Group as a business.

The upper limit for risks that have an impact on the income statement is determined by the Group's total risk-bearing capacity. Particular consideration is given here to risk concentrations to which the Deka Group consciously exposes itself in connection with its business model. The main examples of this are the Group's focus on the domestic public sector, German savings banks and their customers, and on selected capital market participants and central counterparties, which is partly due to its function as a liquidity and collateral platform. As well as managing risks that have an impact on the income statement, ensuring the solvency of the Deka Group at all times is a significant focus of attention for risk management activities.

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

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

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 divisional and sales strategies, are reviewed on a regular basis. The reviews consider whether they 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. The use of business division-specific targets for risk and profit ensures that the business strategy is implemented appropriately in the business divisions.

The risk strategies developed for all material types of risk are derived from the Deka Group's business strategy as well as the strategies of the business divisions. These risk strategies provide specific details regarding risk monitoring and management. They are also reviewed at least once a year, revised if necessary and discussed with the Administrative Board. In the course of this process, DekaBank takes into account both external as well as internal factors, the underlying assumptions of which are reviewed regularly and on an ad-hoc basis as necessary.

The targets set under the business strategy and risk strategies are quantified each year as part of the medium-term business planning process. This process involves formulating an integrated profit, capital and risk plan for each of the next three budget years, and also takes any potential adverse developments into account.

The Group performs a risk inventory on an annual basis and at other times as required, in order to determine which risks could have a significant negative impact on its financial position, including capital resources, earnings or liquidity. An efficiently structured risk inventory ensures that an overview of the overall risk profile of the Deka Group is available at all times. Taking into account risk concentrations, DekaBank has established limits (risk tolerances) for all significant risks and has implemented rigorous risk management.

Organisation of risk management and control

Board of Management and Administrative Board

Risk management involves active management of the Deka Group's risk position. The Board of Management plays a crucial role in this regard. It is responsible for establishing, enhancing and monitoring the effectiveness of the risk management system. Within the risk management organisation, the Board of Management makes decisions on the Deka Group's strategy and defines the amount of overall risk permitted at the Group level. It also allocates capital to the respective types of risk and the business divisions, including Treasury and non-core business. In particular, it also decides the limits for the individual risk types at the Group level.

The Administrative Board, together with the relevant committees it has established – the Audit and Risk Committee and the Credit Committee – is responsible for monitoring the Deka Group's risk management system. Prior to every meeting of the Administrative Board, the Audit and Risk Committee meets to discuss in detail the matters impacting the Group's profit and financial position, as well as the risk situation and risk management. In addition, it reviews the Group's strategic direction with the Board of Management. During these meetings, the Committee also receives reports on the findings of audits carried out by Internal Audit and the external auditors. The main focus for the Credit Committee is to discuss matters specific to counterparty risks in terms of the structure and development of the loan portfolio. These discussions are held in advance of the Administrative Board meeting. The Credit Committee serves as the body that approves loans and discusses the business policy of the Deka Group's lending business with the Board of Management.

Management committees, business divisions and corporate centres

The Board of Management is supported in its management role in the first instance by various management committees. In this context, the Management Committee Assets/Liabilities (*Managementkomitee Aktiv-Passiv* – MKAP) primarily drafts resolutions on matters relating to the management of interest rates, currency, liquidity and refinancing, as well as regarding the capital and balance sheet structure. In addition, it plays a role in limiting market price risk by making recommendations on the allocation of high-level limits for the Capital Markets business division and the Treasury corporate centre. The members of the MKAP include departmental heads responsible for Treasury, Risk Control and Finance as well as the head of the Capital Markets business and the heads of the Treasury, Risk Control and Finance corporate centres. In addition, the heads of the Macro Research and Corporate Development departments participate in the bi-weekly meetings as permanent, non-voting guests.

The Management Committee Risk (*Managementkomitee Risiko* – MKR) generally meets once a month and advises the Board of Management on matters regarding significant risks at the Group level and on the assessment of issues that have a significant influence on the total risk profile of the Group. Its voting members include the Chief Risk Officer, the heads of the Risk Control, Credit Risk Office, Compliance, and Legal corporate centres and the heads of the risk functions of the asset management companies.

The Treasury corporate centre makes decisions in accordance with the limits recommended by the MKAP and set by the Board of Management, managing market price risks in the banking book as well as liquidity and refinancing for the Deka Group.

Organisational structure of risk management in the Deka Group *(Fig. 12)*

		Market price risk	Liquidity risk	Counterparty risk	Operational risk	Business risk	Property risk/ property fund risk	Shareholding risk
Administrative Board (or Audit- and Risk Committee)	- Overview of current risk situation/risk management system - Discussion of strategic direction with Board of Management	●	●	●	●	●	●	●
Administrative Board (or Credit Committee)	- Loan approval committee - Discussion of the business direction in lending business with Board of Management			●				
Board of Management	- Determines strategic direction - Responsible for Group-wide risk management system - Sets return on equity target and allocation of risk capital to risk types and business divisions - Sets overall limit and approves limits within risk types	●	●	●	●	●	●	●
Management Committee Assets/Liabilities (*Managementkomitee Aktiv-Passiv* – MKAP)	- Supports the Board of Management in matters relating to interest rate and FX management, liquidity and funding management, capital and balance sheet structure management - Proposes, introduces and monitors risk-mitigating measures in liquidity emergencies	●	●	●	●	●	●	●
Management Committee Risk (*Managementkomitee Risiko* – MKR)	- Supports the Board of Management in matters relating to significant existing and forecasted risks - Supports the Board of Management with the evaluation of issues that have a significant effect on the overall risk profile	●	●	●	●	●	●	●
Securities business division	- Conducts transactions in line with strategic guidelines	●		●		●	●	●
	- Identifies, measures and manages operational risks on a decentralised basis				●			
Real Estate business division	- Conducts transactions in line with strategic guidelines		●	●		●	●	●
	- Identifies, measures and manages operational risks on a decentralised basis				●			
Capital Markets business division	- Conducts transactions in line with strategic guidelines	●	●	●		●		
	- Makes decisions within the guidelines established by the MKAP and sets limits within the business division	●	●					
	- Identifies, measures and manages operational risks on a decentralised basis				●			
Financing business division	- Conducts transactions in line with strategic guidelines		●	●		●		●
	- Identifies, measures and manages operational risks on a decentralised basis				●			
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	●	●					
	- Identifies, measures and manages operational risks on a decentralised basis				●			
Risk Controlling (Corporate Centre)	- Development/update system to quantify, analyse and monitor risks - Reports to Board of Management and Administrative Board - Determines/monitors risk-bearing capacity - Monitors approved limits	●	●	●	●	●	●	●
Stress Testing Committee	- Assesses and appraises stress scenarios and stress test results - Specifies stress testing processes - Reports and makes recommendations for action to the Board of Management	●	●	●	●	●	●	●

		Market price risk	Liquidity risk	Counterparty risk	Operational risk	Business risk	Property risk/ property fund risk	Shareholding risk
Credit Risk Office (Corporate Centre)	- Administrative office for early risk identification - Market independent second recommendation - Reviews and/or approves ratings - Checks certain collateral - Monitors management of non-performing and troubled loans			●				
	- Identifies, measures and manages operational risks on a decentralised basis				●			
Country Risk Committee	- Assesses country risks			●				
Monitoring Committee	- Monitors and manages exposure at risk of default			●				
Rating Committee	- Enhances and maintains internal rating procedures			●				
Shareholdings (Corporate Centre Corporate Development)	- Manages equity investment portfolio							●
	- Identifies, measures and manages operational risks on a decentralised basis				●			
Compliance (Corporate Centre)	- Regulatory function of Compliance Officer as set out in the German Banking Act (KWG), German Securities Trading Act (WpHG) and German Investment Code (KAGB), along with the function of Money Laundering Officer pursuant to the German Money Laundering Act (GwG); Central Office in line with the requirements of the KWG - Fulfils function of Responsible Officer for QIs under FATCA				●			
Information Security Management (Corporate Centre IT)	- Regulatory function of Information Security Officer under the Minimum Requirements for Risk Management (MaRisk) - Ensures IT security and is responsible for business continuity management				●			
Other Corporate Centres	- Identifies, measures and manages operational risks on a decentralised basis				●			
Internal Audit (Corporate Centre)	- Audits and evaluates all activities/processes (especially risk management system)	●	●	●	●	●	●	●

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

The Credit Risk Office corporate centre is responsible for providing a second opinion independent of front office operations, for reviewing and approving ratings, and for reviewing and approving specific collateral. In addition, the Credit Risk Office monitors the process for handling non-performing and troubled loans, and acts as the central administrative office for early risk identification.

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

For the Deka Group, the Compliance corporate centre covers the regulatory functions of the Compliance Officer as set out in the German Banking Act (*Kreditwesengesetz* – KWG), the German Securities Trading Act (*Wertpapierhandelsgesetz* – WpHG) and the German Investment Code (*Kapitalanlagegesetzbuch* – KAGB). It also covers those functions assigned to the Money Laundering Officer pursuant to the German Money Laundering Act (*Geldwäschegesetz* – GwG) and represents the “Central Office” in line with the requirements of the German Banking Act. Furthermore, the Compliance corporate centre fulfils the role of “Responsible Officer” required for Qualified Intermediaries (QIs) under the Foreign Account Tax Compliance Act (FATCA). Alongside the provision of training and advice on relevant issues, the corporate centre assesses controls and procedures implemented by the operational units to determine whether they are appropriate and effective, with the aim of minimising compliance risks for the Deka Group.

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

Committees

The Stress Testing Committee, which meets quarterly, is responsible for determining the macroeconomic stress testing scenarios and processes to be performed across all risk types, and evaluating the results of the stress tests. In this way it supports the Board of Management in the overall assessment of the risk situation and in determining any necessary action to be taken. Regular members of the committee include the heads of the Risk Control, Finance, Corporate Office & Communications and Corporate Development corporate centres, as well as the heads of the units Internal Services – Security Funds and Capital Markets Business, Internal Services – Real Estate & Credit, Overall Bank Risk & Reporting, and Macro Research.

Additional committees that are relevant to counterparty risk management include the Country Risk Committee, which assesses country risk, the Monitoring Committee, which monitors and manages exposures at risk of default, and the Rating Committee, which monitors developments in the methodology for internal rating procedures and their implementation (see counterparty risk).

Reporting

The risk management and risk control system is also the foundation for objective and comprehensive risk reporting: all information required for risk monitoring is provided to the responsible departments in a timely manner. In this way, both the Board of Management and the MKAP are informed on a monthly basis about the current utilisation of risk-bearing capacity and the capital allocation of both the individual business divisions and the Group. Furthermore, the Board of Management and the Administrative Board receive a comprehensive quarterly risk report pursuant to the requirements of MaRisk. The risk report provides an extensive overview of both risk-bearing capacity and the development of each individual risk type. The Board of Management also receives summary reports containing the key points on the current risk situation. Depending on the type of risk, these reports may be submitted on a daily basis, but in any event are presented to the Board of Management at least once a month. Reports on key financial indicators submitted to the Board of Management constitute the central and comprehensive monthly reporting to the Board of Management that is required by MaRisk (for further details on reporting, see the sections on the respective risk types).

Further developments in risk management

In terms of methodology, further enhancements were made to risk models during the year under review, in order to reflect changes in the market environment, business developments and current regulatory requirements. In addition, the organisation of risk management and control has changed in certain areas. As regards the organisational structure within Risk Control, some specific functions are now more closely interlinked, for example with regard to appraisal and determination of market risk, as well as in terms of the conceptual and technical development of risk models.

As part of the validation process for the credit portfolio model, some adjustments were made to parameters, in particular with a view to making the data sources used more representative. For example, the data source used for risk drivers relevant for the calculation of loss ratios was replaced with a data source that is consistent with DekaBank’s internal rating modules. Migration matrices were also updated and switched to consistent data sources, and as a result are now more sensitive to the migration probabilities for public authorities, for example. The overall impact of these changes was a moderate increase in counterparty risk, leading to an adjustment to the distribution of allocated risk capital.

Within the context of limiting counterparty risk, the separate limits for risks in relation to potential future exposure (PFE), already implemented in the previous year, were further enhanced. As well as taking into account liquidation risks with respect to repo/lending transactions, PFE risk now also incorporates potential risks arising from future market price fluctuations in relation to derivatives transactions.

With respect to operational risks, in the prior year the advanced measurement approach (AMA) – an approach which is recognised by the regulatory authorities – was subject to a fundamentally reworked validation process, leading to a number of adjustments to the model. These changes were put into effect during 2015. In particular, changes were made to the procedures for combining internal and external loss data and to the way the distribution of loss levels is determined. This followed changes already implemented in 2014, namely the incorporation of additional elements of legal risk and a significant reduction in the importance placed on any expected mitigation of losses. The implementation of these amendments to the model has led to a significant increase in the calculated risk amount, albeit at a level that is not critical to maintaining risk-bearing capacity. Therefore, in order to provide a forward-looking view, and in anticipation of the expected application of the model enhancements, from the beginning of the reporting year a general surcharge was added in the risk calculation as part of the economic risk-bearing capacity analysis. As planned, the procedure was also initiated for obtaining regulatory approval for the regulatory capital requirement to be determined in accordance with the revised model. This process had not yet been concluded as at the balance sheet date.

During the reporting year, the European Central Bank performed audit procedures as part of the regulatory approval process with respect to using the enhanced internal models to determine the (partial) capital charges for market risk positions. As at the end of 2015, this process was also ongoing. Once regulatory approval has been granted, the model – already used for the purposes of economic management (Pillar 2) – will also be applied to determine the capital and reserves required in accordance with CRR (Pillar 1). This relates to the regulatory capital charges for general interest rate and share price risks.

Various changes were made with regard to business risk, in particular in relation to the risk drivers used for the risk model based on net commission. Further changes to the business-division-specific calculation methodology also resulted in additional overall business risk. The resulting changes also provide for increased differentiation in the way risk is allocated to business divisions within the model, giving substantially greater consideration to their specific characteristics.

The macroeconomic stress scenarios run across all risk types in order to illustrate the impact of stress periods were also enhanced and subject to regular updates.

In addition, the approach for assessing and analysing model uncertainties based on the respective specific risk types was consistently enhanced for all of the risks discussed above.

Implementation of the 'Principles for effective risk data aggregation and risk reporting' (BCBS 239) commenced during the reporting year and will be a critical risk management project over the next few years. The principles cover risk data aggregation capabilities and risk reporting practices, among other things. As a Domestic Systemically Important Bank (D-SIB), DekaBank is required to complete the implementation of BCBS 239 by the end of 2018. Internal risk reporting was already substantially broadened over the past year, in particular for counterparty risks, for instance with respect to reporting on monitoring cases.

Overall risk position of DekaBank

The risk position presented in the risk report is the Deka Group's overall risk position and is therefore in line with the definition which is also applied to the presentation of the Deka Group's expected business development and profit performance in the Group management report. This means that the report focuses on risks that are relevant from the point of view of the Group. Opportunities that might be used to counteract an increase in risk are presented separately in the opportunities report.

Risk definitions, concentrations and measurement

The individual risk types for the purposes of risk monitoring and risk management are derived from the annual risk inventory. Risk types considered to be material include market price risk, counterparty risk, operational risk, liquidity risk and business risk.

Market price risk

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

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

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

Share price risks are identified as risk factors via individual shares or indices and are influenced by risks from share or index volatility. The associated option risks or volatility risks are also taken into account here.

Currency risks reflect changes in exchange rates.

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

Counterparty risk

Counterparty risk is the risk of financial loss resulting from the deterioration in the creditworthiness of a borrower, issuer or other counterparty (migration risk) or when the counterparty is no longer able to fulfil its contractually-agreed obligations, or not able to fulfil them in a timely manner (default risk). Counterparty risk also includes country risk in the form of transfer risk, which results not from the business partner itself, but instead is due to its location abroad.

In principle, the Deka Group makes a distinction in counterparty risk between position risk, advance performance risk and potential future exposure (PFE) risk. 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 are not paid or are not paid in a timely manner. Issuer risk is the analogous counterparty risk associated with securities. 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 when a business partner performs a contractually agreed obligation. Advance performance risk represents the risk that a business partner will not pay the contractually agreed consideration after advance performance has been rendered by the Deka Group. Potential future exposure (PFE) risk comprises the risk arising from potential market price fluctuations in relation to repo/lending transactions, synthetic lending transactions and other derivatives transactions.

Operational risk

Operational risk describes the risk of losses resulting from the use of inadequate internal procedures and systems or their failure, as well as from human error and external events.

Operational risk also includes legal risks as long as these do not refer to future business activities. Other components of operational risk include personnel risk and dependency on outsourced processes (outsourcing risk), as well as compliance risk and also aspects of model and project risks. Reputational risks as a result of loss events are not included in the calculation of the loss potential, but they are taken into account in methods and procedures and are assessed from a qualitative perspective.

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 cannot meet its current and future payment obligations in a timely manner because the Group's liabilities exceed the available liquid funds.

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

Market liquidity risk is understood as the risk that transactions cannot be settled or closed out, or can only be settled or closed out with losses due to inadequate market depth or market disruptions.

Business risk

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

Reputational risk

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

Model risk

Model risk refers firstly to potential losses arising from errors in the design, implementation or use of valuation or risk models, or from incorrectly evaluating the appropriateness of a particular model. It is treated as a sub-category of operational risk. Model risks are incorporated directly into the Deka Group's risk-bearing capacity by developing and assessing corresponding scenarios as part of the self-assessment process.

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

Model risks in relation to valuation models are directly recognised by creating appropriate provisions for models under liabilities. By contrast, model risks in relation to risk models are viewed in conjunction with the respective risk type and in particular examined as part of the validation process.

Further types of risk

The risk inventory process has identified other types of risk that currently have only a minor influence on the Group's risk-bearing capacity.

The Deka Group defines shareholding risk as the risk of financial loss due to impairment of the portfolio of equity investments, insofar as they are not consolidated in the balance sheet and therefore already included under other types of risk.

Property risk describes the risk of a decline in the value of property held in the Deka Group's own portfolio.

Property fund risk results from the possibility of an impairment in the value of property fund units held in the Group's own investment portfolio.

Risk concentrations

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

Risk concentrations can occur both within the major risk types (intra-risk concentrations) as well as between different material types of risk (inter-risk concentrations) and 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.

Business-division-specific risk profiles

The individual business divisions have unique risk profiles because they are a consolidation of specific types of business activities.

Securities business division

Because of its focus on active management of securities funds and on fund-linked investment solutions and services, 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 other Deka Group brands. In addition, managed guarantee products create counterparty and market price risks for the Deka Group.

Real Estate business division

As with the Securities business division, active fund management creates operational and business risks in this business division. In addition, real estate lending leads to counterparty risk, although this lending usually involves individual loans with a different regional focus.

Capital Markets business division

The customer-based business of the Deka Group with the savings banks and additional selected counterparties and business partners leads primarily to counterparty and market price risks. In its capacity as the central securities and collateral platform in the association, DekaBank supports Deka funds and the savings banks by providing and managing liquidity (liquidity platform). This led to concentrations with individual business partners and counterparties during the financial year. However, these concentrations were generally offset by corresponding collateral in the form of monetary deposits or diversified securities portfolios. At the same time, the temporary investment of the business division's liquidity created market price risks, particularly credit spread risks.

Financing business division

The business activities of the Financing business division in the risk segments it focuses on create corresponding focal points and regional risk concentrations, primarily in counterparty risks.

Treasury

The various functions of the Treasury corporate centre relevant to the reporting year gave rise to counterparty risk, particularly with regard to Germany and the public sector. As a result, this led to market price risks, primarily in the form of credit spread risks, and liquidity risks.

Non-core business

Lending and products in non-core business lead primarily to counterparty and market price risks. Going forward, the Group aims to decrease its risk position here even further by continuing to reduce volumes while preserving assets.

Overall concepts of risk measurement

The Deka Group essentially uses three tools for overall management and monitoring of the risks that result as part of the strategic requirements of the Group's business activities. These tools comprise the risk inventory, risk and capital planning, and risk-bearing capacity (including stress testing) and capital allocation. These are supplemented with specific individual tools for operational management and monitoring of individual types of risk. These individual tools are described in the respective sections covering the individual risks.

Risk inventory

The Deka Group determines and assesses its overall risk profile using a risk inventory that is performed on both a regular and an ad-hoc basis. All significant risks and the associated risk concentrations are identified in this process. It is the starting point for the analysis of risk-bearing capacity and, together with the risk strategy, forms the basis for the design of further risk management tools. The risk inventory is divided into a preliminary analysis, a review of the risk universe for relevance and materiality to the Deka Group and the individual business divisions, and the preparation of the results. In addition, significant risk issues for the Deka Group are discussed each month by the MKR.

Risk and capital planning

The risk-bearing capacity of the Deka Group is determined both in terms of the current situation and based on forecast business activity. As part of the medium-term business planning process, DekaBank's Board of Management sets out the risk appetite and the associated allocation of the primary risk cover potential for the individual types of risk and for the business divisions, covering the next three budget years. This process also allows potential risk concentrations to be effectively addressed at an early stage. Any adjustments needed during the year are undertaken when recommended by the MKAP and adopted by a resolution of the Board of Management.

Risk-bearing capacity and capital allocation

In principle, risk-bearing capacity is used to determine the maximum level of risk that can be incurred (impacting the income statement), taking into account risk concentrations.

To safeguard its risk-bearing capacity, the Deka Group primarily follows a liquidity-oriented approach (liquidation approach), in which the focus is particularly on ensuring the protection of creditors at all times in the hypothetical event of liquidation. This requires that even extremely rare risk situations are included in the analysis.

As part of this liquidation approach, the Deka Group's total risk includes at a minimum all significant types of risk 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 a capital amount that is highly likely to be sufficient to cover the losses from all significant risk positions at any time within one year.

DekaBank uses the value-at-risk approach (VaR) in order to quantify individual risks on a uniform basis and to aggregate them as an indicator for overall risk. The calculation of VaR for a one-year holding period is made for internal management purposes with a confidence level of 99.9%. This level is derived from the target rating and the Deka Group's business model.

The total risk of the Deka Group that is derived from the individual types of risk is compared to the Group's risk cover potential available to offset losses. The liquidation approach takes into account all available components of capital that do not negatively impact creditors in the event of a hypothetical liquidation. In the liquidation approach the total risk cover potential, i.e. the total risk-bearing capacity, consists primarily of equity capital in accordance with IFRS and earnings components and positions with a hybrid capital nature (subordinated capital), adjusted using amounts to correct for specific capital components, such as intangible assets or risks arising from pension obligations. This risk cover potential is available – in the sense of a formal total risk limit – to safeguard risk-bearing capacity.

Based on this outcome, explicit capital buffers are defined, for example for stress scenarios, the sum of which sets the minimum level for what is referred to as secondary risk cover potential. The primary risk cover potential – the main management metric for the allocation of risk capital – represents total risk-bearing capacity minus secondary risk-bearing capacity.

The utilisation ratios for total risk-bearing capacity, the primary risk cover potential and the allocated risk capital may not exceed 100%. A warning threshold of 90% has been established for the utilisation of primary risk cover potential.

In addition, the Deka Group regularly determines its risk-bearing capacity based on the going concern approach as a supplementary procedure to assess risk-bearing capacity. Here the primary focus is on the extent to which and how often (time horizon) the Deka Group can incur risks without endangering its ongoing existence, while simultaneously complying with the relevant regulatory capital requirements. This means that in principle risks can only be incurred to the extent that capital components are not already committed due to compliance with previously defined secondary conditions. Secondary conditions that are taken into account include both a Common Equity Tier 1 capital ratio of 10.5% as a warning threshold and a Common Equity Tier 1 capital ratio of 9.5% as a threshold value. In contrast to the liquidation approach, the risks in the going concern approach are considered based on the assumed continuation and intention to hold investments to maturity and with regard to the time horizon deemed relevant to risk management. DekaBank evaluates risks using the going concern approach with a confidence level of 95% and a holding period of one year, which corresponds to a time horizon of once in 20 years.

The results of the risk-bearing capacity analysis under the two approaches and the allocation as calculated using the liquidation approach (the primary approach for management purposes) and its utilisation are determined on a monthly basis and reported to the Board of Management. The Audit and Risk Committee and the Administrative Board are informed on a quarterly basis.

Stress tests and scenario analyses

Macroeconomic stress tests across all risk types and scenario analyses based on specific risk types are performed based on the liquidation approach for all material types of risk, in order to assess the impact of extreme market developments on total risk-bearing capacity. These tests help identify areas for action at an early stage as soon as crisis situations start to appear.

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

When needed, the scenarios are supplemented with relevant ad-hoc analyses. The effects of these stress scenarios performed across all risk types are determined for all relevant profit and risk indicators and then compared with the resulting scenario-specific risk cover potential.

The results of the stress tests performed for all risk types are determined quarterly, assessed by the Stress Testing Committee and reported to the Board of Management, the Audit and Risk Committee, and the Administrative Board.

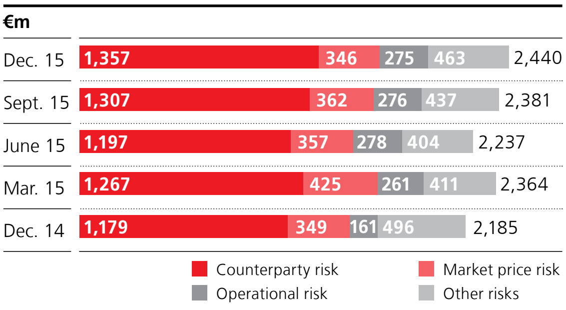
The annual review of the stress scenarios, as prescribed by regulators, indicated that the existing scenarios are broadly useful and appropriate. One real-economy scenario was replaced by a classic inflation scenario. The scenario parameters were updated to take into account the current market environment.

Overall risk position in the 2015 financial year

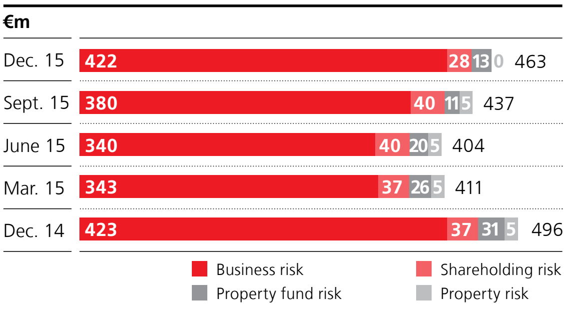
In terms of the development of total risk, it should be noted that the enhancements to risk models already outlined above have tended to increase risk overall. Nonetheless, as at 31 December 2015, the utilisation of total risk-bearing capacity was only moderately higher than at the close of the prior year, and thus remained at a non-critical level. This was helped in particular by a strengthened capital base, achieved through partial reinvestment of 2014 net income and by raising further subordinated capital.

Under the liquidation approach, which is used for management purposes, the Deka Group's overall risk (value-at-risk or VaR, with a confidence level of 99.9% and a holding period of one year) stood at €2,440m as at the end of 2015 (end of 2014: €2,185m). A substantial portion of this was attributable to an increase in counterparty risk, which was caused by a build-up of positions, downgrades to ratings and the changes to models referred to above. The marked increase in operational risk was due almost exclusively to the general surcharge applied to account for the expected effects of the above-mentioned enhancements in methodology. Although this was offset by a slight decrease in market price risk together with a reduction in business risk, which again was caused by the changes to models, these effects were almost completely cancelled out as a result of trends in net commission and equity volatility. The remaining types of risk included in the analysis of risk-bearing capacity remained largely unchanged and once again made only a minor contribution to overall risk.

Change in Group risk over the course of the year *(Fig. 13)*



Change in Group risk over the course of the year – other risks *(Fig. 14)*



The risk attributable to core business increased to €2,383m (end of 2014: €2,048m). There was a significant drop in VaR for non-core business to €97m (end of 2014: €170m), due primarily to the substantial ongoing reduction in the portfolio as non-core business is wound down.

The 11.7% rise in overall risk was offset by a noticeable increase in total risk-bearing capacity to €5,868m (end of 2014: €5,562m). The key factors contributing to the rise in total risk-bearing capacity were firstly the increase to retained earnings from the partial reinvestment of 2014 net income, and secondly the raising of an additional €300m of subordinated capital in October and November 2015, which resulted in a corresponding increase in the volume of subordinated capital components available for offsetting. Utilisation of total risk-bearing capacity was 41.6% at the end of the year, just moderately above the level at the end of 2014 (39.3%). It also remained at a non-critical level throughout the whole of the year under review.

Primary risk cover potential, the calculation of which does not incorporate subordinated capital (including AT1 capital and perpetuals), rose to €4,492m (end of 2014: €4,265m). Utilisation thus rose to 54.3% (end of 2014: 51.2%).

The stress scenarios that are run on a regular basis across all risk types also confirmed that total risk-bearing capacity was assured in all scenarios at the end of the year. As at 31 December 2015, the forecast utilisation of total risk-bearing capacity twelve months into the future exceeded the early warning threshold of 80% in only one scenario. Early warning thresholds were exceeded in certain isolated scenarios during the reporting period, and steps were taken to bring the results of these scenarios back within acceptable limits. Among other things, these included targeted reductions of individual positions within capital markets business and Treasury. The regular annual reviews of the scenarios performed across all risk types were carried out in the third quarter of 2015. Following the reviews, hypothetical crisis scenarios were updated and some changes were made to parameters.

Under the going concern approach, which is examined as a supplementary test, utilisation also increased when compared with the end of 2014. With a Common Equity Tier 1 capital ratio of 10.5%, utilisation of the remaining risk cover potential (with a confidence level of 95% and a holding period of one year) was 46.7% at the end of 2015 (end of 2014: 39.2%), and therefore remained nonetheless at a non-critical level. In contrast to the increase in total risk, which is primarily attributable to the effects mentioned above with respect to counterparty risk, there was a slight decline in available risk cover potential, despite the reinvestment of profits. The main reason for this is that significantly higher deductions had to be posted for regulatory tied capital, reflecting an increase in risk-weighted assets (RWA).

Market price risks

Strategic framework and responsibilities

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

Within the risk management organisation, the Board of Management decides the market price risk limits for the Group as a whole, as well as at the level of the business divisions, including Treasury and non-core business. The respective division head is responsible, in consultation with the head of Risk Control, for defining the limits set at the level of the Capital Markets business division and Treasury, or reallocating them between existing limits where appropriate. The allocation of limits reflects both organisational structure and the distinction between the trading and the banking book.

The MKAP makes 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 the corresponding resolutions. The Treasury corporate centre and Capital Markets business division are responsible for carrying out transactions and maintaining positions. In terms of market price risks, they are solely responsible for the implementation of strategic guidelines and operational management within the prescribed limits.

Focus, structure and degree of risk associated with business activities

With respect to market price risk, the Deka Group's business model focuses primarily on conducting business in interest and equities-related products. For this purpose, the Group mainly uses established products and markets with adequate market liquidity and market depth due to their international acceptance. No business is conducted involving physical delivery of precious metals and goods. Open risk positions are entered into only within the allocated market price limits.

In its function as a liquidity platform, during the reporting year the Capital Markets business division entered into open positions in a predefined amount exclusively in particularly liquid securities with high credit ratings. The primary risks resulting from these activities were credit spread risks, as well as interest rate, equity, option and currency risks. Whenever economically justified, risks were covered using hedging instruments. The requirements for recognition of hedging relationships 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.

When investing liquidity for the short term, the Group predominantly enters into positions in highly-liquid, ECB-eligible securities with short residual terms and investment-grade ratings.

In bond trading, positions are established in the bonds of public issuers, financial service providers and corporations, among others. The focus here is on market-making for customers, therefore long-term positions are generally not entered into.

Positions are established for structuring purposes in both securities and derivatives – especially options – in equities and interest rates. The resulting interest-rate-option and equity-option risks as well as the general position risks are hedged using derivatives. When economically justified, the equity and interest rate risks arising from primary and secondary market positions for structured products are hedged.

The focus of liquidity investment in Treasury is currently on investments in bonds issued by German federal states, German development banks, German run-off institutions, German *Pfandbriefe*, supranational institutions and investment-grade corporate bonds, which serve as the Bank's liquidity reserve. These investments primarily give rise to credit spread risks, which are closely monitored and reduced, when needed, through disposals or via credit derivatives. Interest rate and currency risks that result from asset-liability management are managed using derivative instruments, whereas the market price risks arising from refinancing and equity-capital management are countered using internal transactions where possible.

Market price risk in non-core business consists almost exclusively of credit spread risk. This risk is managed as part of the initiative to reduce the portfolio while preserving assets.

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 allocated to the Securities business division.

Management and limit-setting

Market price risk is monitored on a daily basis. The basis for this monitoring is a system of operational limits that is consistent with the Group's overall risk-bearing capacity. This system defines limits in line with the business model for the various portfolio levels and risk categories. In addition, limits are set based on operating metrics such as sensitivities. Stop-loss limits are another management tool that the Group has established to limit losses. In the event that a stop-loss is exceeded, the MKAP will immediately take steps towards mitigation.

Value-at-Risk (VaR)

While 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%. 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%.

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

To determine VaR, a sensitivity-based Monte Carlo simulation is used across all portfolios. This simulation ensures that all market price risks are identified in an integrated manner. The foundation for the calculation is volatilities and correlations that have been determined based on historical changes in market parameters. Market correlations within the risk categories of interest rates and credit spreads, and currencies and equities are taken into account, as are the correlations between the risk categories.

Sensitivity-based management metrics

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

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

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

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

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

Scenario analyses and stress tests

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. The value-at-risk metric is thus also complemented by stressed value-at-risk, which evaluates the risk potential in a period of financial stress. The focus is on risks that are particularly relevant, especially credit spread risk, using separate, portfolio-specific analyses.

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

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

Backtesting of VaR risk ratios and validation

Various steps are taken to test the quality of the VaR forecast, including regular backtesting for various portfolio levels. In this process, the daily results that are theoretically achieved assuming unchanged positions on the basis of the market developments observed on the following day are compared with the forecast value-at-risk figures for the previous day. Dirty backtesting (i.e. backtesting that takes trading activities into account) is also carried out. 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.

Reporting

Risk Management monitors all risk limits and informs the Board of Management, the head of the Capital Markets business division and the heads of the Treasury, Risk Control and Finance corporate centres on a daily basis about market risk positions in the trading and banking books and about the trading results at the close of business. The MKAP and the Board of Management receive reports on a monthly basis. Limit overruns are immediately reported to authorised decision makers. The Administrative Board is informed on a quarterly basis.

Current risk situation

During the reporting year, market price risk (measured using value-at-risk with a confidence level of 99.9% and a holding period of one year) fell slightly at Group level to €346m (end of 2014: €349m). This was primarily attributable to a decline in risk due to the reduction in bond positions in Treasury. This outweighed the additional risk created by changes in positions in the Capital Markets business division and from an increased risk position in relation to guarantee products in the Securities business division, in turn caused by changes in positions and market developments.

At the end of 2015, market price risk for Treasury, the Capital Markets business division and non-core business (measured by value-at-risk with a confidence level of 99% and a holding period of ten days) totalled €45.6m (end of 2014: €48.6m). Utilisation of the operating management limit for Treasury and capital markets business was virtually unchanged at 45% (end of 2014: 46%) and therefore remained at a non-critical level.

Value-at-risk for Treasury, Capital Markets business division and non-core business[1)] (Confidence level 99%, holding period 10 days) *(Fig. 15)*

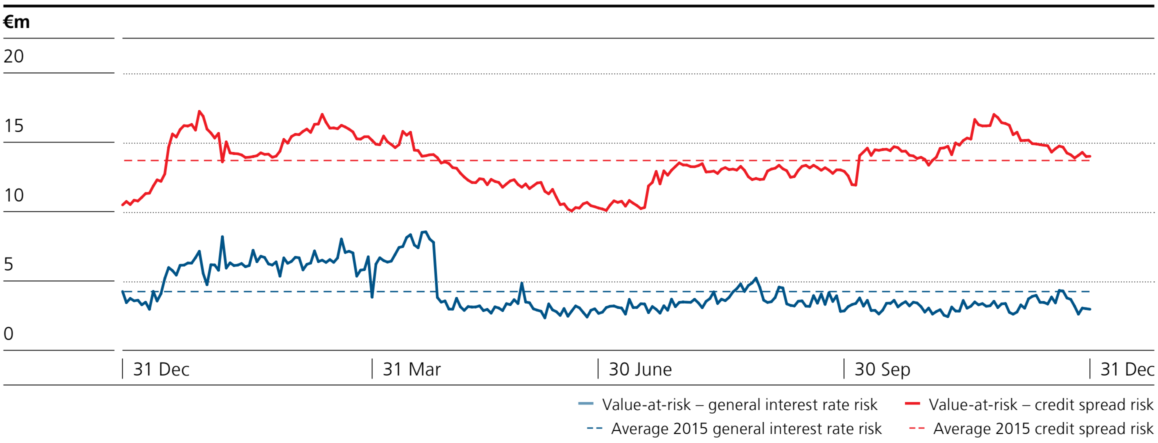
€m	31 Dec 2015			31 Dec 2014			
Category	**Treasury and Capital Markets business division**	**Non-core business**	**Treasury, Capital Markets business division and non-core business**	**Treasury and Capital Markets business division**	**Non-core business**	**Treasury, Capital Markets business division and non-core business**	**Change in risk**
Interest rate risk	44.0	7.4	45.5	45.3	8.2	48.5	−6.2%
Interest rate – general	8.5	2.5	7.9	9.1	2.1	9.5	−16.8%
Spread	42.5	6.8	43.8	45.1	8.4	47.9	−8.6%
Share price risk	1.2	0.0	1.2	1.6	0.0	1.6	−25.0%
Currency risk	2.1	1.4	0.9	1.6	1.0	2.7	−66.7%
Total risk	**44.3**	**7.4**	**45.6**	**45.4**	**8.3**	**48.6**	−6.2%

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

At the end of 2015, the VaR for credit spread risk totalled €43.8m, showing a decline against the prior-year value (end of 2014: €47.9m). As in 2014, this is primarily attributable to Treasury positions in German-issued bonds. The decline in credit spread risk was the result of reducing positions in bonds issued by German federal states, federal state banks *(Landesbanken)* and German development banks, where it was possible to effectively limit the effects of market price fluctuations. Credit spread risk in the Capital Markets trading book totalled €14.0m (2014: €10.5m). The marked increase is predominantly attributable to a build-up of positions in the course of underwriting issues from Landesbank Berlin, which could only be partially offset by reductions in other bond positions. In non-core business credit spread risk declined as a result of the continued reduction of the portfolio.

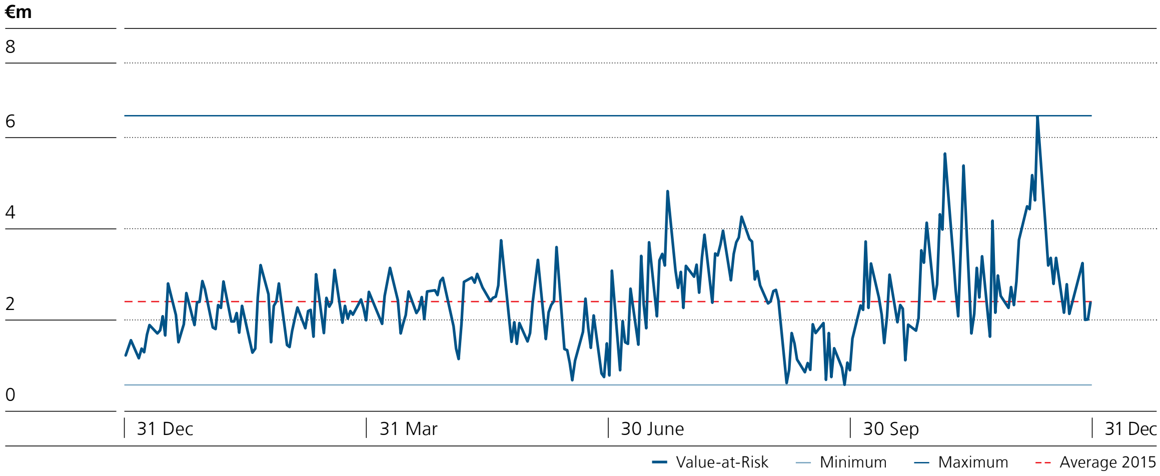
The VaR for general interest rate risk decreased compared to the 2014 year-end position (€9.5m) to €7.9m. This was mainly driven by numerous changes in positions held, which overall led to a reduction in the interest rate risk position. General interest rate risk in the Capital Markets business division trading book remained unchanged at €3.0m.

Value-at-risk – General interest rate risk and credit spread risk in the Capital Markets business division trading book over the course of the year 2015 *(Fig. 16)*



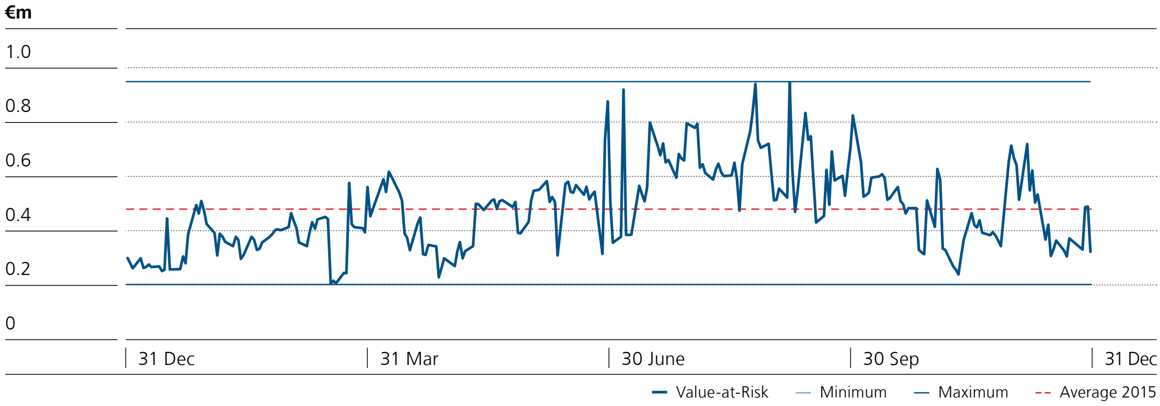
Share price risk amounted to just €1.2m at the end of 2015 and thus fell below the previous year's figure (end of 2014: €1.6m). It was therefore once again insignificant. Share price risk in the Capital Markets business division trading book totalled €2.5m (2014: €1.3m).

Value-at-risk – Share price risk in the Capital Markets business division trading book over the course of the year 2015 *(Fig. 17)*



Currency risk, which resulted mostly from positions in British pounds and US dollars, fell during the course of 2015, and with a VaR of €0.9m (end of 2014: €2.7m) was also insignificant. Currency risk in the Capital Markets business division trading book remained unchanged at €0.4m.

Value-at-risk – Currency risk in the Capital Markets business division trading book over the course of the year 2015 *(Fig. 18)*



Counterparty risks

Strategic framework and responsibilities

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

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

In the context of risk-bearing capacity, counterparty risks are limited by allocating risk capital overall and at the business division level. For individual counterparties, risk is restricted using a system of limits based on factors such as creditworthiness, collateral, duration and country and sector considerations. Management and monitoring of risk concentrations (cluster risks) also takes place at individual counterparty level. Depending on the risk segment concerned, strict lending standards are also applied, for instance in connection with project structure and adequate risk sharing by the borrower. A blacklist is used in line with the credit risk strategy to avoid undesirable lending business that could involve reputational risks.

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

Authority levels for lending decisions are in line with 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 Credit Committee are necessary, depending on the amount and the rating limits.

Initial introduction of new rating and risk classification procedures must be approved by the Board of Management. However, once a procedure is in place, responsibility for maintaining the methodology involved in the procedure and for ongoing development is delegated to the Rating Committee. This includes approving the results of the annual maintenance and validation process, classifying changes to rating systems, annual assessment of the degree of cover provided by the existing internal rating systems and overall responsibility for the rating process. The permanent members of the Rating Committee are the heads of the Risk Control and Credit Risk Office corporate centres, and the department heads of the Overall Bank Risk & Reporting and Lending Process Management functions.

The Board of Management has assigned operational responsibility for monitoring and managing exposures at risk of default to the Monitoring Committee. This committee classifies exposures judged to be troubled, commissions and assesses restructuring, reorganisation or winding-up plans, and monitors their implementation. In addition, it decides, based on the volume of the exposure, on changes to provisions for loan losses and other provisions or prepares a decision for the authorised decision maker. In principle, operational management of troubled exposures is still performed by the responsible front and back office units. The Monitoring Committee comprises the division heads of the lending business, and capital markets and real estate financing businesses, as well as the heads of the Treasury, Credit Risk Office and Legal corporate centres. The head of the Credit Risk Office has the right to veto any decision.

The Board of Management has consolidated the responsibilities for the assessment and monitoring of country risks in the Country Risk Committee. The committee discusses country ratings on both a regular and ad-hoc basis. It also defines country limits and determines measures to reduce overruns of country limits and other risk-reducing measures. The Country Risk Committee is comprised of the division heads of the lending business and of the capital markets and real estate financing businesses, as well as the Treasury, Credit Risk Office and Risk Control corporate centres, and the department head of the Macro Research unit. The Credit Risk Office and Risk Control corporate centres each have the right to veto any decisions.

Focus, structure and degree of risk associated with business activities

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

In the Capital Markets business division, counterparty and issuer risks arise from the money-market, currency, securities lending and repurchase transactions entered into, and from trades in financial instruments. They also arise in relation to any of Deka Group's securities investments that do not serve as a strategic liquidity reserve to meet regulatory requirements, which the Capital Markets business division took over from the Treasury corporate centre at the start of 2016. When supporting investment funds and savings banks with the short-term provision and management of liquidity, the division consciously exposes itself to risk concentrations in relation to savings banks, selected capital market participants and central counterparties. These are managed both at individual counterparty level and via appropriately diversified securities portfolios.

As a result of the business model, the Treasury corporate centre is mainly exposed to concentrations in respect of financial institutions and public authorities and, from a regional perspective, in respect of domestic counterparties.

In the Financing business division, counterparty risks arise in a number of different risk segments. These include infrastructure financing, which primarily relates to concrete projects or cash flows. The Financing business division also includes business with domestic savings banks as well as financing of the domestic public sector. Due to the limited volume of infrastructure, transport and export financing in relation to the Deka Group's total loan volume, there are no risk concentrations in these areas. The business is focused on Germany due to its close involvement in the *Sparkassen-Finanzgruppe* and its transactions with the domestic public sector. There is thus a country concentration as a result of the business model. In addition, the Deka Group's ownership structure and its function in the *Sparkassen-Finanzgruppe* lead to a sector concentration in financial institutions.

In the Real Estate Financing subdivision loans that are granted are secured by a mortgage over the property that generates the cash flow. This collateral limits the risk of losses that can result from payment problems associated with repayments made using the cash flows generated by the property. Given the overall limited financing volume and the broad diversification of the portfolio, there are no risk concentrations.

In the Securities business division, counterparty risks for the Deka Group arise predominantly from contractually binding commitments made in connection with guarantee and pension products.

Management and limit-setting

When managing its counterparty risk, the Deka Group makes a distinction between the overall analysis at the total portfolio level and operational management using a multi-level system of limits that are primarily based on volumes.

Portfolio model

The starting point for the strategic analysis of counterparty risk is the allocation of capital, which is derived from the calculation of the Deka Group's risk-bearing capacity. 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 Treasury and non-core business. 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% (using the liquidation approach), 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 capital commitment than those that are more diversified. The individual risk premiums are reviewed on a monthly basis to provide a foundation for overall management decisions.

Operating management limits

The Deka Group utilises a system of fixed, complementary volume-based limits for daily operational management purposes. In light of the risk concentrations on specific groups of counterparties, regions and sectors that result from the Group's business model, the limitation of both unsecured volume (net limitation) and the internal framework (gross limitation) of individual counterparties plays a central role in this process. The amount of the limits is primarily oriented towards the internal rating of the corresponding counterparties. In addition, upper limits are established for gross loan volumes attributable to individual risk segments. To limit concentration, additional targets are defined for the maximum permissible limit per individual counterparty. Particularly important counterparties from a business policy perspective (clusters) are also subject to additional reporting above a specific amount. Additional minimum requirements for the quality of the collateral received apply to especially significant repo/lending transactions. These requirements are contained in the collateral policy. Furthermore, liquidation risks associated with repo/lending transactions are further limited by the application of supplementary limits in order to take into account potential fluctuations in the value of the underlying securities.

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

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

Quantification of counterparty risk

Gross counterparty risk is mainly determined through market prices and outstanding amounts receivable. 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 rating modules currently used are tailored to different classes of receivables, especially for companies, banks, governments and for special lending and project financing. These include classic scorecard modules through which creditworthiness is assessed on the basis of current quantitative and qualitative borrower characteristics, as well as modules in which the probability of default is estimated using simulated macro and micro scenarios for the relevant risk drivers regarding the expected cash flows. One module determines the probability of default using a ratings and portfolio-based simulation approach. In addition to the modules mentioned above, expert methods are also used for particular types of financing.

The borrower and country ratings are combined to measure the transfer risk on payment obligations that are denominated in a foreign currency from the borrower's perspective.

All of the rating modules in use are calibrated to a one-year probability of default. The rating classes are uniformly assigned according to the probability of default based on the master scale of the German Savings Bank and Giro Association (*Deutsche Sparkassen- und Giroverband* – DSGV). This scale serves as a standard reference point 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.

A key output of the portfolio model is that it determines a CVaR with a holding period of one year and a confidence level of 95% (using the going concern approach) or 99.9% (using the liquidation approach). 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. The expected shortfall (ES) is also calculated to supplement the CVaR.

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. In addition, counterparty limits at the business-division level are appropriately monitored based on a redistribution of the CVaR to individual transactions and reaggregation to the business divisions.

Counterparty risk positions are managed using a volume-based limitation of the net position and the adjusted gross position. Prior to concluding a credit transaction, a net total limit must be established by the respective authorised decision maker for each borrower and each borrower unit. In addition – with just a few defined exceptions – a gross limit must also be established for each borrower unit. As a minimum, the limits must be reapplied for or extended every year. The borrower-related net total limit is also divided into sub-limits for position risk, advance performance risk and PFE risk.

A plausibility algorithm based on size and creditworthiness is used to determine respective limits for counterparties. In addition to its volume-based limits, the Deka Group has also introduced 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 taken into account due to the Deka Group's specific business model.

The Risk Control corporate centre monitors the limits using a centralised limit-monitoring system at both the borrower-unit level and the borrower level. A comprehensive and market-based early warning system ensures that the individual counterparties subject to limits are monitored so that, in the event of extraordinary developments, countermeasures can be taken at an early stage. At a portfolio level, an analysis of the most significant borrowers and sectors is also carried out, based on CVaR.

Maximum country limits are derived from a limit matrix, which is calculated based on a foreign currency (FC) country rating and the gross domestic product. Individual country limits within the limit matrix are approved by the Country Risk Committee. The Risk Control corporate centre monitors compliance with the respective country limits. Overruns are reported immediately to the members of the Country Risk Committee and to the Capital Markets Credit Risk Management unit. This unit acts as the central administrative office for country limits. An analysis of the most significant countries or regions is also carried out from a portfolio perspective, based on CVaR.

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

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

The Group's collateral policy defines the minimum requirements for counterparties and for securities borrowed by counterparties, or the securities received from counterparties as collateral in repo/lending transactions. In addition, risk concentrations are restricted for each counterparty using concentration limits for equities and bonds, and rating-dependent volume restrictions.

The Capital Markets business division is responsible for compliance with the requirements of the collateral policy. It is supported operationally in this regard by the Capital Markets Collateral Management unit. A review independent of trading is performed daily by the Capital Markets Risk Management unit. In addition, an analysis of collateral is reported to the MKAP on a monthly basis.

Performance of stress tests

In addition to the macroeconomic stress tests performed across all risk types, additional sensitivity tests are conducted specifically for counterparty risk. Examples of scenarios include a rating downgrade for public authorities, federal state banks and savings banks, as well as an increase in loss ratios for, or a failure to take into account specific collateral. The results of the stress tests are determined quarterly and reported to the Stress Testing Committee, the Board of Management, the Audit and Risk 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.

Reporting

Alongside its quarterly risk report and the daily monitoring report, the Deka Group has developed comprehensive reports for counterparty risk with different publication frequencies and recipients. The primary overall reports include the risk report (including the credit risk report), the stress test report, the reporting on risk-bearing capacity for counterparty risk, the credit portfolio management information report and the Credit Risk Office quarterly report.

Besides these overall reports, there are also corresponding reports for every type of limit that is set. These reports are used to monitor compliance with the Group's requirements on a daily basis.

Additional, separate reporting is carried out for specific issues. For instance, risk concentrations in relation to individual counterparties are reported regularly to the MKAP on a quarterly basis and in the risk report. A monthly report is also submitted to the MKAP showing the most significant borrowers, sectors and regions from a portfolio model perspective, based on CVaR. The objective here is to raise awareness among the market divisions with respect to counterparty-related, regional and sector-related factors that negatively impact risk capital.

Default monitoring

The Monitoring Committee is operationally responsible for the monitoring and management of troubled exposures. The committee's responsibilities include specifying early warning indicators and criteria to allocate exposures to different monitoring levels, monitoring exposures categorised as troubled, determining any required measures and reviewing the impact of these measures.

When establishing loan-loss provisions, loan receivables are reviewed individually to determine whether there is objective evidence of impairment (see Note [67]). If the Bank identifies an impairment, it recognises a specific provision in the corresponding amount. For receivables against which no specific provision is made, default risk and transfer risk are taken into account by recognising general provisions at the portfolio level. Portfolio-level general provisions for creditworthiness risks relate to impairments in the credit portfolio that had already occurred at the reporting date but which had not yet been identified. General portfolio provisions for country risks must be recognised where the internal rating in accordance with the DSGV master scale is 10 or worse (for further information on the establishment of general portfolio provisions for country risks, see notes to the consolidated financial statements, note [43]). Departures from this rule must be justified on a case-by-case basis. A specific provision may still be created for countries with better ratings if called for by the specific circumstances. Provisions are created to take account of creditworthiness risks in off-balance sheet lending business.

Current risk situation

The counterparty risk determined using credit value at risk, or CVaR (confidence level of 99.9% and a holding period of one year) increased during the reporting period, reaching €1,357m (end of 2014: €1,179m). However, utilisation levels remain relatively moderate. This is attributable to an increase in risk as a result of positions held and downgrades to ratings, as well as to the changes made to models outlined earlier.

In particular, adjustments made to the parameters of migration matrices led to higher probabilities of rating changes in public sector finance and therefore to a noticeable increase in risk overall. The increase was partially offset by volume reductions as a result of unscheduled repayments and bond disposals as well as by the continued reduction of portfolios in non-core business. The risk position of the cluster portfolio is assessed using a redistribution based on expected shortfall and this resulted in a moderate decline compared to the previous year, with the number of counterparty clusters also falling slightly.

Gross loan volume stood at €142.3bn as at the end of 2015 (end of 2014: €140.3bn). The €2.1bn increase is primarily attributable to the growing volume of securities lending transactions in the financial institutions risk segment as well as to money market transactions with savings banks. Demand for liquidity, which once again fell in the second half of the year, was offset by greater volume for bonds as a result of DekaBank taking over the issue of LBB certificates. The increase in lending transactions also led to a slight increase in gross volume in the funds risk segment, while in the case of transport and export finance, growth in new business was especially significant in collateralised aircraft financing and, to a lesser extent, in collateralised ship financing. Volume rose slightly in the property risk segment, also as a result of new business. In contrast, in the German public sector risk segment volumes declined significantly, primarily as a result of the reduction in bond portfolios. The volume for international public sector counterparties also reduced for the same reason. In the corporates risk segment, the visible decline resulted predominantly from the reduction in collateralised equities transactions, in particular due to the decline in the second half of the year. Changes in volumes in the remaining risk segments were relatively insignificant.

Gross loan volume *(Fig. 19)*

€m	31 Dec 2015	31 Dec 2014
Financial institutions	67,673	63,649
Public sector Germany	15,112	19,198
Corporates	11,823	13,527
Savings banks	14,585	13,446
Funds (transactions and units)	14,500	12,016
Property risk	7,122	6,261
Transport and export finance	5,293	4,060
Energy and utility infrastructure	1,327	1,523
Other	4,910	6,584
Total	**142,344**	**140,264**

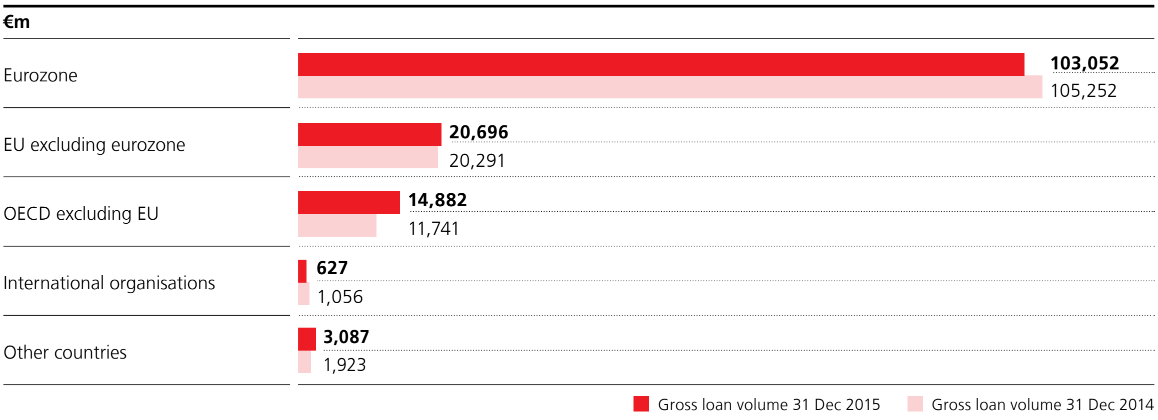
In view of the high proportion of collateralised business, net loan volume was considerably lower than gross loan volume, standing at €59.3bn as at the end of 2015 (end of 2014: €54.6bn). The stronger increase in net loan volume compared to gross credit volume was primarily the result of an increased number of bonds backed by guarantees expiring. The majority of the increase was again attributable to financial institutions and savings banks and, to a lesser extent, to the funds risk segment, while the volume with respect to corporates and domestic and international public sector counterparties reduced. Overall, net loan volume in the remaining risk segments fell slightly.

Net loan volume *(Fig. 20)*

€m	31 Dec 2015	31 Dec 2014
Financial institutions	21,979	17,923
Public sector Germany	2,948	3,972
Corporates	6,162	7,127
Savings banks	14,180	10,897
Funds (transactions and units)	7,348	6,267
Property risk	1,541	1,469
Transport and export finance	672	564
Energy and utility infrastructure	1,298	1,483
Other	3,143	4,895
Total	**59,272**	**54,596**

The credit portfolio remained heavily focused on the eurozone during the reporting period, with it accounting for 72.4% (end of 2014: 75.0%) of gross loan volume. Loan volumes relating to counterparties in Germany decreased by €3.0bn to €64.7bn. The volume attributable to counterparties in France also fell to €10.1bn (€–1.9bn) during the reporting period, whereas volumes with respect to Belgium increased by €3.3bn to €4.1bn and with respect to Luxembourg by €1.0bn to €15.3bn. The increased volume with respect to Belgian counterparties is for the most part due to the use of the platform provided by Euroclear for lending transactions. A moderate decrease was seen with respect to the remaining eurozone countries. Volumes in relation to the remaining European Union member states grew only moderately. The increase was more significant in relation to OECD countries outside of the EU, with the increase primarily attributable to a higher volume of counterparties in North America, Norway and Switzerland.

Gross loan volume by region [1] *(Fig. 21)*



[1] The regional allocation has been changed in certain individual cases. Prior year figures have also been amended for the purposes of comparability.

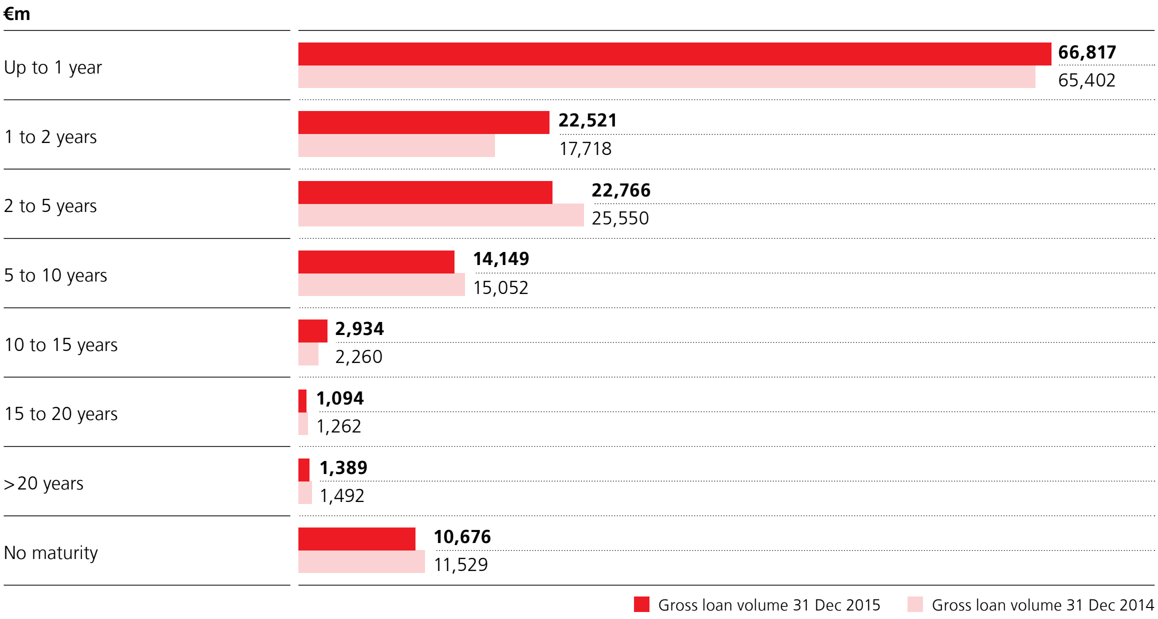
The loan volume relating to borrowers in Italy, Spain, Ireland and Portugal changed only marginally compared with the figure at the end of 2014 (€3.6bn). As at the reporting date, counterparties from the aforementioned countries accounted for a 2.7% share (end of 2014: 2.6%) of overall gross loan volume. There continued to be no direct loan volume relating to borrowers classified under Greek country risk. The gross loan volume attributable to counterparties in Russia totalling €0.5bn (end of 2014: €0.6bn) is for the most part (€0.4bn) secured by ECA guarantees issued by the Federal Republic of Germany. DekaBank has no exposure in Ukraine.

Gross loan volume by PIIGS countries and sector as at 31 December 2015 *(Fig. 22)*

€m	Greece	Ireland	Spain	Italy	Portugal	Total
Central government	0	31	142	360	17	551
Public sector	0	0	0	0	0	0
Banks	0	0	1,169	781	0	1,950
Corporates	0	446	252	380	0	1,078
Other	0	0	83	111	0	195
Total	**0**	**477**	**1,646**	**1,633**	**17**	**3,774**
Change vs. previous year						
Central government	0	–1	11	47	8	64
Public sector	0	0	–2	0	0	–2
Banks	0	0	–84	249	–4	160
Corporates	0	172	–59	–135	–56	–77
Other	0	0	–21	13	0	–8
Total	**0**	**171**	**-155**	**173**	**-53**	**137**

In terms of residual maturities, during the reporting year gross loan volume migrated slightly more towards the shorter term category. As at 31 December 2015, 46.9% (end of 2014: 46.6%) related to business with a residual term of under one year. This reflects the Deka Group's central function as a provider of short-term liquidity. In contrast, the share of maturities of ten years or more accounted for less than 4%, as was already the case in the previous year. The average legal residual term of gross loan volume decreased marginally to 2.6 years (end of 2014: 2.7 years) due to short-term business once again increasing.

Gross loan volume by remaining maturity *(Fig. 23)*



The level of risk concentration in the credit portfolio reduced further during the reporting year and, in view also of the creditworthiness of major counterparties, continues to be deemed reasonable and appropriate. As at 31 December 2015, just 29.2% (end of 2014: 34.9%) of 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 €1bn (counterparty clusters). This was the effect of bond maturities as well as a fall in repo/lending business with international banks. A good third of the cluster portfolio related to counterparties from the domestic public sector, savings banks and other alliance partners.

In addition to transactions with central counterparties, high-volume loans comprise mainly collateralised transactions such as repo/lending transactions, most of which are collateralised with securities, derivative transactions concluded under netting agreements, and covered securities such as *Pfandbriefe* or securities either issued or backed by the Federal Republic of Germany. Due to the extensive level of collateralisation, only 16.2% of net loan volume related to counterparty clusters.

As at 31 December 2015, the average rating for the gross loan volume was 3 on the DSGV master scale, slightly above the rating at the end of the previous year (end of 2014: 2). This is also reflected in an increase in the average probability of default from 12 bps at the end of 2014 to 16 bps at the end of 2015. This movement can be explained by a reduction in the volume of bonds held that were issued by domestic public authorities and rated as 'very good', the maturity of some individual bonds rated as very good, as well as due to individual downgrades in ratings.

Viewed from a net perspective, the rating was downgraded from 2 to 3, and the average probability of default increased by 7 bps to just under 18 bps. Nonetheless, in this respect as well, the Bank continued to achieve its target rating of investment grade for the portfolio as a whole. At the end of 2015, around 85% of net loan volume remained in the same grouping (determined by rating class) as at the end of 2014. Savings banks continued to be rated AAA.

Net loan volume by risk segment and rating *(Fig. 24)*

€m	Average PD in bps	Average rating 31 Dec 2015	31 Dec 2015	Average PD in bps	Average rating 31 Dec 2014	31 Dec 2014
Financial institutions	18	3	21,979	9	A–	17,923
Savings banks	1	AAA	14,180	1	AAA	10,897
Corporates	19	3	6,162	14	2	7,127
Public sector international	6	A+	2,284	4	AA–	3,863
Public sector Germany	1	AAA	2,948	1	AAA	3,972
Public infrastructure	35	5	628	60	6	665
Transport and export finance	612	12	672	97	7	564
Energy and utility infrastructure	61	6	1,298	80	7	1,483
Property risk	16	3	1,541	25	4	1,469
Retail portfolio	6	A+	157	11	2	282
Funds (transaction and units)	15	3	7,348	15	3	6,267
Equity investments	18	3	75	39	5	85
Total	**18**	**3**	**59,272**	**11**	**2**	**54,596**

Operational risk

Strategic framework and responsibilities

The strategy determined by the Deka Group to deal with operational risks (OR strategy) is the basis for the way in which the Group is organised to manage operational risks. It defines the framework for the Group-wide structure and operation of a standard system for identifying, assessing, monitoring and managing operational risks. The OR strategy applies to all organisational units of the Deka Group.

Roles and responsibilities

Due to the process-specific nature of operational risks (OR), the Deka Group pursues a decentralised approach to identify, measure and manage them. This approach is based on coordinated collaboration between the units set out below.

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

The Risk-Bearing Capacity & Operational Risk Control unit is responsible for key components of OR control in the Deka Group. It is primarily responsible for selecting the methodology applied to OR management, for independent OR reporting and for specialist support of the infrastructure required to fulfil these responsibilities.

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

Cross-divisional functions

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

In performing its duties, the Internal Audit corporate centre also uses information from the OR Control unit, such as risk scenarios and loss events, as supporting information for audit planning and preparation. In return, Internal Audit involves OR Control in its audit findings related to operational risk or loss events.

In the annual Fraud Prevention Forum, the Compliance corporate centre and OR Control collaborate closely – together with representatives of the business divisions and other corporate centres – to identify and assess scenarios regarding other criminal offences (such as employee fraud). OR Control, in its role as the Forum's sponsor, provides the Forum with information on loss events and identified fraud scenarios, and incorporates the assessments developed at the Forum into the OR records as scenario analyses.

The Data Protection Officer works towards ensuring compliance with laws and regulations regarding data protection in the Deka Group. This is done in particular by monitoring the proper use of data processing software used to process personal data. In addition, the Officer develops suitable measures to ensure that employees who process personal data are familiar with the provisions and special requirements of data protection.

The Information Security Management & Business Continuity Management unit is responsible for making sure that security risks in the Deka Group are recognised and that measures to address risk are introduced or implemented. The unit's objective is to adequately establish and track security requirements aimed at minimising risk in the Deka Group in such a way as to ensure that operational risks are also reduced. It advises and supports all Group units in order to establish and maintain an adequate level of information security over the long term, taking into account the individual business needs of the units. It is also responsible for workplace safety within the Deka Group, as well as business continuity preparedness, risk management in relation to workplace safety and crisis management. In this regard, during 2015 there was a particular emphasis on the topic of cyber-security, which was evaluated in depth.

Methods used

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

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

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

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

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

To determine the economic capital requirement for operational risks, the Deka Group uses an advanced measurement approach (AMA) that has been approved by regulatory authorities. This approach quantifies the Bank's operational risk based on a loss distribution approach, using methods set out in the approach itself and external loss data to supplement the data on internal losses. The value-at-risk figures thus identified are incorporated into both the regulatory capital and reserves requirement and the internal risk-bearing capacity analysis of the Deka Group. For the risk-bearing capacity analysis, a general surcharge has already been included as at the reporting date in order to pre-empt the risk-augmenting effects of the planned model changes, since the process for the regulator to approve the revised model has not yet been concluded.

Reporting

The Risk-Bearing Capacity & Operational Risk Control unit supports the decision makers involved in the OR management process by providing quarterly standard reports on all significant operational risks. These reports are distributed to heads of business divisions and legal units. In addition, it provides the Board of Management and the Administrative Board with an aggregated quarterly report as part of the overall risk report. In addition to summary information on operational risks in the Deka Group, this report also contains detailed information on the steps taken or planned for the largest individual OR risks of the units.

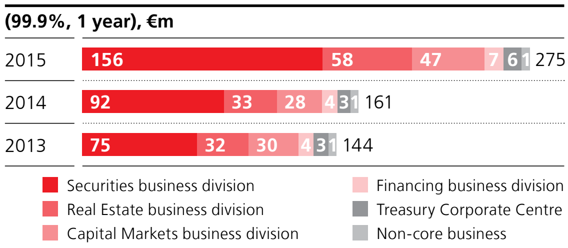
Risk Control also prepares monthly reports that explain the relationship between changes in the loss potential of the events in the scenario analyses and the trends of risk indicators incorporated into these analyses. In this way it helps to ensure that targeted risk management measures are established in a timely manner.

In addition to regular reporting, ad-hoc reporting of loss events is made to the respective unit heads and department heads above a predefined loss amount.

Current risk situation

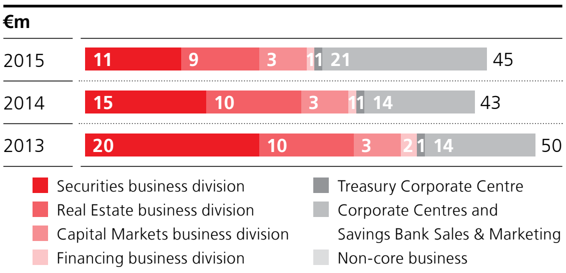
The VaR determined for operational risks, using an advanced measurement approach (AMA), with a confidence level of 99.9% and a risk horizon of one year, showed a substantial increase in comparison to the previous year (end of 2014: €161m) to €275m. This increase in risk is predominantly attributable to a general surcharge of €100m to reflect the expected impact of implementing the planned changes to models. In addition, the fundamental revision of the different scenario analyses in particular, which also used findings drawn from previous validation reviews, had the effect of increasing risk. Nonetheless, utilisation of risk capital after the corresponding adjustments in allocation remained at a non-critical level. With respect to the allocation of VaR to the business divisions and operating units, which is important for internal management purposes, there was no significant shift between the units in percentage terms.

Value-at-Risk *(Fig. 25)*



The OR loss potential identified in the Group-wide risk inventory remained largely unchanged from the prior year, amounting to €44.9m (end of 2014: €43.3m). However, there was a substantial shift in the focus of loss potential from the Securities business division towards the corporate centres and Savings Bank Sales & Marketing. This effect resulted firstly from the internal reorganisation of the Custody Services business, formerly part of the Securities business division, which is now a corporate centre and the Digital Multi-Channel Management sales unit. Secondly, the continued consolidation of the various scenarios in the Securities business division was offset by an increase in different risk assessments in the corporate centres, partly as a result of significantly tightened regulations on administrative fines. 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 *(Fig. 26)*



Compliance

The Deka Group's Compliance corporate centre reports directly to the Board of Management and is designed so as to ensure that the Compliance function is durable, effective and independent. The Compliance department also carries out the compliance functions for a number of regulated subsidiaries in Germany, under service level agreements. Compliance duties for Luxembourg-based companies are performed by the local Compliance unit in Luxembourg.

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

By providing a "Central Office" within the Bank, the department also fulfils the requirements under the German Money Laundering Act (*Geldwäschegesetz* – GwG) and the corresponding provisions of the German Banking Act (*Kreditwesengesetz* – KWG), including the obligations under Section 25h Para. 1 of the KWG. It is in particular responsible for the prevention of money laundering, terrorism financing and other criminal offences. The department is also responsible for monitoring compliance with EU financial sanctions and embargoes.

Furthermore, the Compliance department meets the requirements of MaRisk (German Minimum Requirements for Risk Management) regarding Compliance functions. In carrying out its duties, the Compliance unit advises and trains the specialist units on an ongoing basis. It carries out timely reviews regarding adherence to statutory and regulatory requirements related to compliance and to the overall compliance guidelines.

The Compliance unit also covers the requirements under Section 25a of the KWG and under MaRisk (AT 4.4.2 regarding the Compliance Function), as well as those arising under the QI regime (the "Responsible Officer" role). It is responsible for identifying and limiting compliance risks, and advising the Board of Management and the specialist units, particularly in connection with the implementation of effective processes and procedures to ensure adherence to significant legal regulations and requirements related to compliance. As part of this process, the Compliance unit carries out a risk analysis and assesses the procedures and controls established by the business units to determine whether they are appropriate and effective.

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

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

Accounting-related internal control and risk management system

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

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

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

Additional checks – for example in order to substantiate balance sheet items – are carried out at an aggregated level by "sub-position managers". These employees, who have in-depth product knowledge, are also responsible for regularly calculating results. The dual control principle applies here as well and is carried out by an employee with supervisory responsibilities.

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 processes 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.

Liquidity risks

Strategic framework and responsibilities

Liquidity risk is managed and monitored as an independent risk category. The liquidity risk strategy applies to all organisational units of the Deka Group. The strategy is specified by the Board of Management, reviewed at least once a year and discussed with the Administrative Board.

As liquidity risk is not an immediate risk to the Group's profit that can be cushioned with equity capital, it is managed outside the risk-bearing capacity analysis. The central objective of liquidity management is to avoid liquidity bottlenecks to ensure that the overall solvency of the Deka Group is guaranteed on a continuous basis. Risks impacting the income statement arising from refinancing gaps (liquidity maturity transformation risk) are currently not material because limits on liquidity balances in the liquidity matrix do not allow negative balances. In view of the ample levels of liquidity available to the Group overall, market liquidity risk is also not regarded as material at present.

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

The Board of Management is supported by the MKAP when fulfilling its management responsibilities regarding liquidity risk management. The MKAP is a committee that prepares decisions regarding, among other things, liquidity and funding management. It also develops recommendations (hereafter referred to as "draft resolutions") that are presented for adoption to the Board of Management at the next Board meeting. The Liquidity Emergency Crisis Committee is convened in the event of a liquidity emergency. It may decide all measures judged necessary to ensure the short-term solvency of the Group and may instruct all units of the Deka Group to implement these measures. The Board of Management, as a permanent member with a voting right, is the core of this crisis committee.

At strategic level, liquidity positions are managed centrally by the Treasury corporate centre. As part of asset-liability management, structural liquidity is managed and monitored through funding matrices (FMs) and via the charging of transfer pricing for funds. At the same time, it ensures that an adequate liquidity reserve of central-bank-eligible collateral is available. The Treasury corporate centre is also responsible for the management of the Deka Group's strategic liquidity reserves.

During the reporting year, the Money Market/Currencies & Repo/Lending unit in the Capital Markets business division performed operational management of short-term liquidity up to a maturity of two years. To that end, this unit conducted money market transactions in the interbank market, with the savings banks, with the Bundesbank or the ECB, with companies and with insurance companies and funds. In addition, it was responsible for management of the operating liquidity reserve. Since the start of 2016, group-wide operational liquidity management across all maturity bands has been pooled in the Treasury corporate centre.

The liquidity position is analysed and monitored across the entire Group by the Liquidity Risk Management unit in the Risk Control corporate centre.

Management and limit-setting

Funding matrices

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

The foundation for the model is cash flows based on legal maturities. This approach is based on the sum of all legal net cash flows per maturity band. Reconciliation between a legal perspective and expected cash flows is performed using modelling assumptions. Securities used for liquidity potential are either allocated to the strategic liquidity reserve or to the operating liquidity reserve. The strategic liquidity reserve is used to cover possible stress-induced liquidity outflows from the banking book as well as stochastic liquidity outflows that cannot be influenced by DekaBank or can only be influenced by the Bank to a limited extent (stochastic liquidity position). The operating liquidity reserve contains all securities holdings that are not allocated to the strategic liquidity reserve and which are used in the business activities of the Capital Markets business division.

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

The Deka Group primarily examines the "combined stress scenario" FM, which simulates the simultaneous occurrence of both the institution's own and market-wide stress factors. This FM fully implements MaRisk requirements. In addition, individual stress scenarios are examined separately in special FMs. The underlying models are divided into idiosyncratic and market-related scenarios.

Idiosyncratic scenarios affect DekaBank directly (for example a downgrading of DekaBank's creditworthiness by rating agencies). Market-related scenarios are focused on the impact of a funding or banking crisis. Depending on the stress scenario, various modelling assumptions are applied. 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 ratios under the Liquidity Regulation and the Capital Requirements Regulation and Directive (CRR/CRD IV)

Liquidity risk is also mitigated using the requirements of the German Liquidity Regulation (Section 11 of the KWG). The liquidity ratio pursuant to the Liquidity Regulation is calculated as the ratio of the Deka Group's short-term cash inflows to its outflows, with a maturity of up to one month. The ratio is monitored on a daily basis.

The Liquidity Coverage Ratio (LCR), the regulatory liquidity ratio that is to be met from 1 October 2015 onwards, has already been calculated and actively monitored for some time as part of the management of liquidity risk. The use of a funds transfer pricing system for the source-specific allocation of liquidity and collateral costs also allows liquidity to be proactively managed and efficiently allocated.

Reporting

The aforementioned FMs used for management and risk monitoring purposes are prepared daily by the Liquidity Risk Management unit as part of its independent monitoring process. The corresponding early warning thresholds and limits for the liquidity balance are also monitored. The liquidity situation is reported to the MKAP twice a week. The Administrative Board is informed on a quarterly basis. Any overruns of the limits are reported immediately to the Board of Management. Moreover, the liquidity ratios according to the Liquidity Regulation and, since October 2015, the LCR are prepared daily in the reporting system of the Finance corporate centre and provided to monitoring units.

Current risk situation

The Deka Group continued to have ample liquidity throughout the entire reporting year. Despite some bearer bonds backed by guarantees maturing at the end of the year, there were clear positive liquidity balances in all relevant maturity bands of the funding matrix that is used for management purposes – the "combined stress scenario" – for periods of up to 20 years. This is also the case for the alternative stress scenarios examined and under the going concern approach. There were no overruns of limits or early warning thresholds at any time during the year under review.

Once again, a substantial part of the Group's liquidity generation and provision was attributable to business with savings banks and funds during the year under review. The Deka Group has a high liquidity potential that is readily convertible at short notice. The Group has access to a large portfolio of liquid securities, most of which are eligible as collateral for central bank borrowings, as well as to available surplus cover in the cover pool and corresponding repo transactions. Outflows in the later maturity bands, which resulted from bearer bonds backed by guarantees maturing at the end of 2015, were largely compensated for by borrowings as part of the European Commercial Paper programme and through underwriting LBB's outstanding retail-focused own issues of securities. As a result of this proactive liquidity management, there were only moderate changes in the FM.

As at 31 December 2015, the accumulated liquidity balance of the Deka Group's "combined stress scenario" funding matrix in the short-term range (up to one week) stood at €9.6bn (end of 2014: €6.0bn). In the maturity band of up to one month, the liquidity surplus totalled €9.3bn (end of 2014: €9.3bn), and in the medium to long-term range (three months) it was €14.1bn (end of 2014: €16.9bn).

Combined stress scenario funding matrix of Deka Group as at 31 December 2015 *(Fig. 27)*

€m	D1	>D1–1M	>1M–12M	>12M–5Y	>5Y–20Y	>20Y
Liquidity potential (accumulated)	18,640	26,709	2,724	–42	–36	–7
Net cash flows from derivatives (accumulated)[1]	–200	–72	497	–1,221	–2,514	–2,518
Net cash flows from other products (accumulated)	–11,165	–17,374	7,235	14,462	8,613	1,892
Liquidity balance (accumulated)	**7,275**	**9,263**	**10,456**	**13,199**	**6,063**	**–633**
For information purposes:						
Net cash flows from derivatives by legal maturity (accumulated)[1]	–200	–206	–646	–2,966	–3,684	–2,522
Net cash flows from other products by legal maturity (accumulated)	–8,855	–22,399	–27,567	–1,108	1,583	1,332
Net cash flows by legal maturity (accumulated)	**–9,055**	**–22,605**	**–28,213**	**–4,074**	**–2,100**	**–1,190**

[1] Including lending substitute transactions and issued CLNs.

As at 31 December 2015, around 72% of the Group's total refinancing related to repo transactions, money on call and time deposits, and other money market products. The high proportion represented by money market products is a result of the large volume of short-term business. The remaining 28% of refinancing related to capital market products, primarily with longer maturity profiles, with bearer bonds making up by far the largest proportion of this. In terms of its maturity structure, the refinancing profile for lending business was balanced. Most of the investors in money market refinancing are financial service providers such as clearing houses, stock exchanges and funds, or large banks and savings banks. Savings banks accounted for a share of 11.6% of money market refinancing, while funds represented 17.1%. This means that the Group's refinancing continued to be broadly diversified by investor group.

The regulatory requirements of the German Liquidity Regulation (*Liquiditätsverordnung* – LiqV) were met throughout the whole year under review. The average liquidity ratio in the first maturity band, determined on a daily basis, was 1.85 during the reporting period (previous year: 1.49). It fluctuated within a range of 1.56 to 2.08. As at 31 December 2015, the ratio stood at 1.65 (end of 2014: 1.62). The LCR was 99.27% at the end of 2015, and was thus significantly above the 60.0% level stipulated for 2015.

Business risk

The business risk strategy decided by the Board of Management serves throughout the Group as the basis for monitoring and managing business risks and incorporating them into the Group's risk-bearing capacity analysis. The Deka Group uses a range of complementary tools to analyse business risks depending on the importance of the respective business risk for the business division.

A value-at-risk approach is used in the risk-bearing capacity analysis. The modelling approach consists of two components and takes account of the fact that business risks play a particularly important role in fund business, while the main risks in banking business are counterparty and market price risk.

The significant risk factors for fund business in the Securities and Real Estate business divisions are levels of commission income and expenses, which vary in line with customer behaviour and the market environment. The volatility of these risk factors is simulated using reference indices, based on the asset class. Furthermore, an additional capital requirement, in the form of a standard surcharge, has been set up for activities in the other business divisions, and in order to ensure that the approach to determining risk is conservative. There are currently no business risks to be considered in Treasury and non-core business.

During the year under review, the VaR of business risk remained largely unchanged at €422m (end of 2014: €423m). The changes in methodology resulting from the validation process performed in the previous year led to a lower capital requirement, as a result of a more risk-sensitive approach to modelling business risks. In addition, the use of new risk drivers for fund business and changes to the overall approach contributed to the reduction in the level of risk. On the other hand, in the Securities business division the increase in net commission, which is relevant for business risk, in conjunction with higher volatilities, in particular for equity funds, had the opposite effect.

Reputational risk

Because of the way they affect the business, reputational risks are seen as a component of, or as factors that increase, other types of risk. Existing types of risk can be both a cause and an effect of reputational damage. The effects of reputational damage relate primarily to business risk and liquidity risk.

In accordance with the definition of reputational risk, it is initially determined, assessed, managed and reported on within the context of the individual risk types concerned. For instance, when assessing operational risks a systematic determination and qualitative assessment of reputational risks are also performed. At the same time, reputational risks are managed in connection with counterparty risks via blacklists and using an appropriate assessment as part of the credit approval process. Finally, when evaluating business risk, the risk of lower commissions due to the materialisation of reputational risks is taken into account.

In addition to the risk management approaches outlined above for specific risk types, a Group-wide assessment across all types of risk is performed as part of the macroeconomic stress tests to determine the possible impact of reputational risk. With the involvement of the business divisions and with due consideration of any potential loss events or loss events that have already occurred, the effects on both the Group’s profit and on the individual risk types are evaluated in order to draw conclusions on the risk-bearing capacity of the Deka Group in this scenario. In terms of liquidity risk, which is managed separately, the negative effects of potential reputational damage on the Deka Group’s liquidity position are taken into account as part of the stress-tested funding matrix.

The MKR also deals with matters impacting reputational risk on a regular basis. Reports are presented to the Board of Management and the Administrative Board on a quarterly basis.

Other risks

Shareholding risk

Equity investments (shareholdings) include all direct and indirect holdings of the Deka Group in other companies, regardless of their legal form. Equity investments held as credit substitute transactions fall under the credit risk strategy. In principle, Deka Group does not pursue any trading interests when taking an equity interest.
The basis for determining the shareholding risk position is the respective IFRS book value of the (unconsolidated) equity investment. The risk is measured on the basis of the volatility of a benchmark index from the equity market.

At the end of 2015, the VaR related to shareholding risk totalled €28m (end of 2014: €37m).

Property risk

Property risk is measured on the basis of the IFRS book values of the property held in the Bank's portfolio and the volatilities of the relative changes in value of the property in the respective location.

Following the sale of the last property in the Bank's own portfolio, VaR in relation to property risk reduced to zero (previous year: €5m).

Property fund risk

Property fund risk results from property fund units held in the Bank's own portfolio. With a VaR of just €13m (end of 2014: €31m), property fund risk remains an immaterial risk for the Deka Group. The decline is mainly attributable to the sale of shares in property funds from the bank's own portfolio.

Structured capital market credit products

Structured capital market credit products comprise the securitisation portfolio of DekaBank's former Liquid Credits portfolio, which has not been considered to be strategic since 2009 and is being reduced while safeguarding assets. It is assigned to non-core business.

In terms of volume, this portfolio is no longer a significant part of DekaBank's overall portfolio, given that the business is being wound down. As a result of maturities and repayments, the net nominal value as at 31 December 2015 was only €0.4bn (end of 2014: €0.7bn).

As at 31 December 2015, 94.5% of the portfolio (end of 2014: 93.4%) was rated as investment grade, with more rating upgrades than downgrades. As before, the remaining portfolio continues to focus on western Europe. As at the end of 2015, 87.1% of the securitisations related to the European market.

Based on current expectations, around half of the remaining securitised positions will be repaid or will expire by the start of 2020.

Based on a confidence level of 99% and a holding period of ten days, as at year end the credit spread risk for the securitisation positions in non-core business totalled €2.4m (end of 2014: €5.6m).

Annual financial statements

Balance sheet as at 31 December 2015

Assets	€	€	€	31.12.2015 €	31.12.2014 €'000
1. Cash reserves					
a) Cash on hand			3,997.13		20
b) Balances with central banks			3,561,113,483.49	3,561,117,480.62	724,033
of which:					
with Deutsche Bundesbank	3,561,113,483.49				(724,033)
2. Due from banks					
a) due on demand			5,239,594,661.29		3,579,263
b) other claims			11,257,804,686.39	16,497,399,347.68	14,415,971
of which:					
public sector loans	197,357,966.39				(2,193,287)
3. Due from customers				15,718,333,448.78	15,004,931
of which:					
mortgage loans	1,301,328,990.08				(947,526)
public sector loans	2,569,338,300.70				(2,757,021)
other loans secured by mortgages	685,819.36				(1,210)
4. Bonds and other fixed-interest securities					
a) Bonds and debt securities					
aa) from public sector issuers		5,107,950,227.67			5,536,594
of which:					
eligible as collateral with Deutsche Bundesbank	4,839,710,684.14				(5,299,656)
ab) from other issuers		7,205,481,607.65	12,313,431,835.32		11,544,372
of which:					
eligible as collateral with Deutsche Bundesbank	6,000,635,131.22				(8,923,667)
b) own bonds			196,391,824.51	12,509,823,659.83	1,508,328
Nominal amount	195,700,000.00				(1,509,125)
5. Shares and other non fixed-interest securities				4,077,820,258.45	3,926,977
6. Trading portfolio				54,693,757,556.79	55,488,851
7. Equity investments				47,112,583.94	57,858
of which:					
in banks	4,517,905.91				(2,789)
8. Shares in affiliated companies				456,289,227.49	447,615
of which:					
in banks	55,866,740.60				(55,867)
in financial services providers	12,775,400.00				(11,747)
9. Trust assets				166,057,041.28	141,913
10. Intangible assets					
a) Concessions, industrial property rights, and similar rights and values as well as licences there to, acquired for a consideration			15,549,709.00		23,639
b) Advance payments			2,290,427.67	17,840,136.67	2,290
11. Tangible assets				14,124,751.32	17,424
12. Other assets				192,107,390.98	188,106
13. Prepaid expenses and accrued income					
a) from underwriting and lending business			7,455,561.09		13,580
b) other			42,078,918.52	49,534,479.61	24,370
Total assets				**108,001,317,363.44**	**112,646,135**

Liabilities	€	€	€	31.12.2015 €	31.12.2014 €'000
1. Due to banks					
a) due on demand			3,723,033,797.56		1,798,190
b) with agreed maturity or period of notice			13,740,134,626.22	17,463,168,423.78	15,706,229
of which:					
registered mortgage *Pfandbriefe*	60,230,326.53				(60,231)
registered public sector *Pfandbriefe*	204,473,277.07				(414,666)
2. Due to customers					
Other liabilities					
a) due on demand			9,115,400,862.64		5,986,788
b) with agreed maturity or period of notice			13,037,315,649.88	22,152,716,512.52	12,985,336
of which:					
registered public sector *Pfandbriefe*	2,502,436,507.69				(3,266,867)
3. Securitised liabilities					
a) bonds issued			7,282,985,021.40		20,818,605
of which:					
mortgage *Pfandbriefe*	55,155,808.88				(55,160)
public sector *Pfandbriefe*	329,465,788.81				(839,715)
b) other securitised liabilities			13,313,670,469.91	20,596,655,491.31	5,967,913
of which:					
money market paper	13,313,670,469.91				(5,967,913)
4. Trading portfolio				40,848,058,522.25	43,225,290
5. Trust liabilities				166,057,041.28	141,913
6. Other liabilities				1,166,127,005.19	614,642
7. Accruals and deferred income					
a) from underwriting and lending business			9,740,369.77		10,252
b) other			8,345,575.10	18,085,944.87	11,050
8. Provisions					
a) provisions for pensions and similar obligations			22,943,994.07		876
b) provisions for taxes			64,399,203.88		114,173
c) other provisions			435,350,569.10	522,693,767.05	438,733
9. Subordinated liabilities				1,432,361,624.07	1,409,737
10. Fund for general banking risks				2,764,862,660.20	2,548,178
of which:					
special item pursuant to Section 340 e (4) HGB	143,326,000.00				(117,326)
11. Equity					
a) Subscribed capital					
aa) subscribed capital		191,729,340.56			191,729
ab) silent capital contributions		256,210,457.03	447,939,797.59		256,211
b) Capital reserve			189,366,198.03		189,366
c) Retained earnings					
ca) reserves required by the Bank's statutes		51,283,598.27			51,284
cb) other retained earnings		114,068,590.47	165,352,188.74		114,069
d) Net income			67,872,186.56	870,530,370.92	65,571
Total liabilities				**108,001,317,363.44**	**112,646,135**

1. Contingent liabilities					
Liabilities from guarantees and warranty agreements				2,302,117,459.02	1,949,368
2. Other liabilities					
Irrevocable lending commitments				1,151,269,310.52	453,544

Income statement for the period 1 January to 31 December 2015

Expenses and income	€	€	€	2015 €	2014 €'000
1. Interest income from					
a) Lending and money market transactions		975,787,305.42			1,216,606
b) Fixed-income securities and debt register claims		205,707,863.19	1,181,495,168.61		278,481
2. Interest expenses			1,150,475,679.26	31,019,489.35	1,452,892
3. Current income from					
a) Shares and other non fixed-interest securities			35,877,012.90		27,144
b) Equity investments			2,085,207.32		2,739
c) Shares in affiliated companies			102,669,999.05	140,632,219.27	127,187
4. Income from profit pooling, profit transfer and partial profit transfer agreements				251,092,026.02	210,073
5. Commission income			953,001,781.93		777,048
6. Commission expenses			735,191,552.83	217,810,229.10	590,962
7. Net income/expenses from trading portfolio				233,993,962.50	209,875
8. Other operating income				372,635,744.39	336,290
9. General administrative expenses					
a) Personnel expenses					
aa) Wages and salaries		257,333,770.23			252,569
ab) Social security contributions and expenses for pensions and other employee benefits		79,048,110.57	336,381,880.80		73,883
of which:					
for retirement pensions	48,565,752.05				(44,684)
b) Other administrative expenses			329,030,420.36	665,412,301.16	315,933
10. Write-downs and valuation allowances on intangible assets and tangible assets				12,330,098.41	13,936
11. Other operating expenses				70,810,375.81	79,868
12. Write-downs and valuation allowances on receivables and certain securities and allocations to provisions for loan losses				37,631,578.11	0
13. Income from write-ups to claims and certain securities and from reversals of provisions for loan losses				0.00	118,612
14. Allocations to the fund for general banking risks				190,685,079.93	241,843
15. Write-downs and valuation allowances on equity investments, shares in affiliates and securities held as fixed assets				15,527,849.26	12,755
16. Expenses due to assumption of losses				639,467.97	727
17. Profit or loss on ordinary activities				254,146,919.98	268,687
18. Income taxes				129,410,435.72	148,179
19. Income transferred under profit pooling, profit transfer or partial profit transfer agreements				56,864,297.70	54,937
20. Net income				67,872,186.56	65,571

Notes

General information

1 Preparation of the annual financial statements

The annual financial statements of DekaBank Deutsche Girozentrale for the year ended 31 December 2015 have been prepared in accordance with the provisions of the German Commercial Code (HGB) and the Regulation on Accounting Principles Relating to Financial Institutions and Financial Services Institutions (RechKredV). The provisions of the Pfandbrief Act were also taken into account. The balance sheet structure prescribed for commercial banks was expanded to include line items relating to banks active in the Pfandbrief business.

2 Accounting and valuation methods

General information

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

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

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

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

Valuation of securities portfolios and derivatives

Securities in the liquidity reserve are valued strictly in accordance with the lower of cost or market principle, whereby the stock exchange or market price or fair value is decisive.

The fair value of financial instruments in both the trading and non-trading portfolio is determined on the basis of market prices or observable market data as at the reporting date and recognised valuation models. Where securities and derivatives with sufficient liquidity are traded on active markets, and stock market prices are accordingly available, or prices that can be traded by active market participants are provided, 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. Where there are no prices from active markets, the fair value is therefore deemed to be the model value as at the reporting date, which reflects a realistic estimate of how the market would probably value the financial instrument.

Derivative financial instruments traded on stock markets are essentially valued on the basis of stock market prices. Unlisted products are measured using recognised models such as the Black-Scholes model, Black-76 model, Bachelier-Model, Hull-White one and two factor models, displaced diffusion models or the local volatility model. Models are always calibrated against observable market data.

Furthermore, in some individual cases and under restrictive conditions, exchange-traded options are also measured using the Black Scholes model. This case-by-case arrangement applies to special EUREX options where the published price is not based on sales or actual trading volume, but on a valuation using a theoretical EUREX model.

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 curves. In the case of instruments denominated in EUR, CHF, GBP, JPY and USD, discounting is carried out with the currency-specific interest rate curves, which are also used for the corresponding bootstrapping of the forward interest rate curves. The respective standard swap curves are used for all other currencies.

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

Realised losses from the settlement of interest rate derivatives that are economic hedges for securities in the liquidity reserve are initially recognised under 'Write-downs and valuation allowances on receivables and certain securities' (EUR 130.3m).

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. For tranched basket credit swaps, a Gaussian Copula model is used, whose parameters are determined on the basis of iTraxx and CDX index tranche spreads.

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

On-balance sheet and off-balance sheet interest rate financial instruments in the banking book, which are allocated to the interest book, undergo loss-free valuation pursuant to IDW RS BFA 3. Where, in their entirety, the interest book transactions valued pose a threat of excess liability, a provision is recognised for possible losses from pending transactions. The valuation is carried out on the basis of net present values including refinancing, risk and administration costs. There was no excess liability at the reporting date, therefore the recognition of a provision was not required.

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

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

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

When valuing OTC derivatives, the Bank also takes Credit Value Adjustments (CVA) or Debit Value Adjustments (DVA) into consideration in order to account for counterparty credit risk or the Bank's own credit risk, where this has not already been taken into account elsewhere in the valuation model. Where a netting agreement exists for counterparties, the calculation is performed at counterparty level based on the net position; in other cases the calculation is performed on the basis individual positions.

In addition, DekaBank recognised a Funding Value Adjustment (FVA) for the first time during the fourth quarter of 2015. This captures the implicit market refinancing costs for uncollateralised derivative positions. The maturity structure of funding is thus considered to be an important component of fair value for uncollateralised derivatives.

Currency translation

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

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

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

Fixed assets

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

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

Provisions for loan losses

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

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

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

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

- default in payment lasting more than 90 days;
- deferral of payment claims or waiver of payment claims;
- initiation of enforcement measures;
- imminent insolvency or overindebtedness;
- petition for or commencement of insolvency proceedings;
- failure of remedial measures.

Provisions

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

In accordance with Section 246 (2) HGB, plan assets, which are required to be offset against the related obligations, were created for the company retirement pensions of DekaBank in the form of a Contractual Trust Arrangement (CTA). These are held by a legally independent trustee – Deka Trust e.V.. The plan assets for the fund-based defined contribution plans consist primarily of fund assets allocated per individual employee and other assets to cover both the biometric risks arising from benefits becoming due early and the additional financing risk. In addition, commitments under final salary plans and general contribution schemes were funded through the creation of ring-fenced plan assets using a CTA. This section of the plan assets is invested in a special fund with an investment strategy based on an integrated asset-liability assessment. The plan assets are measured at fair value and reduce the pension provisions shown in the balance sheet. The expected income from the plan assets is offset against the expenses for adding interest to pension commitments.

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

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

Deferred taxes

Deferred tax assets are not reported, since the existing asset surplus, utilising the option under Section 274 HGB, is not recognised. Deferred tax assets result primarily from profits retained but already allocated for income tax purposes at the level of special funds, and from measurement differences in other provisions and pension provisions. As at the reporting date, measurement differences between the commercial balance sheet and tax balance sheet leading to the recognition of deferred tax liabilities exist to only a very limited extent. 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 values		Full fair values positive market values		Full fair values negative market values	
€m	**31.12.2015**	**31.12.2014**	**31.12.2015**	**31.12.2014**	**31.12.2015**	**31.12.2014**
Interest rate risks						
OTC products						
Interest rate swaps	393,689.2	361,645.5	9,847.4	11,998.4	9,098 .3	10,978.2
Forward Rate Agreements	38,198.0	19,748.0	1.7	0.7	1.7	0.4
Interest rate options						
Purchases	8,587.5	8,312.8	204.1	255.9	51.9	56.3
Sales	10,602.6	11,515.7	116.3	124.3	342.6	439.6
Caps, floors	2,965.1	2,816.6	19.4	111.5	8.9	8.8
Other interest rate futures	2,715.0	2,303.1	7.1	6.5	143.8	207.5
Stock exchange traded products						
Interest rate futures/options on interest rate futures	15,196.4	18,528.6	1.8	1.4	2.2	8.2
Sub-total	**471,953.8**	**424,870.3**	**10,197.8**	**12,498.7**	**9,649.4**	**11,699.0**
Currency risks						
OTC products						
Foreign exchange future contracts	7,776.5	5,579.9	57.6	45.7	51.3	117.4
Interest rate/currency swaps	2,693.2	2,343.4	162.3	89.4	296.9	166.7
Sub-total	**10,469.7**	**7,923.3**	**219.9**	**135.1**	**348.2**	**284.1**
Share and other price risks						
OTC products						
Share forward contracts	63.1	65.7	1.7	0.9	1.8	0.9
Share options						
Purchases	2,704.2	2,109.6	2,113.8	2,208.7	—	—
Sales	22,430.1	7,530.4	—	—	2,515.2	2,888.2
Credit derivatives	11,069.5	9,407.0	99.3	106.8	107.9	69.2
Other forward contracts	1,796.5	3,583.1	28.8	31.8	11.1	46.8
Stock exchange traded products						
Share options	23,741.4	21,845.8	1,399.8	1,777.0	1,867.4	2,021.6
Share futures	216.4	139.7	15.9	12.7	6.2	9.8
Sub-total	**62,021.2**	**44,681.3**	**3,659.3**	**4,137.9**	**4,509.6**	**5,036.5**
Total	**544,444.7**	**477,474.9**	**14,077.0**	**16,771.7**	**14,507.2**	**17,019.6**
Amount carried in balance sheet:			9,798.7	12,308.9	10,148.6	12,392.8

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. On the assets side, the received variation margin reduces market values by some €4.3bn (previous year: €4.5bn). On the other hand, the paid variation margin reduces market values on the liabilities side by around €4.4bn (previous year: €4.6bn).

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

	Interest rate risks		Currency risks		Share and other price risks	
€m	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Residual term to maturity						
less than 3 months	65,966.4	66,171.9	4,867.6	2,671.1	7,340.4	6,121.4
> 3 months to 1 year	61,067.5	65,884.9	3,291.3	3,084.0	12,864.0	10,044.9
> 1 year to 5 years	181,354.3	152,049.8	2,002.1	1,789.7	33,498.7	20,503.8
> than 5 years	163,565.6	140,763.7	308.7	378.5	8,318.1	8,011.2
Total	**471,953.8**	**424,870.3**	**10,469.7**	**7,923.3**	**62,021.2**	**44,681.3**

Derivative transactions – classification by counterparties – trading portfolio

	Nominal values		Full fair values positive market values		Full fair values negative market values	
€m	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Banks in the OECD	188,205.4	189,643.5	6,421.0	8,695.0	6,729.7	8,474.3
Public sector entities in the OECD	25,874.9	21,776.8	970.0	1,008.9	344.5	384.3
Other counterparties	330,364.4	266,054.6	6,686.0	7,067.8	7,433.0	8,161.0
Total	**544,444.7**	**477,474.9**	**14,077.0**	**16,771.7**	**14,507.2**	**17,019.6**

Derivative transactions – volume – non-trading portfolio

	Nominal values		Full fair values positive market values		Full fair values negative market values	
€m	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Interest rate risks						
OTC products						
Interest rate swaps	34,021.5	48,754.1	993.5	1,333.6	679.1	1,149.4
Caps, floors	85.7	—	0.4	—		
Stock exchange traded products						
Interest rate futures/options on interest rate futures	230.3	132.3	0.8	0.2	0.2	1.3
Sub-total	**34,337.5**	**48,886.4**	**994.7**	**1,333.8**	**679.3**	**1,150.7**
Currency risks						
OTC products						
Foreign exchange future contracts	8,042.8	5,991.0	56.1	131.3	78.1	26.6
Interest rate/currency swaps	6,408.6	6,182.7	71.4	148.2	1,122.9	781.9
Sub-total	**14,451.4**	**12,173.7**	**127.5**	**279.5**	**1,201.0**	**808.5**
Share and other price risks						
OTC products						
Share options						
Purchases	16.5	26.0	6.4	2.7	—	—
Sales	—	—	—	—	—	—
Credit derivatives	181.2	90.0	7.0	—	4.2	3.0
Stock exchange traded products						
Share options	—	156.0	—	0.5	—	26.5
Share futures	67.3	30.9	—	—	0.9	0.8
Sub-total	**265.0**	**302.9**	**13.4**	**3.2**	**5.1**	**30.3**
Total	**49,053.9**	**61,363.0**	**1,135.6**	**1,616.5**	**1,885.4**	**1,989.5**

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

Furthermore, a provision for possible losses in the amount of €6.2m was recognised as at the reporting date.

Under EU Regulation No. 648/2012 (EMIR), since 2012 there has been a requirement to perform certain OTC derivate transactions through a central counterparty. The daily settlement of gains and losses to be carried out in this process (variation margin) results in a net receivable for the non-trading portfolio of €74.8m. This is recognised in amounts 'Due from customers'.

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

	Interest rate risks		Currency risks		Share and other price risks	
€m	**31.12.2015**	**31.12.2014**	**31.12.2015**	**31.12.2014**	**31.12.2015**	**31.12.2014**
Residual term to maturity						
less than 3 months	12,154.1	25,121.0	5,272.0	2,880.1	83.8	30.9
> 3 months to 1 year	6,257.6	7,179.9	3,393.2	4,085.9	—	165.5
> 1 year to 5 years	8,672.0	10,771.5	3,932.2	3,889.8	181.2	106.5
> than 5 years	7,253.8	5,814.0	1,854.0	1,317.9	—	—
Total	**34,337.5**	**48,886.4**	**14,451.4**	**12,173.7**	**265.0**	**302.9**

Derivative transactions – classification by counterparties – non-trading portfolio

	Nominal values		Full fair values positive market values		Full fair values negative market values	
€m	**31.12.2015**	**31.12.2014**	**31.12.2015**	**31.12.2014**	**31.12.2015**	**31.12.2014**
Banks in the OECD	16,178.5	24,792.6	584.4	1,205.3	1,366.1	1,752.6
Public sector entities in the OECD	113.2	354.5	—	9.6	11.2	15.5
Other counterparties	32,762.2	36,215.9	551.2	401.6	508.1	221.4
Total	**49,053.9**	**61,363.0**	**1,135.6**	**1,616.5**	**1,885.4**	**1,989.5**

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

4 Statement of subsidiaries and equity investments in accordance with Section 285 No. 11 HGB

Name, location	**Equity interest in %**	**Equity [1] €'000**	**Result [2] €'000**
Shares in affiliated companies			
DekaBank Deutsche Girozentrale Luxembourg S.A., Luxembourg	100.00	612,449.8	83,474.8
Deka Investment GmbH, Frankfurt/Main	100.00	93,183.1	177,304.3 [3]
Deka Immobilien GmbH, Frankfurt/Main	100.00	38,764.7	32,703.2 [3]
Deka Immobilien Investment GmbH, Frankfurt/Main	100.00	31,245.1	20,467.6 [3]
ExFin AG i.L., Zurich (formerly: Deka(Swiss) Finanz AG)	100.00	28,847.8	485.2
Deka Grundstücksverwaltungsgesellschaft I (GbR), Frankfurt/Main	100.00	19,116.5	493.8
Landesbank Berlin Investment GmbH, Berlin	100.00	10,660.0	15,598.6 [3]
Deka Real Estate Lending k.k., Tokyo	100.00	6,466.7	484.4
Deka Vermögensmanagement GmbH, Frankfurt/Main	100.00	3,600.0	– 10.7

Name, location	Equity interest in %	Equity [1] €'000	Result [2] €'000
Deutsche Landesbankenzentrale AG, Berlin	100.00	1,519.5	–2.5
Deka Beteiligungsgesellschaft mbH, Frankfurt/Main	100.00	1,083.9	–3.0
Deka Investors Spezial InvAG m.v.K. u. TGV (TGV Unternehmensaktien), Frankfurt/Main (formerly: Deka Investors Investment AG)	100.00	275.6	–7.0
DKC Deka Kommunal Consult GmbH, Düsseldorf	100.00	203.2	–619.2[3]
Deka Treuhand GmbH, Frankfurt/Main	100.00	98.0	13.0
Deka Vermögensverwaltungs GmbH, Frankfurt/Main	100.00	65.4	–0.7[3]
Privates Institut für quantitative Kapitalmarktforschung der DekaBank GmbH, Frankfurt/Main	100.00	49.3	–0.2[3]
LBG Leasing Beteiligungs-GmbH, Frankfurt/Main	100.00	32.0	0.0
Deka Treuhand Erwerbsgeselllschaft mbH, Frankfurt/Main	100.00	25.0	–8.7[3]
Deka Verwaltungs GmbH, Frankfurt/Main	100.00	22.1	–0.7
WestInvest Gesellschaft für Investmentfonds mbH, Düsseldorf	99.74	11,338.6	5,868.3[3]
WIV GmbH & Co. Beteiligungs KG, Frankfurt/Main	94.90	12,870.0	770.0
WIV Verwaltungs GmbH, Frankfurt/Main	94.90	63.9	4.1
Equity investments			
S PensionsManagement GmbH, Cologne	50.00	113,413.3	–1,556.2
Dealis Fund Operations GmbH, Frankfurt/Main	50.00	19,377.8	1,180.9
Deka-Neuburger Institut für wirtschaftsmathematische Beratung GmbH, Frankfurt/Main	50.00	16.0	1.2
S Broker AG & Co. KG, Wiesbaden	30.64	28,579.6	513.6
Indirect equity investments and shares in affiliated companies			
Deka International S.A., Luxembourg	100.00	123,178.4	45,715.0
Roturo S.A., Luxembourg	100.00	19,668.8	18,131.3
International Fund Management S.A., Luxembourg	100.00	13,923.3	4,264.0
Deka Immobilien Luxembourg S.A., Luxembourg	100.00	897.9	168.7
Deka Far East Pte. Ltd., Singapore	100.00	164.4	–
Deka Immobilien Beteiligungsgesellschaft mbH, Frankfurt/Main	100.00	153.6	5.8
Deka Real Estate Services USA Inc., New York	100.00	89.9	–
Perfeus S.A., Luxembourg	100.00	42.3	4.5
Datogon S.A., Luxembourg	100.00	37.9	1.1
Europäisches Kommunalinstitut S.à.r.l., Luxembourg	100.00	8.9	–6.0
Sparkassen Pensionskasse AG, Cologne	50.00	84,253.0	3,140.0
Sparkassen Pensionsfonds AG, Cologne	50.00	5,621.0	–1,719.0
Sparkassen PensionsBeratung GmbH i.L., Cologne	50.00	54.0	–6.0
S Broker Management AG, Wiesbaden	30.64	107.0	24.1
Heubeck AG, Cologne	30.00	4,910.0	750.0
Compendata Gesellschaft zur Verwaltung von Vorsorgeeinrichtungen mbh, Cologne	30.00	114.0	48.0
Dr. Heubeck Ges. mbH, Vienna	30.00	150.0	17.0
Richttafeln-Unterstützungskasse GmbH, Cologne	30.00	83.0	5.0
Heubeck Richttafeln GmbH, Cologne	30.00	57.0	38.0
DPG Deutsche Performancemessungs-Gesellschaft für Wertpapierportfolios mbH, Frankfurt/Main	20.00	4,589.1	899.8

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

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, DekaBank Deutsche Girozentrale Luxembourg S.A., Luxembourg, can meet its commitments.

6 Other financial commitments

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

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

There is an additional funding obligation for the security reserve of the *Landesbanken* and *Girozentralen* of €99.4m (previous year: €32.4m). The increase resulted from a reorganisation of the former guarantee scheme of the *Sparkassen-Finanzgruppe* in order to meet the requirements of the German Deposit Guarantee Act (*Einlagensicherungsgesetz* – EinSiG), which entered into force on 3 July 2015. In addition to maintaining existing principles with respect to institutional guarantee schemes, this involved the implementation of legal requirements on depositor compensation as a mandatory fallback arrangement. By 2024, the assets of the security reserve must be increased to the statutory target level of 0.8% of the covered deposits of its member institutions. The security reserve collects annual levies from its members for this purpose.

Notes to the balance sheet

7 Due from banks

€m	31.12.2015	31.12.2014
This item includes:		
Loans to		
affiliated companies	563.9	263.9
companies in which an interest is held	–	–
Subordinated loans	–	–
Sub item b, (other claims) – breaks down according to residual term to maturity as follows:		
less than three months	2,870.9	1,042.8
> three months to one year	1,934.7	3,310.5
> one year to five years	5,094.3	6,279.5
more than five years	1,357.9	3,783.1
	11,257.8	**14,415.9**
Used as cover funds	**779.5**	**3,432.2**

8 Due from customers

€m	31.12.2015	31.12.2014
This item includes:		
Loans to		
affiliated companies	235.6	210.8
companies in which an interest is held	57.8	97.7
Subordinated loans	–	–
This item breaks down by residual term to maturity as follows:		
with indefinite term to maturity	761.0	890.7
less than three months	1,071.0	919.1
> three months to one year	1,224.2	1,745.6
> one year to five years	7,707.9	7,331.7
more than five years	4,954.2	4,117.8
	15,718.3	**15,004.9**
Used as cover funds	**3,031.6**	**3,421.7**

9 Bonds and other fixed-interest securities

€m	31.12.2015	31.12.2014
The marketable securities comprising this item include:		
listed	12,162.9	17,918.5
unlisted	346.9	670.8
Subordinated securities	**35.3**	**31.6**
Due within one year	**1,400.5**	**5,057.6**
Used as cover funds	**483.3**	**410.0**
Book value of securities valued according to the diluted lower of cost or market principle	2,783.5	3,320.1
Book value of securities reported at more than fair value	468.5	466.8
Market value of securities reported at more than fair value	459.0	455.1

The Bank intends to hold those securities allocated to the 'Securities held as fixed assets' category on a permanent basis. The current value fluctuations are not assessed as permanent and repayment in full is expected on maturity.

10 Shares and other non-fixed interest securities

€m	31.12.2015	31.12.2014
The marketable securities comprising this item include:		
listed	–	0.2
unlisted	1,591.0	1,152.7
Subordinated securities	**–**	**5.2**

11 Trading portfolio (assets)

This item breaks down as follows:

€m	31.12.2015	31.12.2014
Derivative financial instruments	9,798.7	12,308.9
Receivables	19,280.1	17,406.2
Bonds and other fixed-interest securities	23,040.4	20,900.5
Shares and other non fixed-interest securities	2,603.9	4,894.6
Other assets	0.1	2.6
Risk mark-down	–29.5	–23.9
	54,693.7	**55,488.9**

12 Equity investments

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

13 Shares in affiliated companies

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

14 Trust assets

The reported trust assets comprise amounts due from banks of €65.3m and amounts due from customers of €100.7m.

15 Tangible assets

€m	31.12.2015	31.12.2014
This item includes:		
Land and buildings used for the Bank's business activities	–	2.7
Office equipment	14.1	14.7

16 Changes in fixed assets

€m						Book value	
Asset items	**Cost of acquisition/ production**	**Additions**	**Disposals**	**Accumulated depreciation/ amortisation**	**Depreciation/ amortisation for the year**	**31.12.2015**	**31.12.2014**
		Changes +/- [1]					
Equity investments			−10.8			47.1	57.9
Shares in affiliated companies			8.7			456.3	447.6
Securities held as fixed assets			−536.6			2,783.5	3,320.1
Intangible assets	126.3	3.1		111.5	11.1	17.9	25.9
Tangible assets	63.6	0.6	6.3	43.8	1.2	14.1	17.4
Total						**3,318.9**	**3,868.9**

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

17 Other assets

€m	31.12.2015	31.12.2014
This item includes amongst others:		
Tax refund claims	119.3	120.6
Premiums paid and margins for derivative financial instruments	10.7	15.6
Overpaid profit shares of the atypical silent partners	0.0	6.9

18 Prepaid expenses and accrued income

€m	31.12.2015	31.12.2014
This item includes:		
Premium/discount from underwriting and lending business	7.5	13.6
Prepaid expenses and accrued income – derivative financial instruments	21.8	4.1

19 Genuine repurchase agreements

As at 31 December 2015, the book value of lent securities or securities sold under repurchase agreements amounts to €2,479.1m (previous year: €3,616.5m). Pass-through securities lending transactions of €6,382.8m (previous year: €6,993.0m) were also carried out.

20 Collateral transfer for own liabilities

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

€m	31.12.2015	31.12.2014
Due to banks	278.3	137.1
Due to customers	0.0	0.0
Trading portfolio (liabilities)	18.154,0	18,798.9

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 €1,085.5m (previous year: €2,311.3m) were pledged as collateral for transactions on German and foreign futures exchanges.

21 Investment Shares

€m	Book value 31.12.2015	Market value 31.12.2015	Difference market value – book value	Distribution 2015	Daily redemption possible	Omitted depreciation
Equity funds	203.5	207.4	3.9	1.9	Yes	No
Bond funds	1,189.8	1,208.3	18.5	10.3	Yes	No
Mixed funds	2,206.5	2,541.2	334.7	0.0	Yes	No
Funds of funds	0.6	0.9	0.3	0.0	Yes	No
Other funds	909.4	930.0	20.6	2.1	No	No
Total	**4,509.8**	**4,887.8**	**378.0**			

22 Due to banks

€m	31.12.2015	31.12.2014
This item includes:		
Liabilities to		
affiliated companies	571.4	749.3
companies in which an interest is held	–	0.0
Sub item b (with agreed maturity or period of notice) breaks down by residual term to maturity as follows:		
less than three months	5,631.0	4,586.3
> three months to one year	4,883.6	7,357.2
> one year to five years	1,731.6	1,898.6
more than five years	1,493.9	1,864.1
	13,740.1	**15,706.2**

23 Due to customers

€m	31.12.2015	31.12.2014
This item includes:		
Liabilities to		
affiliated companies	439.7	297.4
companies in which an interest is held	93.9	123.7
Sub item b (with agreed maturity or period of notice) breaks down by residual term to maturity as follows:		
less than three months	5,574.3	5,591.6
> three months to one year	3,221.3	2,780.9
> one year to five years	1,996.3	2,059.7
more than five years	2,245.4	2,553.1
	13,037.3	**12,985.3**

24 Securitised liabilities

€m	31.12.2015	31.12.2014
Proportion of sub item a (issued bonds) maturing in the following year	**1,641.6**	**16,036.9**
Sub item b (other securities liabilities) breaks down by residual term to maturity as follows:		
less than three months	10,501.7	5,775.6
> three months to one year	2,812.0	192.3
	13,313.7	**5,967.9**

25 Trading portfolio (liabilities)

This item breaks down as follows:

€m	31.12.2015	31.12.2014
Derivative financial instruments	10,148.6	12,392.8
Liabilities	30,699.5	30,832.5
	40,848.1	**43,225.3**

26 Trust liabilities

Trust liabilities comprise €65.3m in amounts due to banks and €100.7m in amounts due to customers.

27 Other liabilities

€m	31.12.2015	31.12.2014
This item includes:		
Foreign exchange equalisation items	979.5	421.2
Bonuses for sales offices	89.6	75.4
Trade payables	31.3	29.3
Share of profit attributable to atypical silent partners	11.7	0.0
Due to custodial customers	1.8	8.3
Premiums received and margins for derivative financial instruments	0.6	30.0

28 Provisions for pensions and similar commitments

Pension provisions were calculated using the Heubeck mortality tables 2005 G based on the following actuarial parameters:

in %	31.12.2015
Pension trend for adjustments according to Section 16 (2) Company Pensions Fund Act (BetrAVG)	2.00
Pension adjustment with overall trend updating	2.50
Salary trend	2.50

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

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

Provisions for pensions and similar commitments are discounted at the average market interest rate of the past seven years published by Deutsche Bundesbank for an assumed residual time to maturity of 15 years. This interest rate stands at 3.89%.

€m	31.12.2015
Pension provisions	**22.9**
Acquisition cost of plan assets	276.5
Fair value of plan assets	384.0
Settlement amount of offset liabilities	407.0
Income from plan assets	17.9
Expenses for adding interest	16.0

The valuation of cover assets at fair value produces an amount that exceeds the historical cost of these assets of €107.5m, which is not blocked for distribution in accordance with Section 268 (8) HGB, since the free reserves of the company exceed this figure.

29 Accruals and deferred income

€m	31.12.2015	31.12.2014
This item includes:		
Premiums/discounts from underwriting and lending business	9.7	10.3
Accruals and deferred income – derivative financial instruments	3.6	5.3

30 Subordinated liabilities

€m	31.12.2015	31.12.2014
Expenses from subordinated liabilities	48.9	41.2
Accrued interest on subordinated liabilities	43.8	21.1

Borrowings structured as follows:

Year of emission	Nominal amount in €m	Interest rate in % p.a.	Maturity
2006	40.0	4.43	2016
2009	75.0	6.00	2019
2013	25.0	4.00	2023
2013	12.7	4.13	2024
2013	5.0	4.26	2025
2013	52.1	4.50	2028
2013	18.0	4.75	2033
2014	105.7	4.01	2024
2014	137.5	4.15	2025
2014	6.0	4.34	2027
2014	10.0	4.53	2028
2014	97.0	4.52	2029
2014	6.0	4.57	2030
2014	25.0	4.80	2034
2014	473.6	6.00	–
2015	207.3	3.51	2025
2015	22.7	3.58	2026
2015	10.0	3.74	2027
2015	60.0	4.04	2030

In order to strengthen its Tier 1 capital, DekaBank issued Additional Tier 1 (AT1) bonds. Part of the issue involved converting a typical silent capital contribution held by DSGV ö.K. in DekaBank. The remainder was placed primarily with savings banks. AT1 bonds are eligible to be recognised in full as additional Tier 1 capital.

AT1 bonds are to be reported under subordinated liabilities in the HGB balance sheet because, if the issuer were to become insolvent or go into liquidation, any repayment claim arising from these instruments could only be asserted once the claims of all other creditors had been satisfied. As there is no element of loss-sharing, however, they are not deemed to be of an equity nature.

31 Equity

The breakdown of equity (excluding profits intended for distribution) is as follows:

€m	31.12.2015	31.12.2014
a) Subscribed capital		
Subscribed capital	191.7	191.7
Typical silent capital contributions	203.8	203.8
Atypical silent capital contributions	52.4	52.4
b) Capital reserves	189.4	189.4
c) Retained earnings		
Reserves required by the Bank’s statutes	51.3	51.3
Other retained earnings	114.1	114.1
Balance sheet equity	**802.7**	**802.7**

Interest expenses for Perpetuals amounted to €8.0m (previous year: €19.2m) and are shown in the net interest income.

32 Contingent and other liabilities

The off-balance sheet contingent liabilities amounting to €2,302.1m (previous year: €1,949.4m) 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 €2,159.1m (previous year: €1,801.7m and irrevocable loan commitments of €1,151.3m (previous year: €453.5m). Based on the credit rating analyses carried out, it can essentially be assumed that borrowers will meet their commitments and no utilisation is therefore expected. Loan provisions were recognised in individual cases where the default of the borrower is likely.

33 Foreign currency volumes

€m	31.12.2015	31.12.2014
Foreign currency assets	13,503.1	10,591.2
Foreign currency liabilities	9,792.3	7,052.6

Notes to the income statement

34 Net interest income

Net interest income includes negative interest income of €1.3m and positive interest expenses of €2.3m.

35 Net income from the trading portfolio

€26.0m (previous year: €23.3m) of the net income from the trading portfolio totalling €234.0m (previous year: €209.9m) was transferred to the fund for general banking risks in the reporting year.

36 Other operating income

Other operating income consists mainly of €289.8m from Group offsetting and €13.4m from the reversal of provisions (including interest effect).

In the second half of 2015 a building complex located in the banking district of Frankfurt am Main's city centre was sold. The resulting gain on disposal of €31.5m is reported in 'Other operating income'. The purchase agreement was concluded on 1 June 2013, subject to a condition precedent. It came into effect on 28 May 2015 by virtue of a supplement to the agreement. The purchase price was paid in two tranches, with the first tranche due for payment in June 2015 and the second tranche being paid in October 2015.

37 Other operating expenses

This item includes redundant €38.4m resulting from currency translation in the non-trading book, €12.9m in transfers to provisions (including interest effect) and €9.1m from Group offsetting.

38 Auditor's fees

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

39 Income taxes

As DekaBank is treated for tax purposes as an atypical silent partnership, DekaBank only accrues corporation tax to the extent that taxable income is not allocated to atypical silent partners. Taking into account the Bank's existing own shares in subscribed capital (acquired in the first half of 2011), the holdings of atypical silent partners in taxable income is 45.6%. This results in a combined tax rate of 24.68% for the companies in the DekaBank fiscal group. However, in return for the allocation of the tax base, atypical silent partners are entitled to allocate to DekaBank the corporation tax expense attributable to them (45.6% of 15.0% corporation tax plus solidarity surcharge thereon, in total 7.22%), meaning that DekaBank pays an amount equal to the tax expense to the atypical silent partners and from an economical point of view bears this part of the tax expense, as well. Thus, in order to achieve better comparability, the portion of the corporation tax expense attributable to the atypical silent partners is also reported as tax expense.

The applicable combined tax rate (trade tax plus corporation tax and solidarity surcharge) therefore totals to 31.90%.

Current income taxes or liabilities are calculated at the current tax rates expected for payments to or refunds from the tax authorities.

40 Management and intermediary services provided for third parties

These relate to services, especially custody account management, provided for third parties.

Information relating to Pfandbrief business

41 Calculation of cover for mortgage and public sector lending business

Mortgage *Pfandbriefe*

Total amounts by nominal value and net present value

	Nominal value		Net present value[1]	
Mio. €	**2015**	**2014**	**2015**	**2014**
Outstanding mortgage *Pfandbriefe*	115.0	115.0	117.0	116.9
Cover pool mortgage *Pfandbriefe*	203.1	322.9	218.4	343.3
Overcollateralization	88.1	207.9	101.4	226.4
Overcollateralization as a % of outstanding	76.6	180.8	86.7	193.6

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

Total amounts by nominal value and net present value[2]

	Risk-adjusted net present value +250 BP		Risk-adjusted net present value −250 BP		Risk-adjusted net present value Currency stress	
Mio. €	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Outstanding mortgage *Pfandbriefe*	111.8	109.6	116.9	117.7	111.8	109.6
Cover pool mortgage *Pfandbriefe*	210.4	332.2	218.4	344.7	210.4	332.2
Overcollateralization	98.6	222.6	101.5	227.0	98.6	222.6
Overcollateralization as a % of outstanding	88.2	203.1	86.9	192.7	88.2	203.1

[2] Net present value in accordance with the static approach pursuant to the Pfandbrief Net Present Value Directive (PfandBarwertV).

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

Additional information

	2015	**2014**
Share of fixed-interest assets in outstanding (in %)	82.6	82.6
Share of fixed-interest assets in cover pool (in %)	43.7	27.9
Volume-weighted average age of receivables (in years)	3.7	4.2
Average weighted mortgage loan-to-value (in %)	47.3	42.6

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

Maturity structure

Maturity ranges	Outstanding mortgage *Pfandbriefe*		Cover pool mortgage *Pfandbriefe*	
€m	**2015**	**2014**	**2015**	**2014**
up to 6 months	10.0	0.0	0.0	43.7
> 6 months to 12 months	20.0	0.0	0.0	75.6
> 12 months to 18 months	5.0	10.0	88.7	0.0
> 18 months to 2 years	50.0	20.0	19.5	0.0
> 2 years to 3 years	0.0	55.0	29.3	108.7
> 3 years to 4 years	30.0	0.0	25.6	29.3
> 4 years to 5 years	0.0	30.0	40.0	25.6
> 5 years to 10 years	0.0	0.0	0.0	40.0
> 10 years	0.0	0.0	0.0	0.0
Total	**115.0**	**115.0**	**203.1**	**322.9**

Total amount of additional cover pool assets

€m	2015	2014
Cover pool assets according to		
Section 19 (1) no. 2 PfandBG		
based in: Germany	40.0	40.0
Thereof exposure in covered bonds according to Article 129 Regulaton (EU) no. 575/2013	0.0	0.0

Breakdown of cover pool assets by size

Total nominal value		
€m	**2015**	**2014**
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]	0.0	25.0
> €10.0m [1]	163.1	257.9
Sub-total	**163.1**	**282.9**
Additional cover pool assets	40.0	40.0
Total	**203.1**	**322.9**

[1] Secured by mortgages.

Breakdown of cover pool assets by type of use

Total amounts	Federal Republic of Germany		France		Total	
€m	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Commercial use	48.8	102.7	114.3	180.2	163.1	282.9
Other cover pool assets [1]	40.0	40.0	0.0	0.0	40.0	40.0
Total	**88.8**	**142.7**	**114.3**	**180.2**	**203.1**	**322.9**

[1] Including mandatory overcollateralization/safeguarding liquidity.

Breakdown of cover pool assets by type of building

Total amounts	Federal Republic of Germany		France		Total	
€m	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Office buildings	0.0	19.0	114.3	180.2	114.3	199.2
Retail buildings	29.3	64.3	0.0	0.0	29.3	64.3
Other commercial buildings	19.5	19.4	0.0	0.0	19.5	19.4
Other cover pool assets [1]	40.0	40.0	0.0	0.0	40.0	40.0
Total	**88.8**	**142.7**	**114.3**	**180.2**	**203.1**	**322.9**

[1] Including mandatory overcollateralizaion/safeguarding liquidity.

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

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

As in the previous year, no foreclosure sales were carried out in financial year 2015.

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*

Total amounts by nominal value and present value

	Nominal value		Present value [1]	
€m	**2015**	**2014**	**2015**	**2014**
Outstanding public sector *Pfandbriefe*	2,971.8	4,436.8	3,535.9	5,142.3
Cover pool public sector *Pfandbriefe*	4,091.3	6,940.9	4,545.9	7,562.2
Overcollateralization	1,119.5	2,504.1	1,010.0	2,419.9
Overcollateralization as a % of outstanding	37.7	56.4	28.6	47.1

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

Outstanding *Pfandbriefe* and cover 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	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Outstanding public sector *Pfandbriefe*	3,168.6	4,684.3	3,639.4	5,278.7	3,595.3	5,389.4
Cover pool public sector *Pfandbriefe*	4,258.2	7,179.4	4,624.5	7,674.8	4,482.1	7,691.5
Overcollateralization	1,089.7	2,495.1	985.1	2,396.1	886.8	2,302.1
Overcollateralization as a % of outstanding	34.4	53.3	27.1	45.4	24.7	42.7

[2] Net present value is calculated in accordance with the static approach pursuant to the *Pfandbrief* Net Present Value Directive (PfandBarwertV).

Additional information

€m	**2015**	**2014**
Share of fixed-interest assets in outstanding (in %)	92.3	90.0
Share of fixed-interest assets in cover pool (in %)	66.9	72.1
Net present value for each foreign currency in €m:		
USD	151.1	62.4

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

Maturity structure

Maturity ranges	Outstanding public sector *Pfandbriefe*		Cover pool public sector *Pfandbriefe*	
€m	2015	2014	2015	2014
up to 6 months	352.4	714.5	214.1	1,507.2
> 6 months to 12 months	37.0	682.2	176.6	1,761.2
> 12 months to 18 months	186.8	328.7	326.4	216.4
> 18 months to 2 years	134.5	77.0	119.9	182.5
> 2 years to 3 years	415.1	339.9	560.6	451.5
> 3 years to 4 years	512.5	459.5	312.7	685.7
> 4 years to 5 years	188.9	512.5	221.0	316.7
> 5 years to 10 years	777.1	900.9	1,573.0	1,316.0
> 10 years	367.5	421.6	587.0	503.7
Total	**2,971.8**	**4,436.8**	**4,091.3**	**6,940.9**

Breakdown of cover pool assets by size

Total nominal values		
€m	2015	2014
up to €10.0m	78.5	385.5
> €10.0m to €100.0m	890.4	2,503.2
> €100.0m	3,007.4	3,877.2
Sub-total	**3,976.3**	**6,765.9**
Additional cover pool assets	115.0	175.0
Total	**4,091.3**	**6,940.9**

Total amount of additional cover pool assets

€m	2015	2014
Cover pool assets according to		
Section 20 (2) no. 2 PfandBG		
based in: Germany	115.0	175.0
Thereof exposure in covered bonds according to Article 129 Regulation (EU) no. 575/2013	65.0	20.0

Distribution of cover pool assets

Total nominal value of cover pool assets by country / type	Sovereign		Regional authorities		Local authorities		Other debtors		Total	
€m	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Federal Republic of Germany	432.6	98.2	1,083.5	1,024.8	385.9	503.5	1,084.6	4,827.5	2,986.6	6,454.0
Canada	0.0	0.0	123.4	70.3	0.0	0.0	0.0	40.4	123.4	110.7
Latvia	0.0	0.0	0.0	0.0	35.2	38.1	0.0	0.0	35.2	38.1
Netherlands	2.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.3	0.0
Poland	79.8	79.3	0.0	0.0	0.0	0.0	0.0	58.3	79.8	137.6
Spain	0.0	0.0	0.0	2.8	0.0	0.0	0.0	0.0	0.0	2.8
United States of America	380.5	0.0	0.0	0.0	0.0	0.0	0.0	48.8	380.5	48.8
United Kingdom of Great Britain and Northern Ireland	368.5	0.0	0.0	0.0	0.0	0.0	0.0	148.9	368.5	148.9
Total	**1,263.7**	**177.5**	**1,206.9**	**1,097.9**	**421.1**	**541.6**	**1,084.6**	**5,123.9**	**3,976.3**	**6,940.9**

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

Other information

42 Average number of staff

Number	2015			2014		
	Male	Female	Total	Male	Female	Total
Full-time employees	1,536	646	2,182	1,523	638	2,161
Part-time and temporary employees	84	373	457	82	368	450
Total	**1,620**	**1,019**	**2,639**	**1,605**	**1,006**	**2,611**

43 Remuneration of Board members

€	2015	2014
Remuneration of active Board members		
Board of Management	4,139,595	4,768,333
Administrative Board	709,500	622,583
Remuneration paid to former Board members and surviving dependants		
Board of Management	4,913,459	3,839,013
Provisions for pension commitments to these persons	53,706,814	52,262,644

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

In financial year 2015, variable remuneration elements in the amount of €4.2m (previous year: €3.6m) were committed to active and former members of the Board of Management, which are dependent on future performance. Variable remuneration components that were not paid out in the year of the commitment depend on the sustainable performance of the Deka Group and are deferred until the three years following the commitment year. The sustainable components of remuneration granted are subject to a two-year holding period and are paid out after that period has elapsed. Distributable earnings, corporate value, the economic result, payments to savings bank alliance partners, net sales performance and the individual contribution of the Board Members are used to determine sustainability. The total benefits include deferred variable remuneration components from active members of the Board of Management in the amount of €1.0m and due to previous members of the Board of Management in the amount of €1.8m. Active members of the Board of Management are to receive €0.4m for financial year 2014, €0.2m for financial year 2013, €0.3m for financial year 2012 and €0.1m for financial year 2011.

44 Loans to Board members

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

Seats on supervisory bodies

45 Notes to seats on supervisory bodies (as at 18.01.2016)

Herr Michael Rüdiger (Chairman of the Board of Management)		
Member of the Supervisory Board	Evonik Industries AG	Essen
Chairman of the Supervisory Board	Deka Investment GmbH	Frankfurt/Main
Chairman of the Supervisory Board	Landesbank Berlin Investment GmbH	Berlin
Member of the Supervisory Board	Deka Immobilien GmbH	Frankfurt/Main
Chairman of the Administrative Board	Liquiditäts-Konsortialbank GmbH i.L.	Frankfurt/Main
Member of the Administrative Board (until 20.03.2015)	DekaBank Deutsche Girozentrale Luxembourg S.A.	Luxembourg

Dr. Georg Stocker (Member of the Board of Management until 30.09.2015, Deputy Chairman of the Board of Management from 01.10.2015)		
Member of the Supervisory Board (until 02.06.2015) Deputy Chairman of the Supervisory Board (from 03.06.2015)	S Broker AG & Co. KG	Wiesbaden
Deputy Chairman of the Supervisory Board (from 03.06.2015)	S Broker Management AG	Wiesbaden
Deputy Chairman (until 09.06.2015)	Landesbank Berlin Investment GmbH	Berlin
Deputy Chairman of the Supervisory Board (until 14.07.2015)	Deka Investment GmbH	Frankfurt/Main
Deputy Chairman of the Supervisory Board (until 14.07.2015)	Deka Immobilien GmbH	Frankfurt/Main
Member of the Supervisory Board (from 01.01.2015 until 21.01.2015) Deputy Chairman of the Supervisory Board (from 22.01.2015 until 14.07.2015)	Deka Immobilien Investment GmbH	Frankfurt/Main
Member of the Supervisory Board (from 01.01.2015 until 21.01.2015) Deputy Chairman of the Supervisory Board (from 22.01.2015 until 14.07.2015)	WestInvest Gesellschaft für Investmentfonds mbH	Düsseldorf
Member of the Administrative Board (from 06.03.2015 until 21.10.2015)	DekaBank Deutsche Girozentrale Luxembourg S.A.	Luxembourg

Manuela Better ((Member of the Board of Management from 01.06.2015)		
Member of the Supervisory Board (until 25.11.2015)	AXA Konzern AG	Cologne
Member of the Supervisory Board	Deutsche EuroShop AG	Hamburg
Member of the Supervisory Board (from 10.06.2015 until 18.06.2015) Deputy Chairman of the Supervisory Board (from 19.06.2015)	Landesbank Berlin Investment GmbH	Berlin
Member of the Supervisory Board (from 15.07.2015 until 15.10.2015) Deputy Chairman of the Supervisory Board (from 16.10.2015)	Deka Investment GmbH	Frankfurt/Main
Member of the Supervisory Board (from 15.07.2015 until 17.07.2015) Deputy Chairman of the Supervisory Board (from 18.07.2015)	Deka Immobilien Investment GmbH	Frankfurt/Main
Member of the Supervisory Board (from 15.07.2015 until 17.07.2015) Deputy Chairman of the Supervisory Board (from 18.07.2015)	WestInvest Gesellschaft für Investmentfonds mbH	Düsseldorf
Member of the Supervisory Board (from 15.07.2015 until 16.07.2015) Deputy Chairman of the Supervisory Board (from 17.07.2015)	Deka Immobilien GmbH	Frankfurt/Main
Member of the Administrative Board (from 17.09.2015)	DekaBank Deutsche Girozentrale Luxembourg S.A.	Luxembourg

Dr. Matthias Danne (Member of the Board of Management)		
Chairman of the Supervisory Board	Deka Immobilien Investment GmbH	Frankfurt/Main
Chairman of the Supervisory Board	WestInvest Gesellschaft für Investmentfonds mbH	Düsseldorf
Chairman of the Supervisory Board	Deka Immobilien GmbH	Frankfurt/Main
Deputy Chairman of the Administrative Board	DekaBank Deutsche Girozentrale Luxembourg S.A.	Luxembourg
Member of the Supervisory Board (from 08.01.2015 until 26.03.2015) Deputy Chairman of the Supervisory Board (from 27.03.2015)	S PensionsManagement GmbH	Cologne
Member of the Supervisory Board (from 09.01.2015 until 26.03.2015) Deputy Chairman of the Supervisory Board (from 27.03.2015)	Sparkassen Pensionskasse AG	Cologne
Member of the Supervisory Board (from 09.01.2015 until 26.03.2015) Deputy Chairman of the Supervisory Board (from 27.03.2015)	Sparkassen Pensionsfonds AG	Cologne
Member of the Supervisory Board (until 30.06.2015)	Sparkassen Rating und Risikosysteme GmbH	Berlin
Managing Director	Deka Treuhand Erwerbsgesellschaft mbH	Frankfurt/Main

Martin K. Müller (Member of the Board of Management)		
Member of the Administrative Board (from 06.03.2015 until 15.03.2015) Chairman of the Administrative Board (from 16.03.2015)	DekaBank Deutsche Girozentrale Luxembourg S.A.	Luxembourg
Member of the Supervisory Board	Landesbank Berlin Investment GmbH	Berlin
Member of the Supervisory Board (from 26.10.2015)	Sparkassen Rating und Risikosysteme GmbH	Berlin
Member of the Supervisory Board (until 03.06.2015)	SIZ GmbH	Bonn
Member of the Shareholder Committee	Dealis Fund Operations GmbH	Frankfurt/Main
Managing Director	Deka Treuhand Erwerbsgesellschaft mbH	Frankfurt/Main

Board members of DekaBank Deutsche Girozentrale

46 Notes to the Board members of DekaBank Deutsche Girozentrale (as at 31.01.2016)

Board of Management

Michael Rüdiger
Chairman of the Board of Management

Dr. Georg Stocker
Deputy Chairman of the Board of Management
(from 01.10.2015)
Member of the Board of Management
(until 30.09.2015)

Manuela Better
(from 01.06.2015)
Member of the Board of Management

Dr. Matthias Danne
Member of the Board of Management

Martin K. Müller
Member of the Board of Management

Administrative Board

Georg Fahrenschon
Chairman
President of the German Savings Banks and
Giro Association e.V.

Helmut Schleweis
First Deputy Chairman
Chairman of the Board of Management
of Sparkasse Heidelberg

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

Additional representatives elected by the Shareholders' Meeting

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

Michael Breuer
President of the Rhineland Savings Banks
and Giro Association

Rainer Burghardt
(from 01.01.2015)
Chairman of the Board of Management of
Kreissparkasse Herzogtum Lauenberg

Carsten Claus
Chairman of the Board of Management of
Kreissparkasse Böblingen

Dr. Michael Ermrich
(from 01.04.2015)
Executive President of Ostdeutscher
Sparkassenverband

Dr. Johannes Evers
Chairman of the Board of Management of
Berliner Sparkasse
President of the Savings Banks Association
Berlin

Dr. Rolf Gerlach
President of the Savings Banks Association
Westphalia-Lippe

Gerhard Grandke
Managing President of the Savings Banks and Giro
Association Hesse-Thuringia

Hans-Heinrich Hahne
(01.01.2015 until 31.12.2015)
Chairman of the Board of Management of
Sparkasse Schaumburg

Dr. Christoph Krämer
Chairman of the Board of Management of
Sparkasse Iserlohn

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

Dr. Ulrich Netzer
President of the Savings Banks Associaton Bavaria

Hans-Werner Sander
Chairman of the Board of Management
of Sparkasse Saarbrücken

Peter Schneider
President of the Savings Banks Association
Baden-Württemberg

Georg Sellner
Chairman of the Board of Management
of Stadt- und Kreis-Sparkasse Darmstadt

Walter Strohmaier
Chairman of the Board of Management
of Sparkasse Niederbayern-Mitte

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

Alexander Wüerst
Chairman of the Board of Management
of Kreissparkasse Cologne

Employee representatives appointed by the Staff Committee

Michael Dörr
Chairman of the Staff Committee
of DekaBank Deutsche Girozentrale

Erika Ringel
Member of the Staff Committee
of DekaBank Deutsche Girozentrale

Representatives appointed by the Federal Organisation of Central Municipal Organisations

Dr. Stephan Articus
Executive Director of the Presiding Board
of the German Association of Cities

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

Roland Schäfer
Mayor of the City of Bergkamen and
President of the German Association
of Towns and Municipalities

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 and generally accepted accounting principles convey a true and fair view of the net assets, financial position and results of operations of the Company and that the management report conveys a true and fair view of the business performance including the business results and position of the Company and suitably presents the material risks and opportunities and likely development of the Company.

Frankfurt/Main, 18 February, 2016

DekaBank
Deutsche Girozentrale

The Board of Management

Rüdiger

Dr. Stocker

Better

Dr. Danne

Müller

Auditor's Report

We have audited the annual financial statements, comprising balance sheet, income statement and notes to the financial statements, together with the bookkeeping system, and the management report of the DekaBank Deutsche Girozentrale AöR, Berlin/Frankfurt am Main for the business year from January 1, 2015 to December 31, 2015. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law (and supplementary provisions of the shareholder agreement/articles of incorporation) are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 HGB [„Handelsgesetzbuch": „German Commercial Code"] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with [German] principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements (and supplementary provisions of the shareholder agreement/ articles of incorporation) and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with [German] principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, February 19, 2016

KPMG AG
Wirtschaftsprüfungsgesellschaft

Pukropski
Wirtschaftsprüfer

Fox
Wirtschaftsprüfer

Glossary

Additional Tier 1 bond (AT1 bond)
Non-cumulative, fixed-interest bearer bond issued by DekaBank as Additional Tier 1 capital with subsequent adjustment of its interest rate and an unlimited term. If the Common Equity Tier 1 capital ratio falls below a set minimum, the nominal and redemption values of the bearer bond may be reduced in specific circumstances.

Advisory/management mandate
External fund which is managed by a capital management company (*Kapitalverwaltungsgesellschaft* – KVG) of the Deka Group. For advisory mandates, the KVG acts only as an adviser, i.e. the external management company must verify compliance with investment restrictions in advance. For management mandates, however, investment decisions are made, verified and implemented by the KVG of the Deka Group.

Core business
Deka Group's core business comprises launching and managing securities and property funds and certificates for private and institutional investors as well as transactions that support and complement Asset Management. These include, among other things, services in connection with fund-based asset management, the investment custody business and activities in the Capital Markets and Financing business divisions.

Cost/income ratio (CIR)
The CIR is a productivity indicator, providing information about the amount that has to be spent in order to earn €1 in profit. In the Deka Group, this indictor is calculated from the ratio of total expenses (excluding restructuring expenses) to total income (before provisions for loan losses) in the financial year.

D18 transformation programme
The D18 transformation programme combines all key strategic measures for further developing the Bank's role as the *Wertpapierhaus*. Spanning several years, the programme essentially focuses on providing the savings banks with the best possible support in their securities-related retail business and asset/liability management. It is based on a comprehensive, advice-driven sales approach and solution-oriented investment strategies.

Economic result
As a key management and performance indicator, together with economic risk, the economic result forms the basis for risk/return management in the Deka Group and is, in principle, determined in accordance with accounting and measurement policies of IFRS. As well as net income 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 original lending and issuance business. The interest expense in respect of AT1 bonds (Additional Tier 1 capital), which is recognised directly in equity, is also included in the economic result. Furthermore, the economic result takes into account potential future charges that are considered possible in the future but that are not yet permitted to be recognised under IFRS due to the fact that accurate details are not yet available. The economic result is therefore a control variable on an accrual basis whose high level of transparency enables recipients of the external financial reporting to consider the company from the management perspective.

Fully loaded
Capital ratio calculated by applying the set of regulations stipulated in the Capital Requirements Regulation (CRR) and Capital Requirements Directive IV (CRD IV) in full, i.e. without taking account of the applicable transitional provisions.

Fund assets (according to BVI)
Fund assets according to BVI comprise the fund assets of the mutual and special funds and asset management funds as well as the master fund. Direct investments in co-operation partner funds, the proportion of products for fund-based asset management attributable to cooperation partners, third party funds and liquidity as well as the advisory/management and asset management mandates are not included.

Net funds inflow (according to BVI)
Difference between the funds inflow from the sale of units and the outflow from the redemption of units. Unlike net sales, this figure does not include the funds of cooperation partners or advisory/management and asset management mandates. However, the net sales from own investments are taken into account in the net funds inflow.

Net sales
Performance indicator of sales success. This results essentially from the total of direct sales of mutual and special funds, fund-based asset management and the funds of co-operation partners, as well as master funds, advisory/management mandates, and ETFs. Sales generated through own investments are not taken into account.

Non-core business
Positions from credit and capital market business that are not suitable for Asset Management or to release synergies with Asset Management constitute non-core business. At the Deka Group, these positions have been separated internally. They are reported separately from core business and reduced while safeguarding assets at the same time.

Payments to the alliance partners
Payments made by the Deka Group to the savings banks and Landesbanken. These include the transfer of the front-end load from the sale of funds as well as the corresponding sales performance compensation, asset management fee and sales commission.

Phase in
Capital ratio calculated by applying the set of regulations stipulated in the Capital Requirements Regulation (CRR) and Capital Requirements Directive (CRD IV) and taking account of the applicable transitional provisions.

Primary/institutional customers
The Deka Group's primary customers are the German savings banks and their customers. The products sought by primary customers are also offered to other institutional customers. These include in particular insurance companies, pension funds and foundations but also German public-sector institutions.

Return on equity (RoE)
The RoE reflects the payment of interest on capital provided by shareholders. The Deka Group calculates this ratio as the economic result divided by equity at the start of the year, including atypical silent capital contributions.

Revaluation reserves
Revaluation reserves are a component of IFRS equity on the balance sheet. They include revaluations of net liabilities arising from defined benefit obligations (actuarial gains and losses), the effects of fair value measurement on financial instruments in the available for sale category – through other comprehensive income – and the effective portion of the change in fair value of hedging instruments arising from cash flow hedges, taking into account deferred taxes associated with these items.

Risk-bearing capacity
As a basic principle, risk-bearing capacity is used to determine the maximum level of risk that can be incurred (impacting the income statement), taking into account risk concentrations. The corresponding utilisation ratios for total risk-bearing capacity, the primary risk cover potential and the allocated risk capital may not exceed 100%.

Risk cover potential
Following the liquidation approach, the risk cover potential (total risk-bearing capacity) essentially consists of equity under IFRS, income components and positions of a hybrid capital nature (subordinated capital), adjusted using amounts to correct for certain capital components such as intangible assets or risks arising from pension obligations. It serves to guarantee the Bank's risk-bearing capacity. On this basis, explicit capital buffers are defined for potential stress situations, for example, which in total form the secondary risk cover potential. The primary risk cover potential equates to the total risk-bearing capacity minus the secondary risk cover potential.

Risk-weighted assets
The following positions in the banking book are considered to be risk assets or involve default risks: Balance sheet assets, off-balance sheet transactions, swaps, futures and options. They must be recognised at the amount specified under the respective assessment basis and weighted using their creditworthiness weightings (= risk-weighted assets). Counterparty risks pursuant to the German Solvency Regulation (SolvV) also include counterparty risks from the trading book and, following initial application of the CRR, CVA risk.

Scenario analysis
A scenario analysis focuses on the material risks identified during the self-assessment and uses tree diagrams to provide a detailed description and analysis. In particular, risk indicators need to be taken into account, which facilitate the derivation of ideas for the active management of operational risks.

Total customer assets
Total customer assets essentially comprise the income-relevant volume of mutual and special fund products (including ETFs) in the Securities and Real Estate business divisions, direct investments in cooperation partner funds, the portion of fund-based asset management attributable to cooperation partners, third party funds and liquidity, certificates, advisory/management mandates and thirds party managed master funds.

Wertpapierhaus
DekaBank is the Provider of Asset Management and Capital Market Solutions in the German Savings Banks Finance Group. Together with its subsidiaries it forms the Deka Group. In this capacity, the Deka Group offers the combined expertise of asset manager, financier, issuer, structurer, liquidity platform, clearing partner and custodian bank.

Internet website
The company financial statements are available to download in English and German on the website www.deka.de/deka-group under "Investor Relations/Reports".

Contact
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Thomas Hanke

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This report was prepared in April 2016

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

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