Deka

Deka Group
Annual Report 2015

Finanzgruppe

Deka Group at a glance

Business development indicators		31 Dec 2015	31 Dec 2014	Change %
Total assets	€m	107,981	113,175	–4.6
Total customer assets	€m	240,045	220,356	8.9
thereof retail customers	€m	123,058	110,322	11.5
thereof institutional customers	€m	116,987	110,034	6.3
Number of securities accounts	thousand	4,054	3,922	3.4

		2015	2014	
Net sales	€m	19,505	13,169	48.1
thereof retail customers	€m	10,196	5,204	95.9
thereof institutional customers	€m	9,308	7,965	16.9
Performance indicators				
Total income	€m	1,524.1	1,440.2	5.8
thereof net interest income	€m	182.7	325.8	–43.9
thereof net commission income	€m	1,111.0	1,010.4	10.0
Total expenses	€m	913.5	899.1	1.6
thereof administrative expenses (including depreciation)	€m	917.4	884.7	3.7
Economic result	€m	610.6	541.1	12.8
Net income before tax	€m	601.0	871.7	–31.1
Key ratios				
Return on equity	%	14.8	14.4	0,4 %-Points
Cost/income ratio	%	57.7	61.3	–3,6 %-Points

Key regulatory figures (without transitional provisions – fully loaded)		31 Dec 2015	31 Dec 2014	
Own funds	€m	5,194	4,431	17.2
Total capital ratio	%	16.7	15.8	0.9 %-Points
Common Equity Tier 1 capital ratio	%	12.4	11.8	0.6 %-Points
Risk ratios				
Total risk-bearing capacity	€m	5,868	5,562	5.5
Group risk (value-at-risk)	€m	2,440	2,185	11.7
Utilisation of risk-bearing capacity	%	41.6	39.3	2.3 %-Points
Non-guaranteed rating (short-term/long-term)				
Moody's[1]		P-1/Aa3	P-1/A1	
Standard & Poor's		A-1/A	A-1/A	
Key employee figures				
Number of employees		4,277	4,183	2.2
Number full-time equivalents		3,722	3,678	1.2

[1] Moody's Long-Term Senior Unsecured and Issuer Rating.

Due to roundings, number and percentages presented throughout this report may not add up precisely to the totals provided.

Saving and investing more wisely. Persistently low interest rates coupled with growing uncertainty on the capital markets pose particular challenges for savers and investors. Whether your aim is to build up or maintain your assets, lay the financial groundwork for a trouble-free retirement or optimise your company's balance sheet, you need intelligent solutions tailored to your individual needs. Anyone who aspires to offer these solutions must understand what motivates customers and how to respond to their needs in a way that genuinely helps them. This is precisely where the strength of the savings banks and their securities service provider Deka lies – we combine customer focus and capital markets expertise into a single package you can trust.

Highlights 2015

"Anlegen statt stilllegen" **–** a powerful initiative

In September 2015, Deka Investments launched its *"Anlegen statt stilllegen"* initiative, which provided customers with a wealth of information and featured an eye-catching advertising campaign on TV, in print and online, as well as accompanying communication in the savings bank branches. The campaign draws investors' attention to the opportunities available when interest rates are low, and underlines what can be achieved with regular investments in securities.

A good year for customers, savings banks and the Deka Group

Working together, we succeeded in introducing considerably more people to securities investments in 2015 and opened up new perspectives for them in terms of investing their money. By continually building on our advisory services to customers, we were also able to realise our own potential as a securities service provider.

Strong growth in commission drives **economic result**

In the 2015 financial year, Deka achieved an economic result of €610.6m – 12.8% more than in 2014. The main factor in this growth was net fee and commission income, which increased substantially thanks to a considerable rise in total customer assets.

Net sales in retail business **almost doubled**

Together with the savings banks, Deka increased its net sales to retail customers to €10.2bn compared with the previous year (2014: €5.2bn). Total customer assets in retail banking grew by €12.7bn to €123.1bn. Total customer assets of the group increased to €240.0bn.

Working together to promote a securities culture in Germany

About 300 members of savings banks' boards of management attended the second shareholder conference in October 2015, where they enjoyed a comprehensive and varied programme of events examining the idea of a securities culture. Presentations and discussions allowed attendees to examine the issue from a range of perspectives.

Focus on sustainability confirmed and reinforced

A focus on sustainability is enshrined in Deka's corporate strategy. Deka takes account of social and environmental concerns both in its own actions and in the design of its products. This has been confirmed by external certifications: In 2015, Deka was once again awarded "Prime" status by the independent rating agency oekom research. In its very first evaluation under MSCI's sustainability ratings, Deka received a very good AA rating and thus ranks among the top 25 of the 135 institutions in its peer group.

Capital base **strengthened**

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%.

Institutional business **enhanced**

Deka has further expanded its offering for institutional investors such as insurance companies, pension schemes and the savings banks. That is why we are paying particular attention to expanding the product portfolio for institutional asset management.

Content

Interactive online version of the Annual Report

Dr. Georg Stocker	Manuela Better	Martin K. Müller	Michael Rüdiger	Stefan Keitel	Dr. Matthias Danne
Deputy CEO	Member of the Board of Management	Member of the Board of Management	CEO	Executive Manager	Member of the Board of Management

Dear shareholders and investors,

Achieving investment goals in times of negative interest rates is a major challenge, both for private and institutional investors. When it comes to meeting corporate objectives, this environment – shaped as it is by a combination of central bank policies and the numerous measures still imposed by regulators – also presents a significant hurdle for the financial sector itself.

In order to fulfil our role as the *Wertpapierhaus* for the *Sparkassen-Finanzgruppe*, it was all the more important for us to generate added value for savings banks, their customers and third-party institutional customers throughout the whole investment process during 2015. Our approach has enabled us to introduce considerably more people and institutions to securities, opening up new investment prospects for them.

Over the past year we made steady progress in translating our *Wertpapierhaus* strategy into our operating business model. The corporate structure that we developed in 2013, with its savings bank and institutional customer sales teams, its corporate centres and four business divisions – two for asset management and two for banking business – has proven to be a success.

Compared with the previous year, our economic result grew by 12.8% to €610.6m – substantially exceeding our expectations.

We have boosted our business potential as the *Wertpapierhaus* by more thoroughly anchoring securities investments in the savings banks' customer advisory services. This meant that net sales attributable to retail customers in 2015 reached €10.2bn – roughly double the previous year's figure. Business with institutional customers also grew substantially (2015 net sales: €9.3bn).

At €19.5bn, the total net sales figures illustrate just what a successful year 2015 was for securities.

Net fee and commission income was again the largest source of revenue in 2015, accounting for around 70% of total income. In contrast, net interest income fell considerably, as expected.

Ongoing cost discipline helped to ensure that personnel and operating expenses rose only slightly, despite investment in expanding our position as the *Wertpapierhaus*, regular subscriptions to the security reserve and a higher bank levy.

In the first full financial year under ECB supervision, Deka met in full every requirement resulting from its status as a bank of systemic importance. We see this as renewed proof of quality with regard to our business model as well as our liquidity, equity, performance and risk management. Nevertheless, ever-stricter regulatory requirements represent a challenge for all banks, and Deka is no exception. Our comfortable liquidity position, a Tier 1 capital ratio of 12.4% as at 31 December 2015 and our continuing modest risk utilisation mean that we are well positioned within the sector.

These factors also enabled us to achieve our aim of maintaining our high ratings. We believe this provides a sound basis which will allow us to continue to carry out in full our role as the liquidity, risk and collateral platform for the savings banks.

At Deka Group level, we expect the overall financial situation to remain stable in 2016, although we anticipate a decline in our economic result. We expect it to be somewhat lower than 2015's particularly high figure, but approximately at the average level seen over the past five years. This ensures Deka's continued ability to distribute profits as well as allowing for the required future strengthening of the capital base.

We need to continue investing in order to go on developing our business model and make it fit for the future. The Bank's development will be guided by the priorities of retail customers and institutional investors. With regard to the savings banks' private customers, the focus is on expanding our multi-channel securities offering. At the same time, institutional asset management will centre on expanding our sales capacity and offering an increased range of Master KVG services.

Securities investments are important tools in the drive to realise the investment goals of private and institutional customers. Making appropriate, transparent investment vehicles more widely available – and hence also promoting a securities culture – is a key objective for us.

Sincerely,

Michael Rüdiger

Dr. Georg Stocker

Manuela Better

Dr. Matthias Danne

Martin K. Müller

A good return for **a better pension**

Precisely-tailored securities concepts with a balance of stability and return – Deka Investments' fund products help to future-proof your pension planning.

The young professional

- Is finally earning her own money
- Likes to travel
- Music is her passion
- For her, retirement and a pension are things in the distant future


HIGH DEFINITION

Is a private pension plan **really necessary?**

Most Germans are aware that the state pension won't be enough for anyone to live it up in their retirement. Nevertheless, many think that things won't be all that bad and wonder whether investing in a personal pension plan really makes sense.

Fifteen years after the major pension reforms in Germany, more than a third of the population are still not saving enough for their retirement. It is high time more attention was focused on this important issue.

40%

of Germans have no personal pension plan.[1)]

1) Source: DSGV-Vermögensbarometer 2015 (German Savings Banks and Giro Association Wealth Barometer 2015)

To little, **with the wrong products**

"Too complicated." "Too expensive." "Have no money." These are the most common reasons why consumers do not invest for their retirement. According to the latest *DSGV-Vermögensbarometer* (German Savings Banks and Giro Association Wealth Barometer), 40% of adults surveyed indicated that they are not saving anything for their retirement, despite information campaigns and government subsidies based on Riester and Rürup products.

And those that do save often choose the wrong product. The most popular types of investment (see chart) yield a return that is far too low, because of the ongoing low interest rates. This includes products such as life assurance and passbook accounts. The cause of this is that many German savers continue to hold on to what is now considered an outdated mindset that focuses on security. Even savers with securities experience mostly cited security as the key criterion in terms of investments (far in excess of 70%).

When saving for your retirement, it's important to choose types of savings which pay adequate interest. To achieve this, there's simply no avoiding securities. Securities are a way to counter the fact that compound interest has a negligible effect when interest rates are low. That can have a dramatic impact especially on longterm investments. Although German savers still favour types of investments which only offer low interest, they are starting to reconsider. Today, more investors believe that shares and investment funds are good types of investment during a period of low interest rates than did so a year ago. This is also reflected in the growing demand for Deka Investments' investment fund products. In terms of securities-based pension saving, net sales last year were up by approximately 44% on the previous year's figure.

This strong result was achieved with a combination of quality products and quality advice. Stephan Kropp, Head of Pensions and Asset Formation at Deka, explains: "We have noticed that more comprehensive advisory services in the savings banks have been very well received by customers. This success is something we intend to build on substantially in the future." The *"Anlegen statt stilllegen"* campaign certainly played its part too. Through this campaign, Deka intends raising awareness among investors about the importance of investing in securities.

HOW GERMANS SAVE FOR THEIR RETIREMENT[1)]

[1)] Source: DSGV-Vermögensbarometer 2015 (German Savings Banks and Giro Association Wealth Barometer 2015)

Comprehensive advice – **the right solutions**

44% increase in sales of fund based private pension products compared to 2014.

Deka's pension solutions are intentionally based on actively managed securities funds, some also in combination with German government subsidies such as Riester and Rürup. Compared with their passive index fund-based counterparts, they have the advantage that fund managers are able to take active countermeasures during volatile market phases. Stephan Kropp emphasises that "in Deka's pension solutions, active management of investment funds is combined with an intelligent lifecycle process leading up to the payout date for each customer." Last year, sales of fund-based private pension products rose by 44% on 2014, with 100,000 new contracts signed. Stephan Kropp explains, "Campaigns conducted in recent years, Deka's support for the savings banks and the positive trend in the relevant products are bearing fruit."

Pension funds and similar institutions face the same problem as private investors. Investing in bonds today does not generate sufficient returns to meet the amounts guaranteed to customers. Providers are also operating in a highly regulated market, which significantly restricts the options open to them.

Deka supports pension funds and similar institutions with a dedicated team of specialists. Specific market expertise and a wide range of products mean that the Deka experts are able to respond to the particular requirements of this group of clients. The team develops strategies that enable pension funds and similar institutions to implement the optimum combination of potential returns and security for them, within the framework set out by the German Investment Ordinance (AnlV). This is achieved with individually tailored concepts. Off-the-shelf solutions don't work in these circumstances.

Deka incorporates a broad spectrum of solutions and structures in its investment concepts. Experienced third-party providers, such as investment advisers, may also be consulted for specific segments. The advantage for clients is that the expertise of different firms is pooled within a single platform.

In addition to the traditional routes involving investments in securities, alternative investments such as property, private equity, mezzanine finance and renewable energy are becoming increasingly important. Investors have the option of investing via German structures, such as special funds, as well as using vehicles from Luxembourg.

Flexible blend, personalised management

A growing number of investors are taking action and increasingly relying on a broadly diversified investment portfolio when it comes to saving for their retirement. Investment strategies that combine security, returns and flexibility and which can be adapted to the needs, objectives and circumstances of the investor concerned are particularly popular.

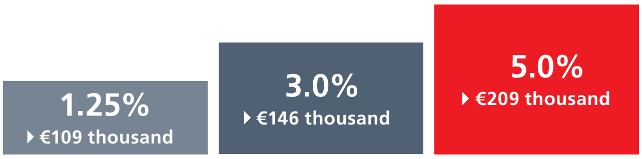
Deka pension products can be geared to the needs of different types of investors and customised for each individual customer. This flexibility means that modifications can also be made during the term of the investment to take account of changed circumstances. For example, investors can use the *Deka-ZukunftsPlan* throughout their lives – from when they start working to providing for the future of their children and right up to retirement age.

Important note: Amounts paid in are guaranteed at the start of the payout phase [1]. If any capital is withdrawn prior to the start of the payout phase, this can have a negative impact as a result of fluctuations in value, as in this case the capital guarantee does not apply.

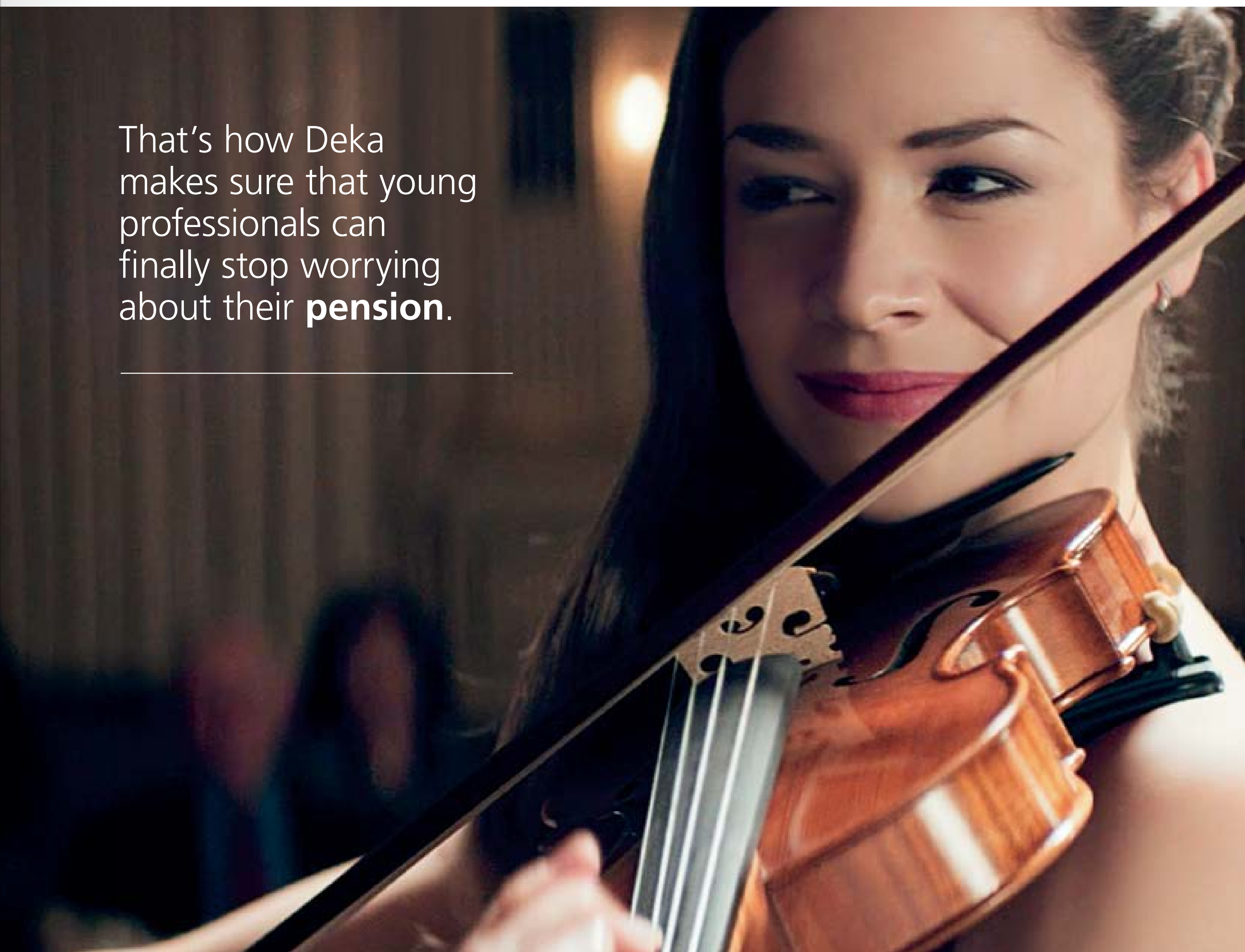
[1] Guarantor: DekaBank Deutsche Girozentrale, Frankfurt/Main. If any funds are withdrawn from state-subsidised "Riester" pension schemes prior to the start of the payout phase, contributions made are not guaranteed and state subsidies are repaid.

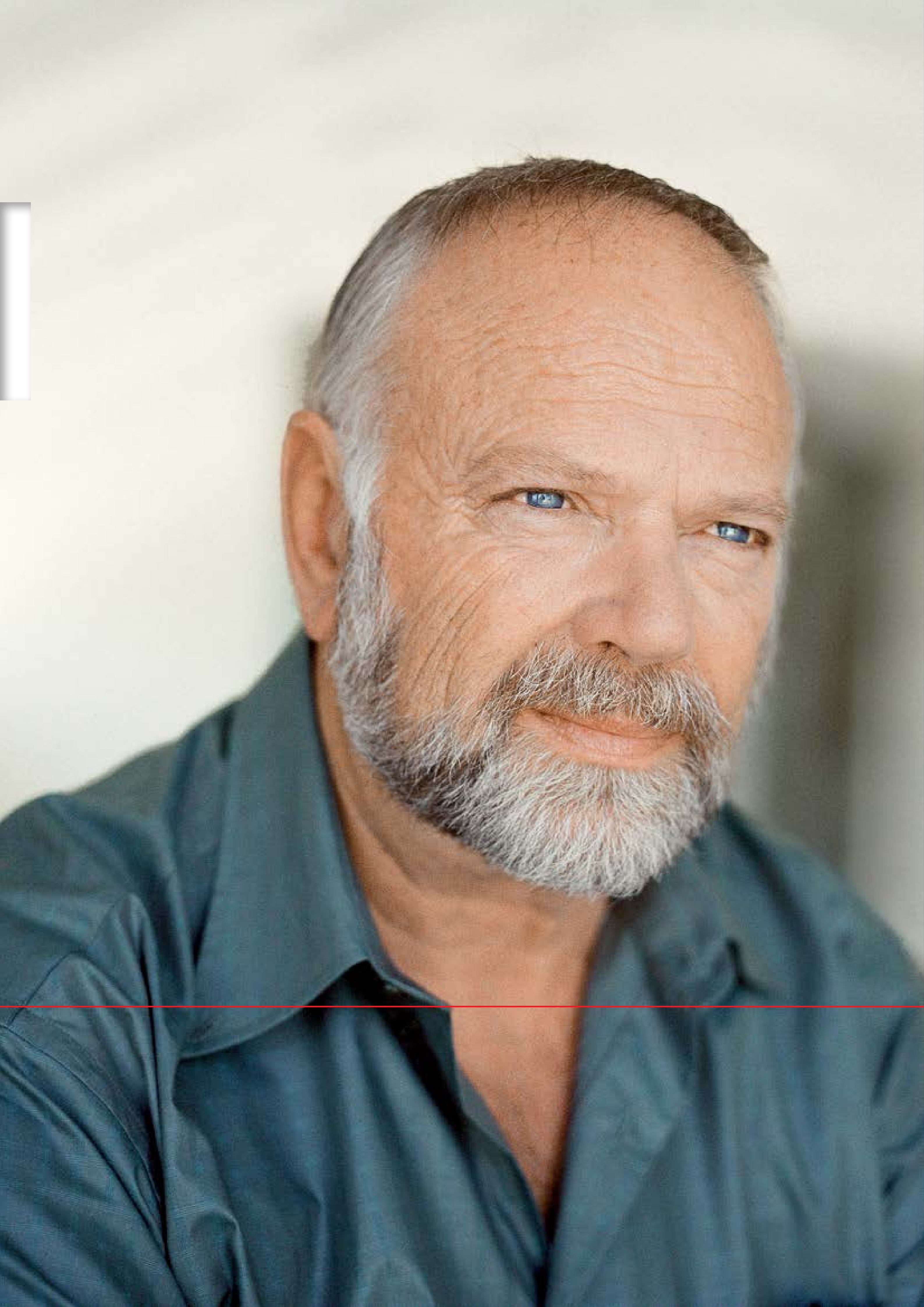
Example: You save €250 per month at an interest rate of 1.25%. Over a period of 30 years you amass a total of around €109 thousand. If the interest rate is 3%, this goes up to €146 thousand, and at 5% it reaches €209 thousand, i.e. your savings almost double while paying in the same amount each month.

Save €250 per month for 30 years at an interest rate of



If interest rates are low, you get considerably less out at the end – you would need to save more each month to ultimately generate the same amount of capital.





Save wisely, **achieve more**

Interest rates on savings accounts are extremely low and set to remain that way for the foreseeable future. Anyone wishing to grow their capital needs to look for alternatives. There is simply no avoiding securities, which promise a higher return. Deka's savings and wealth concepts give investors the help they need.

The regular saver

- Married, two children
- Clerk
- Motorcycling enthusiast
- Has been saving since he started to earn money

Saving when interest rates are low is **a real challenge.**

The value of many traditional investments increases over time, but this is not true for money held in savings accounts or interest-bearing securities. Interest on passbook accounts ranged from 0.01% to 0.05% last year. For money on call, it might occasionally reach 1%. Despite the low levels of interest earned, these two types of investment have remained very popular with Germans. A total of €2tn – almost 40% – of the wealth of private households is deposited in direct access accounts. This means that many are not saving appropriately for the objectives they need to achieve over the life of their savings. Savers still believe that traditional products meet their key investment criteria of security and immediate access.

Dynamic growth is possible

Historical comparisons show that a balanced investment in securities makes it possible to achieve a higher annual return while also being safe. For a one-off long-term investment, this even applies if savers initially invest at the least favourable time, i.e. when prices are particularly high. For example, people who invested in the German DAX stock index at the end of 2007 – just before the financial crisis – and held on to those shares, achieved a positive return by the end of 2015. This is significantly more than a passbook or fixed-term deposit account would have yielded in the same period.

For a long time, savers in Germany appeared largely untroubled by this fact. However, they are slowly changing their minds. According to a current Deka study, almost half of all savings bank customers are thinking about changing their investment behaviour, with nearly one in three planning to move their money into a different type of investment.[1] Accordingly, there is high demand for alternative products and individual advice that meet the investor's individual objectives. Every investor has his own needs and investment requirements. As a result, investors have their own idea of what constitutes the right balance between security and returns. What exactly constitutes the best combination depends on a range of factors. This makes it all the more important to offer a range of different solutions for customers.

Deka offers appropriate securities investments for every type of investor. *Deka-Basis Anlage*[2], for example, is easy to understand and flexible. Four models, each with a different ratio of shares, ensure that investors have a range of risk/reward profiles to choose from. The share of equities in the different models ranges from a minimum of 20% to a maximum of 100%. Bond funds, money market funds and short-term liquid assets make up the remaining investments.

Historical comparisons show: A balanced investment in securities makes it possible to achieve **a higher annual return.**

[1] The relevant key investor information and the sales prospectus and reports – hereinafter "the publications" – represent the sole binding basis for the acquisition of Deka investment funds. German-language versions of the publications for Deka investment funds can be obtained from your savings bank or state bank (*Sparkasse* or *Landesbank*), from DekaBank Deutsche Girozentrale, 60625 Frankfurt or at www.deka.de.
[2] Source: MaKuS Studie 2015, Research Center for Financial Services of Steinbeis University Berlin (publisher)

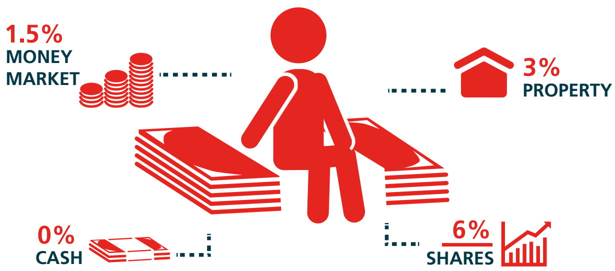
Comprehensive support means **high-quality advice**

Two solutions for regular investors

Deka offers the ideal solution for those wishing to save regularly – even small amounts – in the form of the *Deka-FondsSparplan*. It facilitates regular investment in a broadly diversified portfolio and, at the same time, provides stability. Since the same amount is invested each month, savers acquire fewer fund units in periods when prices are high and correspondingly more when prices are low. This means that savers benefit from an average price, which is generally better value than if a one-off investment is made. It means that investors do not need decide when is the right time to invest. Instead, they steadily benefit from attractive capital market opportunities over time.

Steffen Selbach, Head of Asset Management at Deka, explains: "Customers who come to us don't just get a standard concept. Each customer chooses the basis which best suits their needs and can then individually adapt it."

COMPARISON OF RETURNS ON A RANGE OF INVESTMENTS[1)]



[1)] As at 31 March 2016; the returns shown are based on historic values from the past and are not a reliable indicator of future returns.

Getting more impetus behind **securities transactions**

Advice is indispensable when it comes to securities investments. A survey of savings bank customers with securities experience found that, in most cases, they decide to invest in securities after they have discussed their options with an adviser. A meeting with an advisor is the main source of information for many investors. Almost equally important is investors' own research into financial products, which they generally do on the internet.

Today, banks and savings banks must offer high-quality advice and at the same time make it easy for people to access comprehensive information online. This is why Deka invests in both these channels.

Savings bank advisers have access to a wide range of information and literature that helps them serve customers better. Deka sales advisers provide coaching and seminars to support employees in savings bank branches.

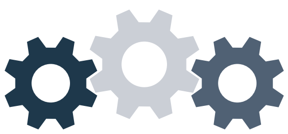
Deka supplements this by providing investors with extensive information on its website at deka.de, in a format which is easy to understand. Infographics and online tools provide additional information, such as interactive, user-friendly calculators and charts.

Deka believes combining expert advice and clear information on the website is the right approach, as a growing number of customers obtain information on the internet and then arrange an investment in a branch. Investment fund providers' websites represent one of the most important sources of information for a large number of investors.

Campaign raises customer awareness

In addition to providing information targeted at specific groups of people, attracting the attention of investors in the first place is also a challenge. That is why Deka launched the *'Anlegen statt stilllegen'* campaign, which aims to engage customers and encourage them to think about investing. In order to promote awareness of securities, Deka has developed a long-term campaign that explains complex financial matters in simple terms. It also highlights the need to take action in a low interest rate environment, without patronising potential customers. The aim is to provide impetus for securities business, starting on TV screens, laptops and smartphones and ending up with advisers in savings banks putting the right investment solutions in place for the customers.

DEKA DIVIDEND STRATEGY[1)]



Deka-DividendenStrategie Europa

Deka-DividendenDiscount

Deka-DividendenStrategie

- Focus on high-quality companies with sustainable dividend payments
- Attractive distributions compared with the corresponding investment universe

- Base product with broad global diversification
- Low volatility relative to the wider equity market around the world

Deka-DividendenStrategie Europa

- Focus on high-quality companies with sustainable dividend payments
- Attractive distributions compared with the corresponding investment universe

- Broadly diversified European product
- Low volatility relative to the wider equity market in Europe

Deka-DividendenDiscount

- Focus on high-quality companies with sustainable dividend payments
- Attractive distributions compared with the corresponding investment universe

- Defensive product with broad global diversification
- Low volatility relative to *Deka-DividendenStrategie*

The Deka dividend funds aim to provide attractive returns. All three product variants – global, European and defensive – invest in shares with what Deka considers to be a comparatively high dividend yield. This is attractive for investors in two ways. First, dividend yields are often higher than the yields achieved on other securities such as government bonds. Second, prices of high-dividend stocks generally fluctuate within a relatively narrow range, since they often stem from defensive high-asset sectors. However, it should be noted that capital markets-driven fluctuations can have a negative impact on the value of the investment and distributions are not guaranteed.

1) More information can be found in the key investor information at www.deka.de

Asset management – **with skill and flair**

If you are looking to protect and accumulate wealth and to structure it to suit your individual needs and goals, Deka and the savings banks are your ideal partners.

The shrewd investor

- Lawyer, two children
- Likes her work, but also wants to enjoy the finer things in life
- Her motto is “style don’t need luxury”

Identify opportunities and **provide advice**

There is growing demand for systematic asset management for a broad spectrum of investors – for two reasons: Firstly, low interest rates mean that there is a greater need for advice and investment alternatives. This is due to the fact that, in real terms – i.e. taking inflation into account – the capital of Germans has decreased in the past few years. This was highlighted by a survey carried out by the German Institute for Economic Research (DIW) issued in August 2015. The key reason is a one-sided focus on liquid assets, such as savings books and money on call. However, income from such investments does not match the expected inflation and, as a result, assets lose value in real terms.

Secondly, in the years ahead many Germans will be in a position to invest additional funds. Expected inheritances alone will ensure this, with up to €3.1tn set to be transferred in this way within the next ten years, according to the findings of the German Pensions Institute (DIA)[1]. Excluding particularly large sums of inheritance, the average volume per inheritance is estimated to be more than €240,000.

Long-term investment calls for a strategy that meets the investor's own specific needs and is flexible enough to accommodate change, while at the same time being easy to understand – in short, the right wealth concept.

Deka's Wealth Concept caters for investors' individual needs and makes systematic wealth creation possible, even with small payments.

Investors should however note that the higher the equity component of the variant is, the greater the fluctuations in value can be.[2]

€44,500
is the average disposable income of households in Germany.[3]

[1] The special terms and conditions – hereinafter "the publications" – represent the sole binding basis for entering into an investment management agreement using investment funds. German-language versions of the publications relating to investment management using investment funds can be obtained from your savings bank or state bank (*Sparkasse* or *Landesbank*), from DekaBank Deutsche Girozentrale Luxembourg S.A., or DekaBank Deutsche Girozentrale, 60625 Frankfurt.
[2] Source: *Erben in Deutschland 2015-24: Volumen, Verteilung und Verwendung* (Inheritance in Germany 2015-24: volume, distribution and use); Dr. Reiner Braun, empirica ag.
[3] Net financial assets in 2013 according to income and consumer statistics from the German Office for National Statistics (*Statistisches Bundesamt*)

Find your own style.
Systematic, flexible, customised

Deka-Vermögenskonzept[1)] is a consistent system, which makes it possible to select and structure a personalised investment strategy in a few simple steps.

Deka-Vermögenskonzept AktivChancePlus also convincing when it comes to returns

The type of investment, albeit active and opportunity-oriented or with a particular focus on stability and safety, determines the basic investment approach and defines the portfolio composition. Depending on the type selected, the quota of shares included will vary. At the same time, the strategy may focus on Europe or be global. In addition to Deka's own investment funds, products from other providers are also available to invest in.

The next step is for investors to choose their individual investment strategy, based on whether their aim is capital preservation or to achieve specific profit objectives.

The concept is transparent and can be individually managed. It is also convincing when it comes to returns. For example, *Deka-Vermögenskonzept Aktiv ChancePlus* enabled investors to achieve an attractive return in 2015. The product looks equally promising for Deka and the savings banks, with a net inflow of funds into *Deka-Vermögenskonzept* totalling €2.05bn in 2015.

Deka-Vermögenskonzept is straightforward, easy to under-stand and directly geared to investor needs. This pays off.

[1)] More information can be found in the key investor information at www.deka.de

Private Banking with the **savings bank**

Low interest rates and growing wealth mean every group of investors is in greater need of advice.

Deka Private Banking is geared towards high net worth customers. It allows the savings banks' key customers to benefit from Deka's exceptional advisory expertise and products. This exclusive offering comprises a range of investment concepts and products geared to the specific requirements of this customer group as well as comprehensive sales support for the savings banks. The target group includes typical private banking clients with private or entrepreneurial wealth based on liquid assets of at least €500,000.

Deka's range of investments encompasses strategies with a focus on the preservation of assets and products that relate to specific asset classes. Use is made of various asset management approaches, mutual funds and also certificates. In addition, Deka also offers individually tailored investment strategies based on a comprehensive analysis of the client's existing securities account to support local savings bank advisers.

Savings banks have the option of asking a Deka expert to be present at an advisory meeting with the client. Targeted client events and specialist qualifications for advisers in savings banks round off the services in this segment.

Today, around 200 savings banks in Germany make active use of Deka Private Banking products and services for their own advisory processes. Hence, by working together, we can further build on the *Sparkassen-Finanzgruppe's* position in this attractive, growing market.

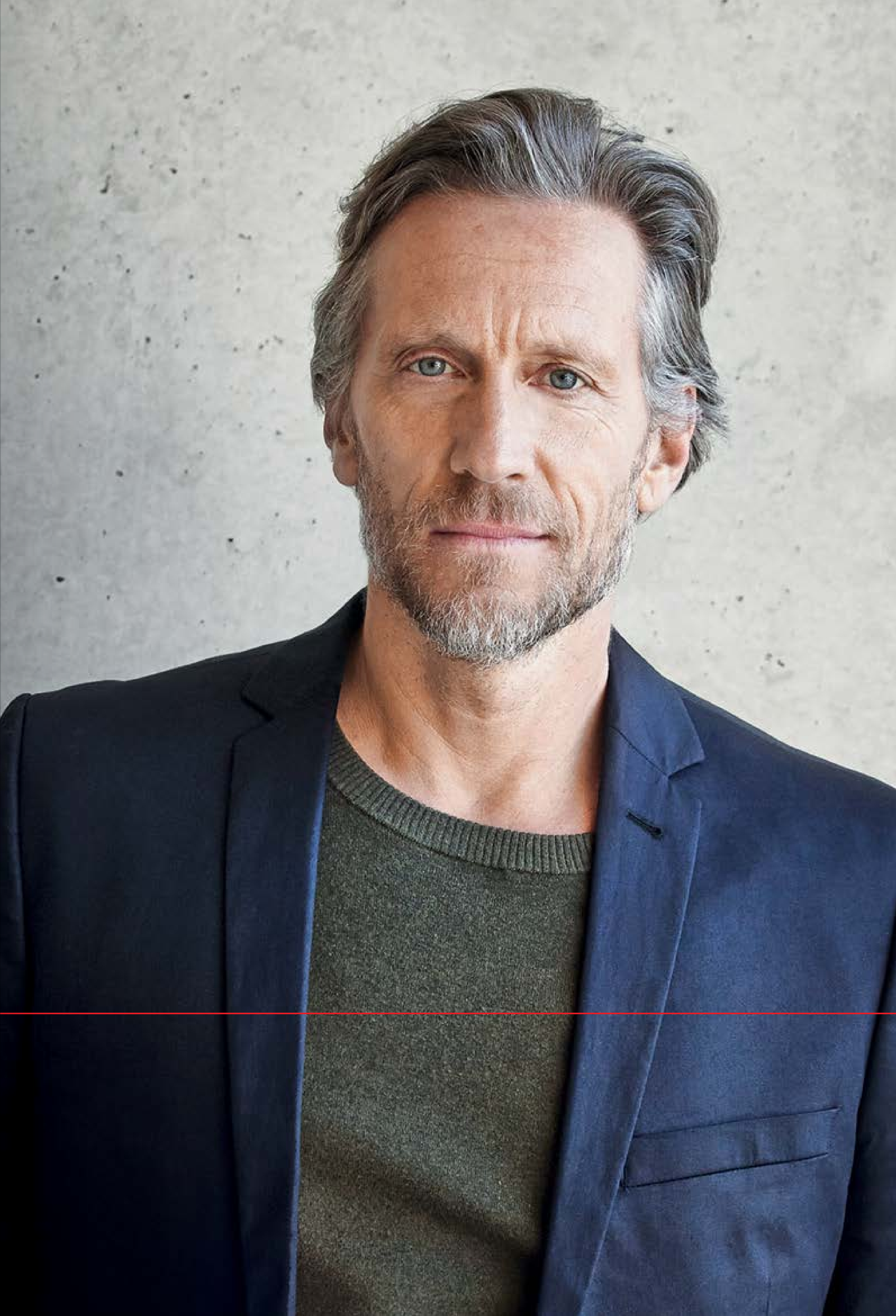
Our asset management approach has **quality and style.**

Active management to **future-proof your business**

More than half of all company pension schemes in Germany are currently organised on the basis of employers’ pension commitments. Companies need to act promptly and set aside the funds to cover them. Rising life expectancy and low interest rates represent major challenges for companies. The full extent of these challenges is often unclear. Ultimately, a pension fund’s value depends on the market interest rate – the lower it is, the more capital is required.

The entrepreneur

- Owner of an established medium-sized company
- Wishes to invest and reposition his company
- Spends more time on the issue of pension obligations than he would like
- Ambitious amateur photographer



Providing clarity and **developing the right solutions**

The figures for pension obligations on company balance sheets are getting bigger. *Deka Vorsorgemanagement – Betriebliches Fondssparen* offers entrepreneurs and savers a comprehensive package of advice and solutions. Deka's experts help companies to optimise the structure of their pension management systems. The first step towards achieving this is to get a realistic idea of the financial requirements involved.

When companies commit to an employee pension scheme, they set up provisions for future pension claims. However, in many cases, the balance sheet figures do not correspond to the amounts actually required at a later stage for the pensions of retired employees. There are two reasons for this. To calculate the reserves required for future payment obligations, companies need to apply annual interest of 6% in their accounts prepared for tax purposes. However, in a low interest rate environment this value is far removed from reality. As a result, it is hardly possible to generate the necessary capital. This has an even more severe impact on companies that present their accounts under German commercial law, because of the low actuarial interest rate. The interest rate specified by the German Commercial Code (HGB) is geared towards an average rate over ten years. Over the next ten years this is set to fall even lower, and hence provisions get larger, as does the capital requirement.

The second reason why the actual capital requirement is higher is that people are living considerably longer today than reflected by the assumptions on life expectancy that are legally permitted for the purpose of calculating provisions. Since many companies only consider their pension obligations in relation to the relevant reporting date, they are often unaware of the true extent of their future commitments.

The difference between the calculated and actual requirement can be considerable. Oliver Leidel, Head of Investment Fund-Based Saving for Companies at Deka, cites the following example: "In the accounts prepared for tax purposes of a company with 500 employees, pension provisions of €11m were reported. However, the actual capital requirement amounted to €34m." He and his expert colleagues at Deka help companies to establish a sound basis for their pensions financing.

Many companies are not aware of the true extent of their pension commitments.

Working together to tap into an attractive **growth market**

This is in the interests of the company and its employees. It is also relevant to the savings banks as the finance partner of companies. As Oliver Leidel explains, "If pension provisions are unrealistically low, the company faces higher charges when employees retire than originally expected. For companies with many retired employees, the impact on creditworthiness can be significant. Since the number of employees retiring will increase sharply in the coming years (and their life expectancy is higher), when making lending decisions the savings banks need to assess carefully the basis on which a company's pension provisions are calculated."

40% of all clients looked after by a savings bank corporate adviser have pension provisions on their balance sheet.

Deka's experts support companies in realistically reflecting the funding required for future pension payments on their balance sheets. They apply different interest rate scenarios and work with current assumptions on benefit periods. On this basis, suitable opportunities are then developed.

Systematic analysis, sound recommendations

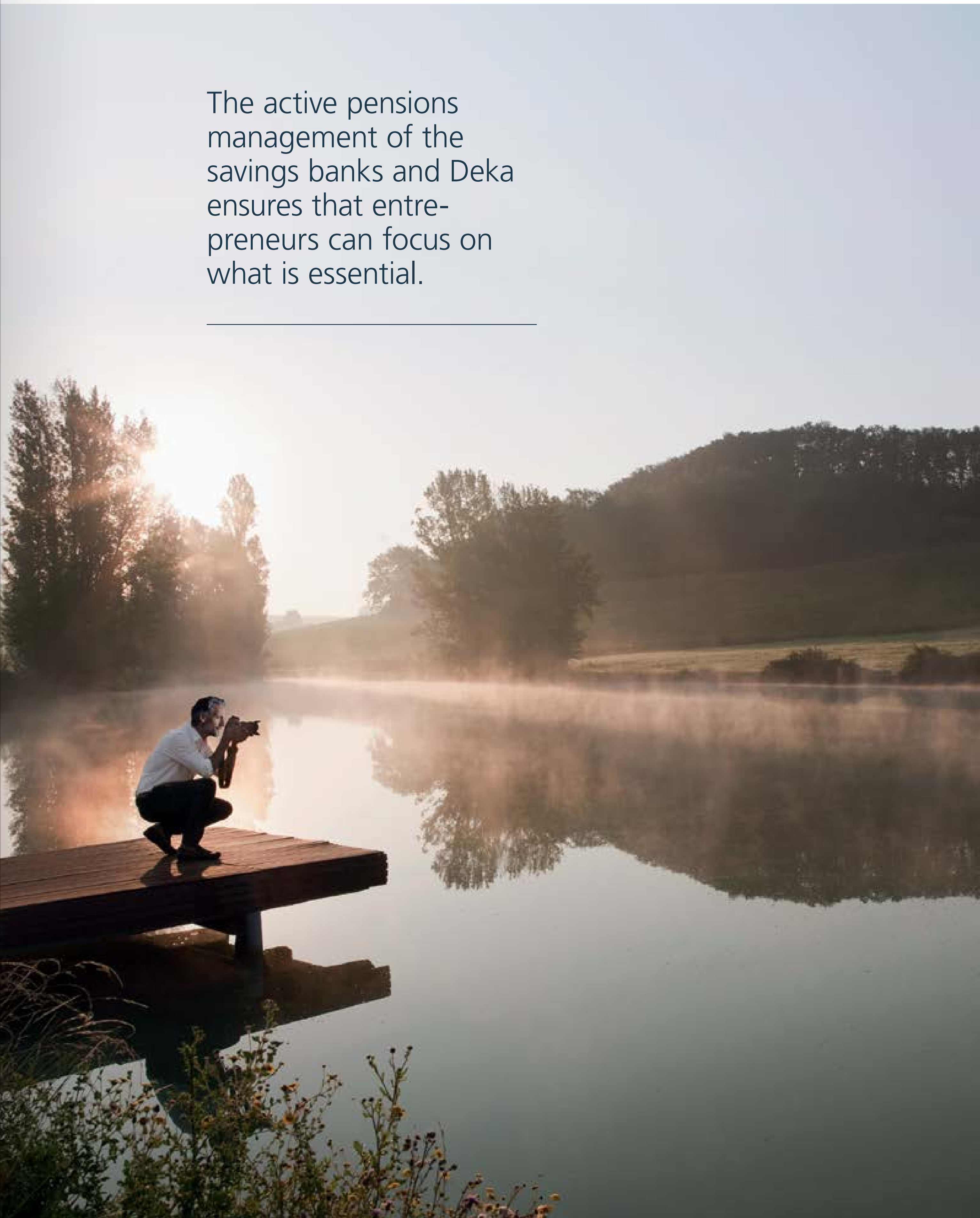
On the basis of insight gained from analysis and by combining various models and systems, they make sound recommendations on optimum asset allocation with a tailored risk/reward ratio. This also includes targeted asset/liability management.

For example, one strong solution with respect to company pension schemes is to set up separate trust assets to cover pension liabilities. These trust assets are independent of the company and therefore protected in the event of bankruptcy. They provide an item on the assets side of the balance sheet offsetting pension liabilities. The item can be netted with the provisions on the liabilities side, reducing total assets below the line and ultimately securing the company's pension funding requirement.

When it comes to investment, Deka provides access to a broad range of investment solutions for its clients. These range from shares, bonds and property to alternative investments, such as private equity and corporate financing.

Further business potential for savings banks

The advisory services provided by Deka Investments enhance the offering that savings banks can present to companies. This taps into additional business opportunities. Support is also offered when it comes to identifying such opportunities and exploiting them through relevant sales activities. Oliver Leidel uses an example to explain this: "For instance, we look at which companies within the specific area of business report significant pension provisions on their balance sheets. The relevant business customer adviser can then approach these companies on a targeted basis and, if required, count on our support from the start." This offering has been well received; the number of savings banks working with Deka on this specific aspect of their business approximately quadrupled last year.



The active pensions management of the savings banks and Deka ensures that entrepreneurs can focus on what is essential.

Group management report 2015. As the securities service provider for the savings banks, the Deka Group is opening up new investment opportunities for private and institutional customers in an environment where interest rates are at a historic low. This proved very successful in 2015. Our economic result grew by 12.8%. Net sales and total customer assets rose considerably. We fully complied with regulatory requirements and utilisation of overall risk-bearing capacity remained consistently at non-critical levels.

Group 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

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* (Deka Wealth Concept), asset management funds (funds of funds) such as *Deka-BasisAnlage* (Deka Basic Investment), 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. 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 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], 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.

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 and profit performance in the 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 moderately 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

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 Deka Group

At €610.6m, the economic result of the Deka Group exceeded the strong prior year result (€541.1m) by 12.8%. Total income increased by €83.9m to €1,524.1m (previous year: €1,440.2m), despite a significant decline in net interest income as expected. A substantial portion of the increase in total income was due firstly to the robust growth in net commission income as a result of higher portfolio commissions, and secondly to a favourable result in other operating income, which was partly attributable to actuarial gains in connection with pension provisions and to the disposal of a property occupied by the Group. Expenses rose just slightly in comparison to the previous year, partly as a result of a higher bank levy.

The cost/income ratio improved from 61.3% in the previous year to 57.7%. Return on equity (before tax) rose to 14.8% (previous year: 14.4%).

The decline in net interest income to €182.7m (previous year: €325.8m) is attributable in particular to market conditions in the low interest rate environment and thus also to the now non-existent contribution to earnings from the investment of non-interest-bearing liabilities. Decreased loan volume also led to lower interest income. In addition, interest expenses increased as a result of issuing Additional Tier 1 capital (AT1 bonds).

Compared to the exceptionally low net allocations to provisions for loan losses in the previous year (€–22.4m), the net allocation requirement for the reporting year increased to €–79.5m. Lending accounted for €–65.2m of this amount. The higher allocations are predominantly the result of specific provisions in the Financing business division, notably in relation to individual ship and infrastructure loans. Risk provisions for securities in the categories 'loans and receivables' (LaR) and 'held to maturity' (HtM) amounted to €–14.3m and were thus below the level of the previous year (€–18.3m).

At €1,111.0m, net commission income was up on the previous year (€1,010.4m) by 10.0%. The main factors behind this increase of more than €100m were higher income from banking transactions – namely the commission business – and also, in particular, higher portfolio commissions in the investment fund business. Commissions were boosted by positive fund performance and strong sales and ended the year well above the total for 2014.

Total net financial income amounted to €201.1m, down 17.0% on the previous year's figure of €242.2m. This comprises all income elements of the trading book portfolios, the valuation result and net income from selling relating to the banking book portfolios and the above-mentioned risk provisions for securities in the LaR and HtM categories.

At €292.9m, net financial income from trading book portfolios was slightly higher than the previous year (€279.6m), despite tough market conditions. The contribution from derivatives trading was able to partially compensate for the respective slight declines in money and currency transactions and repo/lending activities, in the Structuring & Deka Issuing Activities unit and in bond trading. There was a positive impact from the release of a general provision for potential risks of €17.6m created in the Capital Markets business division in 2013 and no longer considered necessary.

At €–77.5m, net financial income from banking book portfolios was down against the prior year result (€–19.1m). This is primarily attributable to the negative valuation results for securities portfolios in the wake of market and credit spread developments during the reporting year.

The general provision to cover potential risks was reduced by €12.6m overall in the reporting period. This was in contrast to additions of €–45.0m made to the general provision in the previous year. The general provision is reflected in the economic result outside of the IFRS profit or loss and without specific allocation to business divisions.

Other operating income returned to positive territory, and at €94.5m was significantly above the 2014 result (€–134.1m). This was due firstly to an exceptional gain on the disposal of property occupied by the Group. Secondly, actuarial gains in relation to pension provisions, resulting from an increase in the actuarial interest rate and plan assets, had a positive impact. By contrast, in the previous year actuarial losses from pension provisions had a negative effect. Actuarial effects are not included in the IFRS income statement as they are posted directly in equity (revaluation reserve). However, they are reported in the economic result as profit or loss for the period.

Personnel expenses rose by 4.2% in comparison to the previous year to €469.9m (previous year: €451.1m). Apart from a small increase in the number of employees to 3,722 (previous year: 3,678) as at the end of 2015 and adjustments to pay scales, one of the main factors contributing to increased costs was higher allocations to pension schemes.

Operating expenses (excluding depreciation and amortisation as well as the bank levy) recorded a slight increase of 2.7% to €392.5m (previous year: €382.1m). Higher subscriptions and fees, in particular regular subscriptions to the security reserve of the *Landesbanken* and *Girozentralen*, along with increased marketing and sales expenses, were partially offset by savings on consultancy fees.

The bank levy increased considerably to €34.8m compared with the previous year (€26.9m).

At €20.2m, depreciation and amortisation were below the previous year's figure (€24.6m), and related primarily to intangible assets.

In contrast to the previous year's restructuring expenses of €14.4m relating to the implementation of the transformation process, during the reporting year the release of provisions no longer required had a positive effect on income of €3.9m.

Profit performance Deka Group *(Fig. 4)*

€m	2015	2014	Change	
Net interest income	182.7	325.8	–143.1	–43.9%
Provisions for loan losses	–65.2	–4.1	–61.1	(< –300%)
Net commission income	1,111.0	1,010.4	100.6	10.0%
Net financial income[1]	201.1	242.2	–41.1	–17.0%
Other operating income	94.5	–134.1	228.6	170.5%
Total income	**1,524.1**	**1,440.2**	83.9	5.8%
Administrative expenses (including depreciation)	917.4	884.7	32.7	3.7%
Restructuring expenses	–3.9	14.4	–18.3	–127.1%
Total expenses	**913.5**	**899.1**	14.4	1.6%
Economic result	**610.6**	**541.1**	69.5	12.8%

[1] Net financial income includes risk provisions for securities in the lar and htm categories of approximately €–14.3m (previous year €–18.3m).

Business development and profit performance in the business divisions and Treasury

Business development and profit performance 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* (Deka Dividends Strategy) 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%

Profit performance in the Securities business division

With an economic result of €306.0m, the Securities business division exceeded the result of the previous year (€294.0m) by 4.1%. A significant driver for the result was net commission income, which was up by €81.3m against the previous year as a result of the substantial increase in portfolio commission. This more than compensated for the drop in other income, which was caused mainly by low net interest income and net financial income.

Expenses amounted to €454.9m, roughly in line with the previous year (€451.1m). The main factor here was an increase in project expenses. On the other hand, provisions booked in the previous year for restructuring expenses were released.

Profit performance Securities business division *(Fig. 7)*

€m	2015	2014	Change	
Net commission income	781.6	700.3	81.3	11.6%
Other income	−20.7	44.8	−65.5	−146.2%
Total income	**760.9**	**745.1**	15.8	2.1%
Administrative expenses (including depreciation)	458.9	439.3	19.6	4.5%
Restructuring expenses	−4.0	11.8	−15.8	−133.9%
Total expenses	**454.9**	**451.1**	3.8	0.8%
Economic result	**306.0**	**294.0**	12.0	4.1%

Business development and profit performance 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. 8)*

€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. 9)*

€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.

Profit performance in the Real Estate business division

The Real Estate business division achieved an economic result of €164.0m, a further improvement on the excellent result obtained in 2014 (€160.6m). Excluding non-recurring effects of €30.5m in relation to properties used by Deka, the economic result amounted to €133.5m. The business division thus recorded a decline in the economic result, as had been expected, due to lower net interest income, allocations to provisions for loan losses and the early repayment of high-margin loans. Net commission income was slightly up on the previous year.

Expenses increased to €146.6m (previous year: €136.4m). The main reason for this was higher personnel expenses, which resulted partly from the steadily growing property portfolio. Project expenses were also significantly higher than the low level of 2014.

Profit performance Real Estate business division *(Fig. 10)*

€m	2015	2014	Change	
Net interest income	61.4	65.7	−4.3	−6.5%
Provisions for loan losses	−3.7	10.5	−14.2	−135.2%
Net commission income	220.9	218.0	2.9	1.3%
Net financial income	−4.6	−0.6	−4.0	(< −300%)
Other operating income	36.6	3.4	33.2	(> 300%)
Total income	**310.6**	**297.0**	13.6	4.6%
Administrative expenses (including depreciation)	146.7	134.8	11.9	8.8%
Restructuring expenses	−0.1	1.6	−1.7	−106.3%
Total expenses	**146.6**	**136.4**	10.2	7.5%
Economic result	**164.0**	**160.6**	3.4	2.1%

Business development and profit performance 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.

Business development in the Capital Markets business division

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.

Profit performance in the Capital Markets business division

Despite the extremely challenging market conditions, the Capital Markets business division increased its economic result by 21.9% to €249.6m. It should be noted that this result includes positive non-recurring factors in the reporting year, including income from a receivable already written off and the release of a general provision booked in 2013 and no longer required, which amounted in total to €40.1m. In contrast, the comparative figure for 2014 was negatively impacted by expenses relating to legal risks and costs for the integration of LBB's customer-oriented capital market business.

Excluding non-recurring items, the economic result was €16.1m less than the prior year figure. The sharp decline in net interest income due to market conditions was partially offset by the rise in net commission income from commission business. Net financial income from trading book portfolios, the business division's most significant income component, remained relatively stable. The overall decline in the contribution from money and currency transactions and repo/lending activities was offset by slight gains in the Trading & Structuring unit, driven in part by the growing in-house issuance business.

Excluding non-recurring items, expenses of €167.7m were down on the previous year's figure of €171.1m. The main reasons for this were falling personnel and project expenses.

Profit performance Capital Markets business division *(Fig. 11)*

€m	2015	2014	Change	
Net interest income	–12.8	25.1	–37.9	–151.0%
Provisions for loan losses	0.1	–0.1	0.2	200.0%
Net commission income	103.3	88.3	15.0	17.0%
Net financial income	303.6	277.5	26.1	9.4%
Other operating income	24.1	–5.0	29.1	(> 300%)
Total income	**418.3**	**385.8**	32.5	8.4%
Administrative expenses (including depreciation)	168.9	180.5	–11.6	–6.4%
Restructuring expenses	–0.2	0.5	–0.7	–140.0%
Total expenses	**168.7**	**181.0**	–12.3	–6.8%
Economic result	**249.6**	**204.8**	44.8	21.9%

Business development and profit performance 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.

Business development in the Financing business division

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.

Profit performance in the Financing business division

The division's economic result showed a year-on-year decrease from €35.5m in 2014 to €–19.1m in 2015. The decline is attributable to a fall in net interest income in the current market environment but most of all to significantly higher allocations to provisions for loan losses in relation to older transport and infrastructure loans. In addition, net financial income recorded a larger negative balance than in the previous year due to early repayments of loans. This was slightly offset by improved net commission income. At €26.5m, expenses were slightly down on the comparative figure for 2014 (€27.5m).

Profit performance Financing business division *(Fig. 12)*

€m	2015	2014	Change	
Net interest income	71.6	81.2	–9.6	–11.8%
Provisions for loan losses	–63.1	–22.9	–40.2	–175.5%
Net commission income	9.6	7.9	1.7	21.5%
Net financial income	–11.0	–3.6	–7.4	–205.6%
Other operating income	0.3	0.4	–0.1	–25.0%
Total income	**7.4**	**63.0**	–55.6	–88.3%
Administrative expenses (including depreciation)	26.5	27.3	–0.8	–2.9%
Restructuring expenses	0.0	0.2	–0.2	–100.0%
Total expenses	**26.5**	**27.5**	–1.0	–3.6%
Economic result	**–19.1**	**35.5**	–54.6	–153.8%

Business development and profit performance 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.

The economic result reduced to €31.3m; the 2014 result (€53.2m) was still strongly influenced by positive valuation results in relation to capital market credit products. Net interest income was down year-on-year as a result of the substantially reduced volume of loans. The movement in loan loss provisions for the lending business was slightly positive, at €1.3m. Expenses fell slightly and at €2.8n were relatively insignificant, as per the previous year (€3.1m).

Profit performance of non-core business *(Fig. 13)*

€m	**2015**	**2014**	Change	
Net interest income	12.3	17.7	−5.4	−30.5%
Provisions for loan losses	1.3	8.4	−7.1	−84.5%
Net commission income	−0.2	0.0	−0.2	n/a
Net financial income	20.7	30.2	−9.5	−31.5%
Other operating income	0.0	0.0	0.0	n/a
Total income	**34.1**	**56.3**	−22.2	−39.4%
Administrative expenses (including depreciation)	2.8	3.1	−0.3	−9.7%
Restructuring expenses	0.0	0.0	0.0	n/a
Total expenses	**2.8**	**3.1**	−0.3	−9.7%
Economic result	**31.3**	**53.2**	−21.9	−41.2%

Profit performance in Treasury

At €–51.9m, Treasury's economic result was in negative territory. The significant decline versus the previous year (€50.4m) is predominantly due to net interest income, which reduced to €22.5m (previous year: €92.9m) as a result of trends in market interest rates as well as the sharply reduced gross loan volume, and which in the second half of the year was in the negative range. Further contributing factors included interest expenses of €28.4m for the Additional Tier 1 bonds issued in the previous year, as well as the now non-existent contribution to earnings from non-interest-bearing liabilities (such as equity) due to market conditions. Net financial income from banking book portfolios, which in 2014 (€10.6m) was still impacted by moderately positive valuation effects in relation to bond portfolios, reduced to €–27.7m, primarily as a result of trends in credit spreads.

At €28.0m, the corporate centre's total expenses were down on the previous year's figure of €30.4m, partly as a result of lower project expenses.

Profit performance Treasury *(Fig. 14)*

€m	2015	2014	Change	
Net interest income	22.5	92.9	−70.4	−75.8%
Provisions for loan losses	0.2	0.0	0.2	n/a
Net commission income	−4.3	−4.4	0.1	2.3%
Net financial income	−42.2	−7.7	−34.5	(< −300%)
Other operating income	−0.1	0.0	−0.1	n/a
Total income	**−23.9**	**80.8**	−104.7	−129.6%
Administrative expenses (including depreciation)	28.0	30.4	−2.4	−7.9%
Restructuring expenses	0.0	0.0	0.0	n/a
Total expenses	**28.0**	**30.4**	−2.4	−7.9%
Economic result	**−51.9**	**50.4**	−102.3	−203.0%

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

The Deka Group's total assets decreased year-on-year by 4.6%, or €5.2bn, to €108.0bn. The decline was primarily the result of the continued reduction of portfolios in non-core business, repayments in the lending business and scheduled maturities of securities holdings.

The total amount due from banks and customers equated to around 46% of total assets and showed a slight increase of €1.5bn in the reporting period to €49.6bn. Financial assets recognised at fair value through profit or loss fell to €50.9bn (previous year: €59.5bn) and corresponded to around 47% of total assets. The decline is due to reduced portfolios of debt securities and equities as well as lower fair values from derivatives.

On the liabilities side, amounts due to banks and customers decreased by a total of €0.8bn to €53.5bn and accounted for around 50% of total assets. Securitised liabilities decreased by €4.2bn to €19.9bn during the year under review. This fall is attributable in particular to scheduled maturities in relation to medium term notes. Financial liabilities reported at fair value remained virtually unchanged at €27.1bn. At year-end 2015, balance sheet equity was up on the previous year at €4.9bn.

Balance sheet changes Deka Group *(Fig. 15)*

€m	31 Dec 2015	31 Dec 2014	Change	
Balance sheet total	**107,981**	**113,175**	−5,194	−4.6%
Selected items on the assets side				
Due from banks and customers	49,602	48,059	1,543	3.2%
Financial assets at fair value	50,908	59,470	−8,562	−14.4%
Financial investments	2,944	3,498	−554	−15.8%
Selected items on the liabilities side				
Due to banks and customers	53,546	54,366	−820	−1.5%
Securitised liabilities	19,922	24,122	−4,200	−17.4%
Financial liabilities at fair value	27,115	27,128	−13	0.0%

Changes in regulatory capital (own funds)

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. 16)*

	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 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

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. 17)*

		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

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. 18)*

		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				●			

		Market price risk	Liquidity risk	Counterparty risk	Operational risk	Business risk	Property risk/ property fund risk	Shareholding risk
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	●	●	●	●	●	●	●
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.

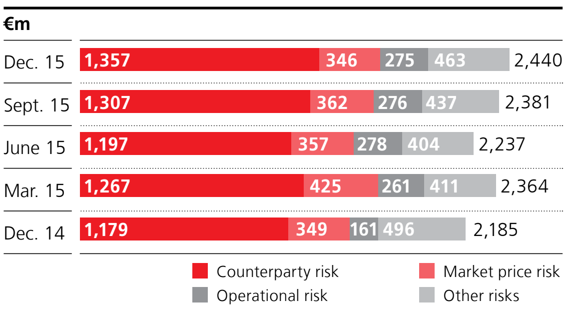
The annual review of the stress scenarios, as prescribed by regulators, indicated that the existing scenarios are broadly useful and appropriate. One real-economy scenario was replaced by a classic inflation scenario. The scenario parameters were updated to take into account the current market environment.

Overall risk position in the 2015 financial year

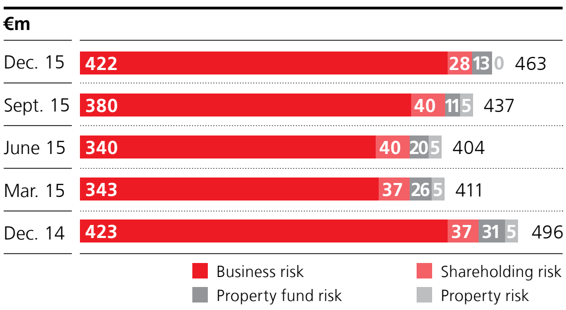
In terms of the development of total risk, it should be noted that the enhancements to risk models already outlined above have tended to increase risk overall. Nonetheless, as at 31 December 2015, the utilisation of total risk-bearing capacity was only moderately higher than at the close of the prior 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. 19)*



Change in Group risk over the course of the year – other risks *(Fig. 20)*



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. 21)*

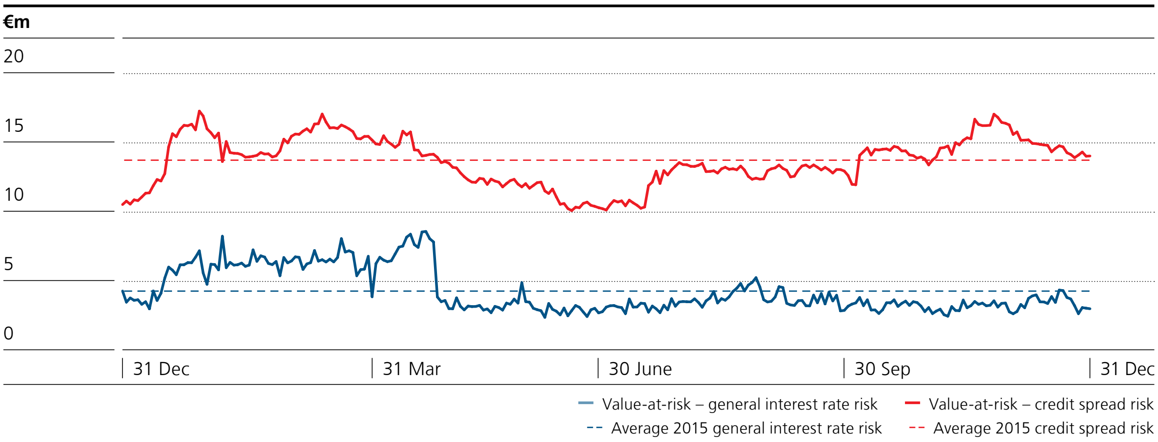
€m	31 Dec 2015			31 Dec 2014			
Category	**Treasury and Capital Markets business division**	**Non-core business**	**Treasury, Capital Markets business division and non-core business**	**Treasury and Capital Markets business division**	**Non-core business**	**Treasury, Capital Markets business division 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.

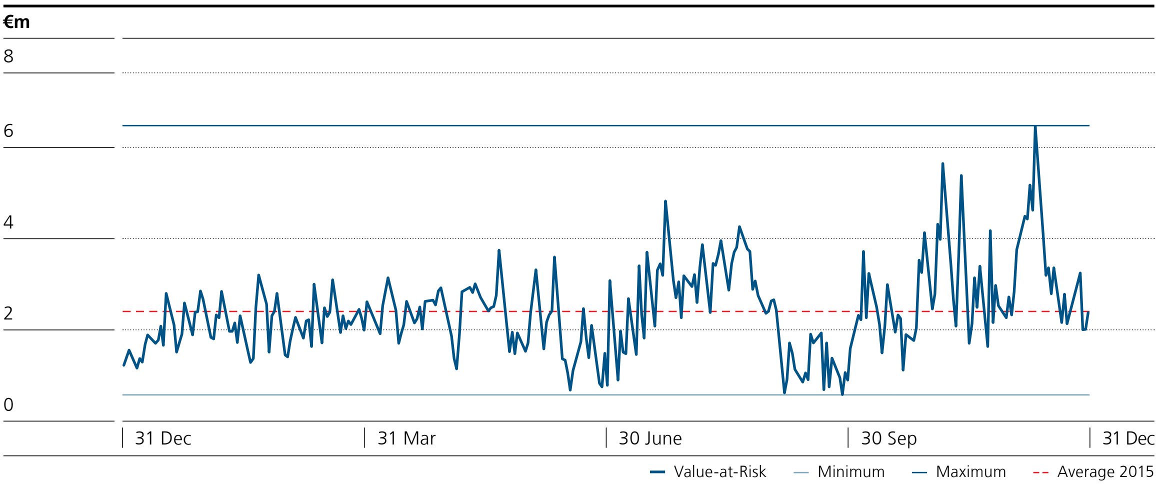
The VaR for general interest rate risk decreased compared to the 2014 year-end position (€9.5m) to €7.9m. This was mainly driven by numerous changes in positions held, which overall led to a reduction in the interest rate risk position. General interest rate risk in the Capital Markets business division 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. 22)*



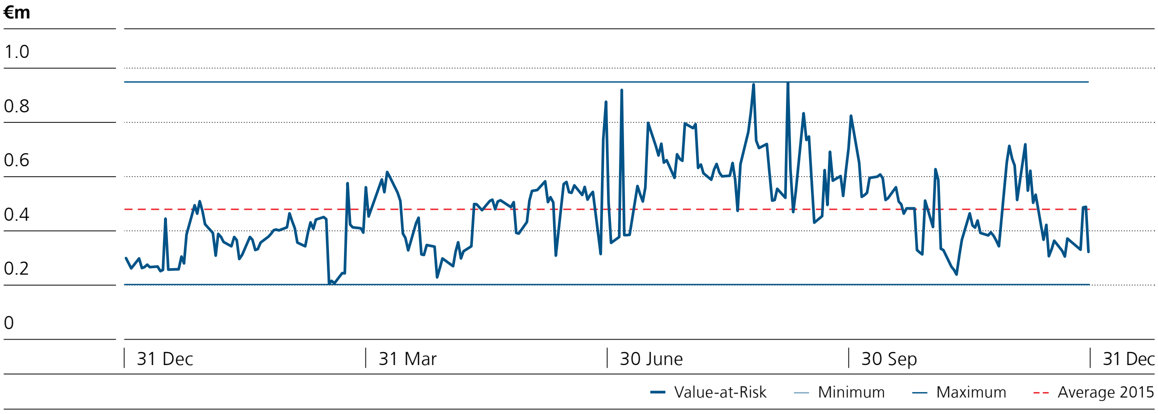
Share price risk amounted to just €1.2m at the end of 2015 and thus fell below the previous year's figure (end of 2014: €1.6m). It was therefore once again insignificant. Share price risk in the Capital Markets business division trading book totalled €2.5m (2014: €1.3m).

Value-at-risk – Share price risk in the Capital markets business division trading book over the course of the year 2015 *(Fig. 23)*



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. 24)*



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. 25)*

€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**

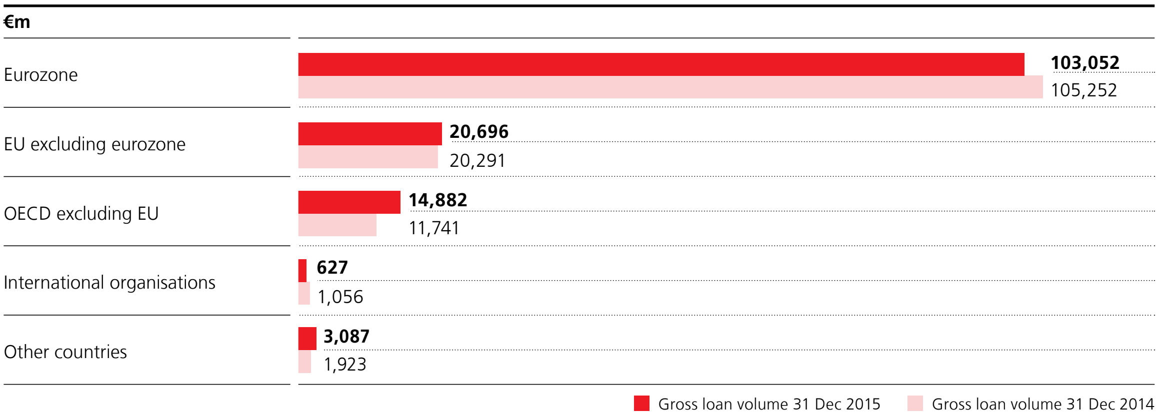
In view of the high proportion of collateralised business, net loan volume was considerably lower than gross loan volume, standing at €59.3bn as at the end of 2015 (end of 2014: €54.6bn). The stronger increase in net loan volume compared to gross credit volume was primarily the result of an increased 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. 26)*

€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. 27)*



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

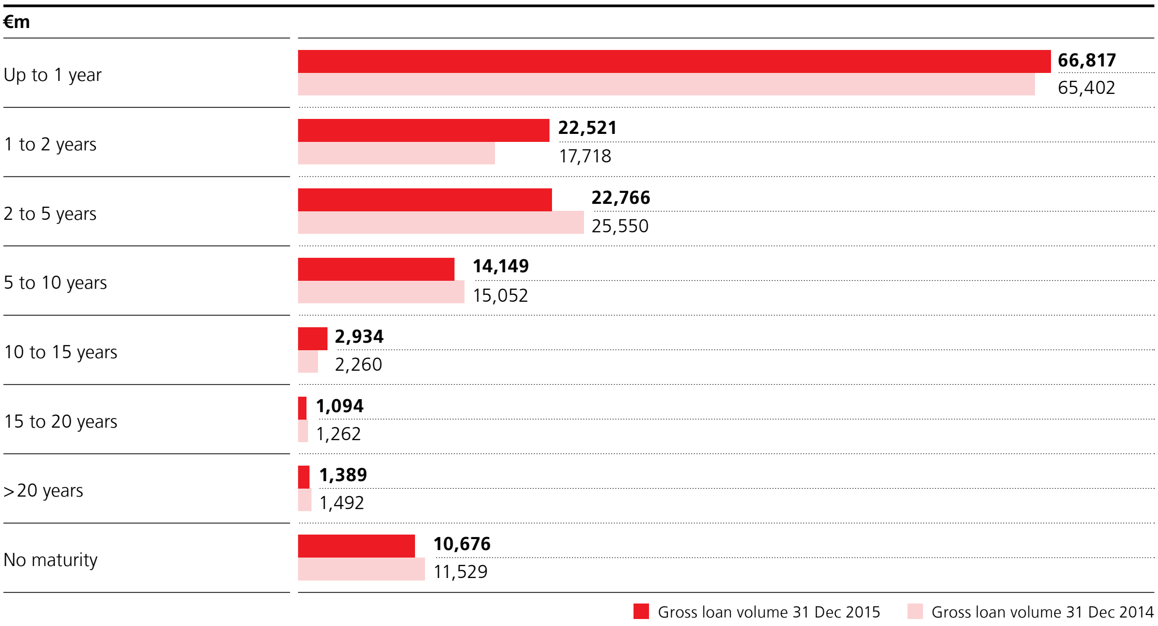
The loan volume relating to borrowers in Italy, Spain, Ireland and Portugal changed only marginally compared with the figure at the end of 2014 (€3.6bn). As at the reporting date, counterparties from the aforementioned countries accounted for a 2.7% share (end of 2014: 2.6%) of overall gross loan volume. 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. 28)*

€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 moderately 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. 29)*



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. 30)*

€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.

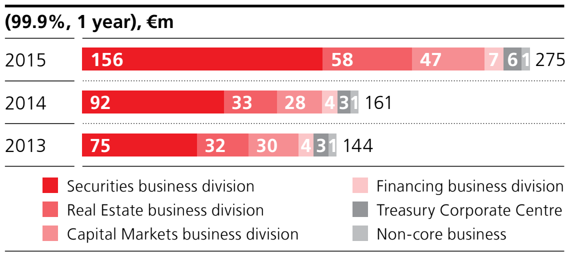
Risk Control also prepares monthly reports that explain the relationship between changes in the loss potential of the events in the scenario analyses and the trends of risk indicators incorporated into these analyses. In this way it helps to ensure that targeted risk management measures are established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

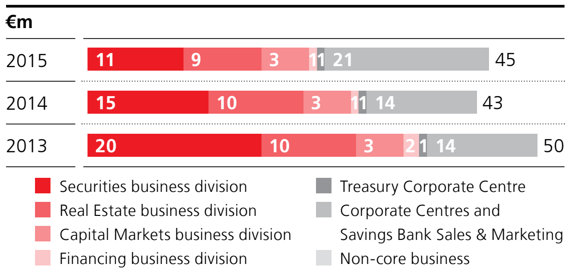
The VaR determined for operational risks, using an advanced measurement approach (AMA), with a confidence level of 99.9% and a risk horizon of one year, showed a substantial increase in comparison to the previous year (end of 2014: €161m) to €275m. This increase in risk is predominantly attributable 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. 31)*



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. 32)*



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. 33)*

€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).

Report of the Administrative Board

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

Key issues of Administrative Board meetings

A total of five meetings took place in 2015, during which the Board of Management informed the Administrative Board about the Bank's current business trends and profit performance, its risk position and the Deka Group's strategic direction. The Board of Management reported on and discussed business and risk strategies with the Administrative Board in accordance with the minimum requirements for risk management of German credit institutions (MaRisk). The Administrative Board approved the medium-term plan for the years 2016 to 2018 that was prepared on this basis and submitted by the Board of Management. The reports on the activities of the Audit and the Compliance corporate centres, along with the remuneration report for the 2014 financial year, were also submitted to the Administrative Board.

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

The Administrative Board was provided with regular reports about the implications of developments in the international capital markets for the Bank's earnings, liquidity and risk position, as well as management measures taken by the Board of Management. In addition, the Administrative Board received regular updates concerning the status of ongoing projects, particularly the continued implementation of DekaBank's transformation programme to become the *Wertpapierhaus* (securities service provider for the savings banks). Another key issue was the passing of resolutions on matters relating to the Board of Management

During the 2015 financial year, the Administrative Board held two full-day training events. In February, the Administrative Board turned its attention to regulatory matters and their impact on DekaBank. During the meeting held in October 2015, the Administrative Board was informed about priority areas for savings banks sales activities.

Administrative Board Committees

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

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

The Remuneration Supervision Committee met five times in 2015. It discussed the remuneration report and the remuneration supervision report for 2014, gave consideration to whether the remuneration systems for the Board of Management and employees were set up appropriately and prepared resolutions covering Board of Management members' remuneration and targets.

The Audit and Risk Committee met four times during 2015. It conducted a detailed review of the financial statements and consolidated financial statements. It also verified the requisite independence of the auditors, engaged the auditors to perform their audit based on the key audit priorities established and concluded a fee agreement.

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

Other key issues addressed by the Audit and Risk Committee included discussing business and risk strategies, and examining the updated recovery plan in line with the Minimum Requirements for Recovery Plans (*Mindestanforderungen für die Ausgestaltung von Sanierungsplänen* – MaSan).

The members of the Credit Committee met four times during the reporting year. In its capacity as a loan approval body, the Committee passed relevant resolutions and familiarised itself with the risk position in lending business. One member of the Credit Committee did not take part in the decisionmaking process for one loan because of a potential conflict of interest. The Credit Committee also held discussions with the Board of Management covering the business policy for lending business and the credit risk strategy.

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

Audit and approval of 2015 financial statements and consolidated financial statements

At DekaBank's Shareholders' Meeting, KPMG AG Wirtschaftsprüfungsgesellschaft (KPMG) was appointed as auditor for the 2015 financial year. KPMG audited DekaBank's 2015 financial statements and management report, as well as the consolidated financial statements, notes and Group management report, and issued an unqualified audit opinion on them.

These financial statements and associated documents were forwarded promptly to the members of the Administrative Board, along with KPMG's reports. The auditors attended the relevant meetings of the Audit and Risk Committee as well as the Administrative Board's meeting to review the financial statements, which was held today. The auditors reported on the findings of their audit and provided additional information where required. On the basis of its own review, the Administrative Board approved the findings of the auditor's report. Based on the final result of its review, there were no objections.

The Administrative Board approved the 2015 financial statements and submitted a proposal to the Shareholders' Meeting regarding the appropriation of accumulated profit.

Changes to the Board of Management and Administrative Board

The Administrative Board appointed Ms Manuela Better to the Board of Management in February 2015. Ms Better took up her post on 1 June 2015 and assumed the duties of Chief Risk Officer. In June 2015, the Administrative Board appointed Mr Stefan Keitel to the Board of Management. The appointment will not take effect until at least one day after the date on which the Governing Council of the ECB grants its approval of Mr Keitel's appointment to the Board of Management. Up until this point, Mr Keitel holds the position of Executive Manager. His employment at DekaBank commenced on 1 January 2016.

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

Mr. Hans-Heinrich Hahne stepped down from his position on the Administrative Board at the end of 2015. The Administrative Board would like to thank Mr. Hahne for his valuable contributions and the constructive support he has given to the company and the Board of Management.

During 2015, Dr. Michael Ermrich, Managing President of the East German Savings Banks Association, was elected as a new member of the Administrative Board.

Government supervision of DekaBank is exercised by the Federal Minister of Finance, who is entitled to appoint a state commissioner and a deputy state commissioner. He did not exercise this right in 2015.

DekaBank performed well in the 2015 financial year, in a persistently difficult market environment. This reflects the valuable work performed by DekaBank's Board of Management and employees. The Administrative Board would like to thank them for their achievements and considerable personal commitment.

Frankfurt/Main, 17 March 2016

The Administrative Board

Georg Fahrenschon
Chairman of the Administrative Board

Consolidated financial statements 2015. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). They comprise the balance sheet, statement of profit or loss and other comprehensive income, statement of changes in equity, cash flow statement and the notes. Together with economic risk, the economic result – a central performance and management measure – forms the basis for risk/return management in the Deka Group and is, in principle, determined in accordance with the accounting and measurement rules set out in IFRS reporting standards.

Consolidated financial statements

Statement of profit or loss and other comprehensive income for the period from 1 January to 31 December 2015

€m	Notes	2015	2014	Change	
Interest and similar income		1,038.9	1,544.7	–505.8	–32.7%
Interest expenses		847.4	1,250.2	–402.8	–32.2%
Net interest income	[30]	**191.5**	**294.5**	–103.0	–35.0%
Provisions for loan losses	[15], [31], [43]	**–65.1**	**–4.2**	–60.9	(< –300%)
Net interest income after provisions for loan losses		**126.4**	**290.3**	–163.9	–56.5%
Commission income		2,083.5	1,802.0	281.5	15.6%
Commission expenses		973.4	793.6	179.8	22.7%
Net commission income	[32]	**1,110.1**	**1,008.4**	101.7	10.1%
Trading profit or loss	[33]	**236.3**	**247.8**	–11.5	–4.6%
Profit or loss on financial instruments designated at fair value	[34]	**33.8**	**271.2**	–237.4	–87.5%
Profit or loss from fair value hedges in accordance with IAS 39	[35]	**–4.1**	**3.4**	–7.5	–220.6%
Profit or loss on financial investments	[36]	**–18.7**	**–17.7**	–1.0	–5.6%
Administrative expenses	[37]	**917.4**	**884.7**	32.7	3.7%
Other operating income	[38]	**34.6**	**–47.0**	81.6	173.6%
Net income before tax		**601.0**	**871.7**	–270.7	–31.1%
Income taxes	[39]	**214.2**	**265.5**	–51.3	–19.3%
Interest expenses for atypical silent capital contributions	[28], [61]	**56.9**	**50.9**	6.0	11.8%
Net income		**329.9**	**555.3**	–225.4	–40.6%
Of which:					
Attributable to non-controlling interests		0.0	0.0	0.0	n/a
Attributable to the shareholders of DekaBank		329.9	555.3	–225.4	–40.6%
Changes not recognised in income					
Items reclassified into profit or loss					
Financial instruments valuation reserve Available for sale		0.0	–0.6	0.6	100.0%
Cash flow hedges valuation reserve	[62]	–13.0	–41.7	28.7	68.8%
Currency translation reserve	[11], [62]	3.7	0.3	3.4	(> 300%)
Deferred taxes on items reclassified into profit or loss	[49]	4.2	13.4	–9.2	–68.7%
Items not reclassified into profit or loss					
Revaluation gains/losses on defined benefit pension obligations	[56], [62]	55.4	–120.9	176.3	145.8%
Revaluation reserve investments accounted for using the equity method		–3.3	0.0	–3.3	n/a
Deferred taxes on items not reclassified into profit or loss	[49]	–13.7	34.4	–48.1	–139.8%
Other comprehensive income		**33.3**	**–115.1**	148.4	128.9%
Net income for the period under IFRS		**363.2**	**440.2**	–77,0	–17.5%
Of which:					
Attributable to non-controlling interests		0.0	0.0	0.0	n/a
Attributable to the shareholders of DekaBank		363.2	440.2	–77.0	–17.5%

Balance sheet as at 31 December 2015

€m	Notes	31 Dec 2015	31 Dec 2014	Change	
Assets					
Cash reserves	[40]	**3,608.1**	**778.4**	2,829.7	(> 300%)
Due from banks	[14], [41]	**27,094.0**	**24,670.1**	2,423.9	9.8%
(net after provisions for loan losses amounting to)	[15], [43]	(2.4)	(2.5)	−0.1	−4.0%
Due from customers	[14], [42]	**22,508.0**	**23,388.7**	−880.7	−3.8%
(net after provisions for loan losses amounting to)	[15], [43]	(222.0)	(178.1)	43.9	24.6%
Financial assets at fair value	[16], [44]	**50,907.8**	**59,470.0**	−8,562.2	−14.4%
(of which deposited as collateral)	[74]	(10,642.9)	(10,596.4)	46.5	0.4%
Positive market values from derivative hedging instruments	[9], [17], [45]	**109.0**	**328.0**	−219.0	−66.8%
Financial investments	[18], [46]	**2,944.4**	**3,498.3**	−553.9	−15.8%
(net after provisions for loan losses amounting to)	[18]	(38.4)	(24.2)	14.2	58.7%
(of which deposited as collateral)	[74]	(785.7)	(607.5)	178.2	29.3%
Intangible assets	[19], [47]	**191.2**	**203.7**	−12.5	−6.1%
Property, plant and equipment	[20], [48]	**16.3**	**30.0**	−13.7	−45.7%
Current income tax assets	[22], [49]	**164.0**	**165.1**	−1.1	−0.7%
Deferred income tax	[22], [49]	**57.5**	**137.5**	−80.0	−58.2%
Other assets	[21], [50]	**380.5**	**504.8**	−124.3	−24.6%
Total assets		**107,980.8**	**113,174.6**	−5,193.8	−4.6%
Liabilities					
Due to banks	[23], [51]	**24,084.1**	**26,739.0**	−2,654.9	−9.9%
Due to customers	[23], [52]	**29,462.0**	**27,626.8**	1,835.2	6.6%
Securitised liabilities	[23], [53]	**19,921.8**	**24,121.7**	−4,199.9	−17.4%
Financial liabilities at fair value	[16], [54]	**27,114.8**	**27,128.5**	−13.7	−0.1%
Negative market values from derivative hedging instruments	[9], [17], [55]	**36.0**	**118.8**	−82.8	−69.7%
Provisions	[15], [24], [25], [43], [56], [57]	**453.9**	**518.6**	−64.7	−12.5%
Current income tax liabilities	[22], [58]	**79.7**	**92.5**	−12.8	−13.8%
Deferred income tax	[22], [58]	**28.1**	**62.3**	−34.2	−54.9%
Other liabilities	[26], [59]	**675.2**	**919.6**	−244.4	−26.6%
Subordinated capital	[27], [60]	**1,149.7**	**1,170.7**	−21.0	−1.8%
Atypical silent capital contributions	[28], [61]	**52.4**	**52.4**	0.0	0.0%
Equity	[29], [62]	**4,923.1**	**4,623.7**	299.4	6.5%
a) Subscribed capital		191.7	191.7	0.0	0.0%
b) Additional capital components		473.6	473.6	0.0	0.0%
c) Capital reserves		190.3	190.3	0.0	0.0%
d) Reserves from retained earnings		4,119.1	3,855.3	263.8	6.8%
e) Revaluation reserve	[7], [9], [17], [18], [22], [46]	−135.7	−165.3	29.6	17.9%
f) Currency translation reserve	[11]	16.2	12.5	3.7	29.6%
g) Accumulated profit/loss (consolidated profit)		67.9	65.6	2.3	3.5%
h) Minority interests		0.0	0.0	0.0	n/a
Total liabilities		**107,980.8**	**113,174.6**	−5,193.8	−4.6%

Statement of changes in equity for the period from 1 January to 31 December 2015

€m	Subscribed capital	Additional capital components	Capital reserves	Reserves from retained earnings	Consolidated profit/loss
Holdings as at 1 Jan 2014	**191.7**	**–**	**190.3**	**3,365.0**	**58.7**
Net income for the year					555.3
Other comprehensive income					
Net income for the period under IFRS	**–**	**–**	**–**	**–**	**555.3**
Changes in the scope of consolidation[1] and other changes		473.6		0.6	
Allocation to reserves from retained earnings				489.7	–489.7
Distribution					–58.7
Holdings as at 31 Dec 2014	**191.7**	**473.6**	**190.3**	**3,855.3**	**65.6**
Net income for the year					329.9
Other comprehensive income					
Net income for the period under IFRS	**–**	**–**	**–**	**–**	**329.9**
Changes in the scope of consolidation[1] and other changes				1.8	
Allocation to reserves from retained earnings				262.0	–262.0
Distribution					–65.6
Holdings as at 31 Dec 2015	**191.7**	**473.6**	**190.3**	**4,119.1**	**67.9**

[1] Comprises the issue and payment of interest (after taxes) of Additional Tier 1 bonds, which are classified as equity capital under IFRS.

Revaluation reserve					Currency translation reserve	Total before minority interests	Minority interests	Equity
Provisions for pensions	Cash flow hedges	Financial instruments available for sale	Equity-accounted companies	Deferred taxes				
−88.8	**15.2**	**0.6**	**–**	**23.2**	**12.1**	**3,768.0**	**–**	**3,768.0**
						555.3		**555.3**
−121.0	−41.7	−0.6		47.8	0.4	**−115.1**		**−115.1**
−121.0	**−41.7**	**−0.6**	**–**	**47.8**	**0.4**	**440.2**	**–**	**440.2**
						474.2	**–**	**474.2**
						–		**–**
						−58.7		**−58.7**
−209.8	**−26.5**	**–**	**–**	**71.0**	**12.5**	**4,623.7**	**–**	**4,623.7**
						329.9		**329.9**
55.4	−13.0	0.0	−3.3	−9.5	3.7	**33.3**		**33.3**
55.4	**−13.0**	**0.0**	**−3.3**	**−9.5**	**3.7**	**363.2**	**–**	**363.2**
						1.8	**–**	**1.8**
						–		**–**
						−65.6		**−65.6**
−154.4	**−39.5**	**–**	**−3.3**	**61.5**	**16.2**	**4,923.1**	**–**	**4,923.1**

Statement of cash flows from 1 January to 31 December 2015

€m	31 Dec 2015	31 Dec 2014
Net income	**329.9**	**555.3**
Non-cash items in net income and adjustments to reconcile net profit with cash flow from operating activities		
+/– Write-downs and write-backs		
on receivables and financial investments	92.1	18.0
on intangible assets and property, plant and equipment	20.2	24.6
+/– Allocation to/reversal of provisions	90.7	120.6
+/– Profit or loss from fair value hedges in accordance with IAS 39	4.1	–3.4
+/– Other non-cash items	171.7	–169.0
+/– Profit or loss on the disposal of financial investments and property, plant and equipment	–47.6	–0.3
+/– Other adjustments	–406.2	–572.6
= **Sub-total**	**254.9**	**–26.8**
Change to assets and liabilities arising from operating activities		
+/– Due from banks	–2,500.9	5,490.3
+/– Due from customers	807.2	4,042.9
+/– Financial assets at fair value	5,547.2	1,216.0
+/– Financial investments	–55.9	122.5
+/– Other assets arising from operating activities	346.8	–172.1
+/– Due to banks	–2,624.1	–5,358.7
+/– Due to customers	1,895.7	–368.7
+/– Securitised liabilities	–4,192.0	443.6
+/– Financial liabilities at fair value	2,898.9	–6,121.0
+/– Other liabilities arising from operating activities	–486.5	–188.7
+ Interest received	1,674.5	2,060.7
+ Dividends received	33.7	109.3
– Interest paid	–1,088.1	–1,089.1
– Income tax payments	–189.5	–139.6
Cash flow from operating activities	**2,321.9**	**20.6**
+ Proceeds from the disposal or redemption of		
financial investments classified as held to maturity	540.5	153.9
equity investments	8.7	3.4
property, plant and equipment	54.9	0.1
intangible assets	0.0	0.0
– Disbursements for the purchase of		
financial investments classified as held to maturity	0.0	0.0
intangible assets	–5.4	–9.5
property, plant and equipment	–1.4	–2.2
+ Proceeds from the sale of shares in affiliated, non-consolidated companies	0.0	0.0
– Disbursements for the acquisition of shares in affiliated, non-consolidated companies	–3.6	0.0
+ Dividends received	0.3	0.6
+/– Changes in scope of consolidation and other changes	0.0	–74.3
Cash flow from investing activities	**594.0**	**72.0**
+ Proceeds from issue of new equity capital	0.0	177.5
– Payments to company owners and minority interests	–20.6	–18.9
– Dividends paid	–65.6	–58.7
+ Inflow of funds from subordinated capital	0.0	58.0
+ Outflow of funds from subordinated capital	–9.0	0.0
+/– Changes in scope of consolidation and other changes	9.0	0.6
Cashflow from financing activities	**–86.2**	**158.5**
= Changes to cash and cash equivalents	2,829.7	251.1
+/– Other effects	0.0	0.0
+ Cash and cash equivalents at the start of the period	778.4	527.3
Cash and cash equivalents at the end of the period	**3,608.1**	**778.4**

The cash flow statement shows the change in the Deka Group's cash balance during the financial year. The item cash and cash equivalents corresponds to the balance sheet item cash reserves (see note [40]).

The cash flow from operating activities is determined using the indirect method, i.e. net income is adjusted first by non-cash items, especially revaluations and allocations to provisions. The item other adjustments mainly includes the reclassification of interest and dividends received as cash and interest and income tax payments made during the financial year which have to be reported separately in accordance with IAS 7.

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

Financing activities encompass equity as well as cash flows from atypical silent capital contributions and from subordinated capital.

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

Notes

Accounting principles

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

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

Accounting standards applied for the first time

The new or revised International Financial Reporting Standards relevant to the Group and taken into consideration when preparing the present Annual Report are described below.

IAS 19

The amendments to IAS 19 (2011) "Defined Benefit Plans: Employee Contributions" were applied for the first time in the 2015 financial year. The new rules comprise clarifications regarding the way employee contributions are taken into account in the context of defined benefit commitments. The amendments had no impact on the Deka Group's consolidated financial statements.

Annual Improvements

During the financial year, the Group implemented the amendments to several existing standards that were published by the IASB in December 2013 (Annual Improvements Projects 2010-2012 and 2011-2013). Implementation of these amendments had no effect on the Deka Group's consolidated financial statements, as, for the most part, they represent more detailed specifications and guidelines clarifying the application of the standard.

Accounting standards to be applied in the future

New standards and interpretations and amendments to standards and interpretations published by the IASB and IFRIC, which have been adopted into European law by the EU and do not have to be applied until subsequent financial years, were not applied early. Changes relevant to the Deka Group are presented below.

IAS 1

The IASB published amendments to IAS 1 "Presentation of Financial Statements" on 18 December 2014 as part of an initiative to improve presentation and disclosure in financial statements. In particular, the amendments provide clarification of materiality considerations relating to the presentation of line items in the balance sheet, the statement of profit or loss and other comprehensive income, the cash flow statement, the statement of changes in equity and the notes. Under the new amendments, it is no longer necessary to present information that is not material, even if the presentation of such information is explicitly required by other standards. In addition, the amendments introduce new requirements to IAS 1 – or clarify existing requirements – relating to the presentation of sub-totals, the structure of the notes and the disclosures on accounting policies. The amendments also include clarification of the way in which an entity's share of an equity-accounted company should be presented within other comprehensive income in the statement of profit or loss and other comprehensive income. The new standard applies to financial years beginning on or after 1 January 2016. Earlier voluntary adoption is permitted. The impact of the changes will be restricted to disclosures and the presentation of information in the notes to the financial statements, and is currently being evaluated.

Annual Improvements

In December 2013, the IASB published amendments to, inter alia, two existing standards (Annual Improvements Project 2010-2012) as part of its annual programme of improvements. Changes affecting these two standards come into force in the EU for financial years that began on or after 1 February 2015. Earlier adoption is permitted. The amendments have no impact on the Deka Group's consolidated financial statements.

On 25 September 2014 the IASB published amendments to four standards as part of its Annual Improvements Project for 2012–2014. Application of the new regulations is mandatory for financial years beginning on or after 1 January 2016, on either a prospective or retrospective basis depending on the individual amendments. The amendments only involve clarifications of existing standards. Voluntary early adoption is permitted. The amendments have no impact on the Deka Group's consolidated financial statements.

Other new standards and interpretations published by the IASB or IFRIC and already endorsed, as well as amendments to standards and interpretations, either had no impact or only a marginal impact on the consolidated financial statements.

In addition, the IASB has published the following new or revised standards relevant to the Deka Group. These standards have not yet been adopted into European law and therefore did not need to be applied.

IFRS 15

A new standard was published in May 2014 – IFRS 15 "Revenue from Contracts with Customers". This standard replaces the previous rules on revenue recognition (IAS 18 "Revenue", IAS 11 "Construction Contracts" and the associated interpretations). The new standard provides a five-step model to be used to determine the amount and timing of revenue recognition. IFRS 15 must be applied to all contracts with customers that cover the sale of goods or the provision of services, with some exceptions, including financial instruments for which revenue recognition falls within the scope of IFRS 9/IAS 39.

Mandatory implementation of IFRS 15 has been postponed by the IASB until 1 January 2018, but voluntary early adoption is permitted. An Exposure Draft ("Clarifications to IFRS 15") was also published in June 2015. The resulting changes to IFRS 15 are due to be published in the first quarter of 2016. The impact on the consolidated financial statements is currently being evaluated.

IFRS 16

The new IFRS 16 standard was published on 13 January 2016 and governs how leases should be accounted for. IFRS 16 replaces IAS 17 "Leases", along with the associated interpretations IFRIC 4 "Determining whether an Arrangement Contains a Lease", SIC 15 "Operating Leases – Incentives" and SIC 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease". The new standard requires lessees to use an entirely new approach when presenting leasing contracts in the financial statements. Under IAS 17, the key factor in determining how a lessee should present a lease in its financial statements was whether or not substantially all of the risks and rewards of ownership of the item being leased had been transferred to the lessee. In future, every lease should be presented on the lessee's balance sheet as a financing transaction, in the form of a right-of-use asset and a lease liability. The accounting requirements for lessors remain largely unchanged, in particular in terms of the ongoing requirement to classify leases. Application of IFRS 16 is mandatory for financial years beginning on or after 1 January 2019. The impact on the consolidated financial statements is currently being evaluated.

IFRS 9

The IASB published the final requirements for IFRS 9 "Financial Instruments" on 24 July 2014. IFRS 9 contains new regulations governing the classification and measurement of financial instruments, the impairment of financial assets and the recognition of hedging relationships.

The standard sets out three categories which are to be used to classify financial assets. Depending on the management objectives and the characteristics of the contractual cash flows associated with each financial asset, they must be classified at amortised cost, at fair value through other comprehensive income or at fair value through profit or loss.

The rules governing the classification and measurement of financial liabilities contained within IFRS 9 are not significantly different from the current system. IFRS 9 only requires that the amount of change in fair value attributable to changes in the credit risk of liabilities designated at fair value should be reported through other comprehensive income, rather than through profit or loss as in the past.

The rules governing the measurement of financial assets are based on the new impairment model for expected losses. In order to determine the size of the loan loss provision to be established, assets within the scope of IFRS 9 must be allocated to one of three tiers, depending on the credit risk associated with those assets. The tier to which an asset is allocated has an effect on the size of the loan loss provision to be established and the interest rate applied to the asset concerned.

IFRS 9 also contains new rules governing the recognition of hedging relationships. The standard aims to bring recognition of hedging relationships into line with the specific economic risk management activities of the company concerned.

Application of IFRS 9 is mandatory for financial years beginning on or after 1 January 2018. The Group is currently assessing the impact of the accounting requirements set out in IFRS 9.

Segment reporting

1 Note on segment reporting

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

However, as the suitability of net income before tax for the purposes of internally managing the business divisions is limited, the economic result has been defined as the key management indicator. Due to the requirements of IFRS 8, the economic result has also been included in external reporting as material segment information since 2007.

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. This refers to financial instruments in the loans and receivables, held to maturity and other liabilities categories, which are measured at amortised cost in the consolidated financial statements and whose valuation result is also included in internal reporting. Consequently, the existing economic hedges which do not meet the criteria for hedge accounting under IAS 39 are presented in full for internal management purposes. Effects relevant for management are also taken into account in the economic result. The measurement and reporting differences versus the IFRS consolidated financial statements are shown in the reconciliation to Group income before tax in the "reconciliation" column.

Besides the economic result, total customer assets represent another key ratio for the operating segments. Total customer assets primarily comprise the income-relevant fund assets of the mutual and special funds under management (including ETFs) in the Securities and Real Estate business divisions, as well as certificates issued by the Deka Group. Other components are the volume of direct investments in cooperation partner funds, the cooperation partner fund, third party fund and liquidity portions of fund-based asset management as well as advisory/management mandates and master funds. Total customer assets also include DekaBank's own portfolios of €1.8bn (previous year: €1.3bn). These mainly relate to start-up financing for newly launched investment funds.

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

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

Securities

The Securities segment consists of all the Deka Group's activities relating to capital-market based asset management for private and institutional customers. In addition to investment funds and structured investment concepts, the product range also includes products from selected international cooperation partners. The Deka Group's investment funds cover all the major asset classes, sometimes in conjunction with guarantee, discount and bonus structures. The offering for private retirement pensions encompasses fund-based Riester and Rürup products. The segment also comprises advisory, management and asset management mandates for institutional customers as well as institutional customer sales. The segment additionally includes business involving listed Exchange-Traded Funds (ETFs). The range of services offered by the segment also includes the Master KVG activities, which institutional customers can use to pool their assets under management with one investment company. Services provided in connection with fund administration in the Securities segment are also reported here.

Real Estate

All property-related activities of the Deka Group are pooled in the Real Estate segment. The main focus is on the provision of property investment products for private and institutional investors. The product range includes open-ended property mutual funds, property special funds and individual property funds, as well as property finance and infrastructure finance funds. Alongside the fund management and development of property (financing) related products, the segment also includes the purchase and sale of property and the management of these assets including all other property-related services (property management), as well as the management of property used by the Deka Group. The Real Estate Financing unit serves as a credit provider for the Asset Management business, by offering financial solutions for third parties to professional property investors with a focus on markets, business partners and usage categories relevant to fund business.

Capital Markets

The Capital Markets segment is the central product, solution and infrastructure provider for everything connected to capital market activities. The segment focuses on customer-originated business between the savings banks, DekaBank and (*Kapitalverwaltungsgesellschaften*), thus providing the link between customers and the capital markets. To fully utilise the platform, services are also offered to selected customers outside the *Sparkassen-Finanzgruppe*, in particular to banks, insurance companies and pension funds.

Financing

In addition to providing refinancing for the savings banks, the Financing segment conducts lending business that is suitable for asset management business, and where loans can be passed on to other banks or to institutional investors. The lending business concentrates on selected segments that are suitable for asset management business. These include infrastructure financing, ship and aircraft financing and ECA-covered export finance.

Treasury

The Treasury corporate centre is part of the Bank's overall management system. Key areas are the management of market price risks relating to the banking book as well as liquidity management and the refinancing of the Deka Group. Treasury supports all business divisions in its role as central resource manager. Treasury is listed as a separate segment in segment reporting.

Other

The segment Other primarily comprises income and expenses that are not attributable to the other operating segments. These essentially relate to overheads, actuarial gains and losses resulting from the measurement of pension obligations as well as a general provision for potential losses that are not directly allocable to any operating segment. Services connected with custodial accounts and central fund management services are also reported under Other.

Non-core business

Business activities that are being discontinued have been pooled in non-core business since 2009. Securitisations and loans that no longer form part of the core business are managed in non-core business and reduced while safeguarding assets.

2 Segmentation by operating business divisions

In principle, income and expenses are allocated on a source-specific basis to the relevant segment. Segment expenditure comprises direct expenses as well as those allocated on the basis of cost and service accounting.

Effects relevant for management relate to a provision for potential charges that are taken into account within corporate management activities as a result of the use of the economic result for management purposes, but which cannot be reported under IFRS at the present time because they are not sufficiently substantiated.

To cover potential risks that could materialise in the coming months, a general provision was recognised for the first time in the 2012 financial year. As at 31 December 2015, the provision for these effects relevant to management amounted to €–100.0m (previous year: €–112.6m). This led to an impact of €12.6m on the economic result in the financial year (previous year: €–45.0m). Of this amount, €17.6m related to the Capital Markets segment (previous year: €0.0m) and €–5.0m to Other (previous year: €–45.0m).

In addition, the economic result includes the full interest expense (including accrued interest) in respect of the AT1 bonds in the portfolio, amounting to €–28.4m (previous year: €–1.2m). Distributions made were recorded directly in equity, in accordance with IAS 32.

Reconciliation of segment results to the IFRS result

During the financial year, the reporting and measurement differences between internal reporting and IFRS net income before tax amounted to €9.6m (previous year: €–330.6m).

The valuation result not recognised in profit or loss amounted to €–29.7m (previous year: €–166.4m). Of this, €23.8m (previous year: €–103.7m) relates to interest rate and currency-related valuation results from original lending and issuing business, €–37.7m (previous year: €–16.5m) is attributable to securities in the held to maturity category which are offset in IFRS net income before tax by valuation results from the corresponding interest rate swaps, €12.6m (previous year: €–45.0m) arises from accounting for effects relevant for management and €–28.4m (previous year: €–1.2m) relates to the interest expense arising from the AT1 bonds.

The bank also hedges future credit margins on fixed-interest and variable-interest foreign currency loans (original position) against currency fluctuations. The accounting and valuation rules for cash flow hedges were applied to economic hedges. Accordingly, the valuation result from hedging instruments amounting to €–13.1m (previous year: €–41.7m) is reported in the revaluation reserve with no impact on profit or loss and hence forms part of the economic result. Also recorded in the economic result are the change in the revaluation reserve from actuarial gains and losses in the amount of €55.4m (previous year: €–121.0m) and, for the first time, an amount of €–3.3m posted within equity in respect of investments accounted for using the equity method.

The other amounts shown in the reconciliation column refer to reporting differences between management reporting and the consolidated financial statements. Of these, €20.4m (previous year: €36.5m) relates to internal transactions which are reported in the economic result. The majority of these are included within net interest income, while the corresponding offsetting income effects are reported under net financial income. There are also reporting differences in net financial income and in other operating income arising from differences in the allocation of income effects from the repurchases of own issues.

	Securities		Real Estate		Capital Markets		Financing	
	Economic result							
€m	2015	2014	2015	2014	2015	2014	2015	2014
Net interest income	27.8	43.4	61.4	65.7	–12.8	25.1	71.6	81.2
Provisions for loan losses	–	–	–3.7	10.5	0.1	–0.1	–63.1	–22.9
Net commission income	781.6	700.3	220.9	218.0	103.3	88.3	9.6	7.9
Net financial income[1]	–31.6	4.0	–4.6	–0.6	303.6	277.5	–11.0	–3.6
Other income[2]	–16.9	–2.6	36.6	3.4	24.1	–5.0	0.3	0.4
Total income	**760.9**	**745.1**	**310.6**	**297.0**	**418.3**	**385.8**	**7.4**	**63.0**
Administrative expenses (including depreciation)	458.9	439.3	146.7	134.8	168.9	180.5	26.5	27.3
Restructuring expenses[2]	–4.0	11.8	–0.1	1.6	–0.2	0.5	–	0.2
Total expenses	**454.9**	**451.1**	**146.6**	**136.4**	**168.7**	**181.0**	**26.5**	**27.5**
(Economic) result before tax	**306.0**	**294.0**	**164.0**	**160.6**	**249.6**	**204.8**	**–19.1**	**35.5**
Cost/income ratio[3]	0.60	0.59	0.47	0.47	0.40	0.47	0.38	0.32
Group risk (value-at-risk)[4]	620	585	213	176	508	383	371	263
Total customer assets	198,743	184,024	29,504	27,829	11,797	8,503	–	–
Gross loan volume	7,190	6,546	7,022	6,167	95,107	84,150	16,539	17,915

[1] This includes the results components from the trading book portfolio, the results from valuation and disposals in the banking book portfolio and the risk provision for securities in the loans and receivables and held to maturity categories in the amount of €–14.3m (previous year: €–18.3m).
[2] Restructuring expenses are shown separately in the segment reporting.
[3] Calculation of the cost/income ratio does not take into account the restructuring expenses or the loan loss provision for lending business.
[4] Value-at-Risk uses the liquidation approach with a confidence level of 99.9% and a holding period of one year as at 31 December in each case. Due to the diversification within market price risk between the segments (including Other and Non-core business) the risk for core business and the risk for the Deka Group are not cumulative.

3 Segmentation by geographical markets

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

	Germany		Luxembourg		Other		Total Group	
€m	2015	2014	2015	2014	2015	2014	2015	2014
Income	1,218.5	1,433.3	296.0	332.6	–	4.9	1,514.5	1,770.8
Net income before tax	474.4	724.7	124.6	145.9	2.0	1.1	601.0	871.7
Long-term segment assets[1]	204.9	231.3	2.4	2.3	0.2	0.1	207.5	233.7

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

Accounting policies

4 General information

Unless otherwise stated, the accounting and valuation methods described were applied uniformly and consistently to the reporting periods presented.

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

Treasury		Other[5]		Total core business		Non-core business		Deka Group		Reconciliation		Deka Group	
Economic result												IFRS net income before tax	
2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
22.5	92.9	−0.1	−0.2	170.4	308.1	12.3	17.7	182.7	325.8	8.8	−31.3	191.5	294.5
0.2	–	–	–	−66.5	−12.5	1.3	8.4	−65.2	−4.1	0.1	−0.1	−65.1	−4.2
−4.3	−4.4	0.1	0.3	1,111.2	1,010.4	−0.2	–	1,111.0	1,010.4	−0.9	−2.0	1,110.1	1,008.4
−42.2	−7.7	−33.8[6]	−57.6[6]	180.4	212.0	20.7	30.2	201.1	242.2	46.2	262.5	247.3	504.7
−0.1	–	50.5	−130.3	94.5	−134.1	–	–	94.5	−134.1	−63.8	101.5	30.7	−32.6
−23.9	**80.8**	**16.7**	**−187.8**	**1,490.0**	**1,383.9**	**34.1**	**56.3**	**1,524.1**	**1,440.2**	**−9.6**	**330.6**	**1,514.5**	**1,770.8**
28.0	30.4	85.6	69.3	914.6	881.6	2.8	3.1	917.4	884.7	–	–	917.4	884.7
–	–	0.4	0.3	−3.9	14.4	–	–	−3.9	14.4	–	–	−3.9	14.4
28.0	**30.4**	**86.0**	**69.6**	**910.7**	**896.0**	**2.8**	**3.1**	**913.5**	**899.1**	**–**	**–**	**913.5**	**899.1**
−51.9	**50.4**	**−69.3**	**−257.4**	**579.3**	**487.9**	**31.3**	**53.2**	**610.6**	**541.1**	**−9.6**	**330.6**	**601.0**	**871.7**
n/a	0.38	–	–	0.59	0.63	0.09	0.06	0.58	0.61				
698	667	–	–	2,383	2,048	97	170	2,440	2,185				
–	–	–	–	240,045	220,356	–	–	240,045	220,356				
15,301	23,618	76[7]	86[7]	141,235	138,482	1,109	1,782	142,344	140,264				

[5] No cost/income ratio or Group risk data are presented for the segment Other as these are deemed of limited economic informative value.
[6] This includes effects relevant for management purposes of €–5.0m (previous year: €–45.0m) related to a provision for potential losses. This is additional information provided on a voluntary basis and does not form part of the IFRS notes.
[7] In gross loan volume, participations are not allocated to the relevant segments but rather are presented separately under Other.

Estimates and assessments required as part of accounting and measurement under IFRS are carried out in accordance with the respective standard on a best estimate basis and are continually re-evaluated. They are based on empirical values and other factors, including expectations regarding future events that appear reasonable under the given circumstances. Among other items, estimation uncertainties arise in connection with loan loss provisions, the impairment test for goodwill, and provisions and other liabilities. Where material estimates were required, the assumptions made are explained in detail below in the notes on the relevant line items.

In accordance with IFRS 7 "Financial Instruments: Disclosures", disclosures about the nature and extent of risks arising from financial instruments, which are also a component of the notes to the consolidated financial statements, are, with the exception of the breakdown by remaining maturity (see note [70]), presented in the risk report as a part of the Group management report.

5 Consolidation principles

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

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

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

Under certain circumstances it is possible for control over another entity to exist even when the Group does not hold the majority of the relevant voting rights. Examples of this may include the presence of one or more contractual agreements or legal provisions. In assessing whether or not an entity must be consolidated, it is therefore necessary to take account of all the facts and circumstances involved. This includes considering the purpose and the relevant activities of the entity concerned. This is particularly true in the case of structured entities designed such that voting rights or comparable contractual rights are not the dominant factor in determining who controls the entity. For this reason, the Deka Group also includes structured entities (investment funds, loan financing operations and securitisation companies) when considering which entities must be consolidated.

In assessing whether or not control exists, it is also necessary to verify where appropriate whether a principal-agent relationship exists. In this case, the right to control the entity would be held by an additional contractual party (agent) which exercises it on behalf of a principal, meaning that the principal in fact controls the entity.

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

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

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

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

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

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

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

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

Subsidiaries are consolidated using the acquisition method, whereby all assets and liabilities of the subsidiary are stated at fair value at the date of acquisition or the date the Group obtains a controlling interest. Any positive difference between the acquisition price and the fair value of the assets and liabilities acquired is reported under intangible assets as goodwill. Goodwill is tested for impairment at least once a year, or more frequently if there are indications of a possible decrease in value. If it is established that goodwill is impaired, the goodwill is written down to the lower value (see note [47]). Where third parties hold minority interests in the equity or earnings of subsidiaries of the bank, these are reported separately as minority interests under equity or as minority interests in the statement of profit or loss and other comprehensive income. Where third parties hold immaterial minority interests in investment funds and partnerships, and those third parties have a right to return their holdings at any time, the minority interests constitute debt capital from the Group's perspective and are thus reported under other liabilities.

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

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

The subsidiaries (affiliated companies and structured entities) included in the consolidated financial statements, as well as the subsidiaries (affiliated companies and structured entities) not included in the consolidated financial statements on the grounds that they are not material, and joint ventures and associated companies, are shown in the list of shareholdings (see note [79]).

6 Scope of consolidation

Changes to the scope of consolidation occurred during the reporting year due to the derecognition of VM Bank International S.A. i.L., Luxembourg, which was liquidated with effect from 31 December 2015, as well as the derecognition of two structured entities. BG Asset Fonds, Berlin, was liquidated and Deka Investors Spezial-Investmentaktiengesellschaft mit veränderlichem Kapital und Teilgesellschaftsvermögen's 's sub-fund Deka Realkredit Klassik was deconsolidated. In addition, the Deka Group incorporated two foreign subsidiaries during the reporting year – Deka Far East Pte. Ltd., Singapore, and Deka Real Estate Services USA Inc., New York. For more detailed information on the composition of the Group, please see note [77].

7 Financial instruments

All financial assets and liabilities, including all derivative financial instruments, are recognised on the balance sheet pursuant to IAS 39. Spot purchases and sales (regular way contracts) are recognised on the settlement date. Valuation effects from financial instruments measured at fair value which have a settlement date after the reporting date are recognised in profit or loss and reported under other assets or other liabilities.

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

Financial instruments are measured at fair value at the date of acquisition. The subsequent measurement of financial assets and liabilities is governed by the categories to which they are allocated at the date of acquisition, in line with IAS 39:

Financial assets or liabilities at fair value through profit or loss

There is a distinction within this category between financial instruments classified as held for trading and those that at the date of acquisition are irrevocably designated at fair value through profit or loss. Financial assets and liabilities in this category are measured at fair value with an impact on profit or loss.

Financial instruments classified as held for trading are firstly those that have been acquired with the intention of achieving profits from short-term price fluctuations or from the dealer's margin. Secondly, this sub-category includes derivatives unless they are hedging instruments.

The designated at fair value sub-category arises from the application of the fair value option in IAS 39. This sub-category comprises those financial assets and liabilities which are managed as a unit on a fair value basis in accordance with the Bank's documented risk management strategy. Both the risk and the results thereof are determined on the basis of fair values and reported to the Board of Management. Exercising the fair value option results in this case in the harmonisation of the economic management and the presentation of assets, financial position and earnings.

In addition, the fair value option is exercised for financial instruments in order to avoid the potential obligation to separate embedded derivatives and to eliminate or significantly reduce recognition or measurement discrepancies (accounting mismatches). These financial instruments are also allocated to the designated at fair value sub-category at the date of acquisition.

Loans and receivables

Loans and receivables include all non-derivative financial instruments that have fixed or determinable payments and are not listed on an active market. A precondition for this is that the corresponding financial instruments are not allocated to the categories financial assets or liabilities at fair value through profit or loss or available for sale at the date of acquisition. Loans and receivables are measured at amortised cost. At each balance sheet date, and at other times if there are indications of potential impairment, loans and receivables are tested for impairment and any necessary provisions are recognised accordingly (see note [15]). Any reversals to impairment are recognised through profit or loss. The maximum limit for the write-back is the amortised cost that would have arisen at the valuation date without the impairment.

Held to maturity

In principle, financial assets with fixed or determinable payments and a fixed term to maturity can be allocated to the held to maturity category. However, this is contingent on the financial instruments having been acquired with the intention and ability to hold them until maturity. Assets held to maturity are measured at amortised cost. At each balance sheet date, and at other times if there are indications of potential impairment, held-to-maturity financial instruments are tested for impairment and are written down where necessary (see note [18]). Reversals of impairments are recorded through profit or loss. The maximum limit for the write-back is the amortised cost that would have arisen at the valuation date without the impairment.

Available for sale

The available for sale category includes all non-derivative financial instruments that have not already been allocated to other categories. Financial instruments in the available for sale category are measured at fair value. The valuation result is recognised in the statement of profit or loss and other comprehensive income under other comprehensive income (OCI). Where financial instruments are impaired as a result of a decline in creditworthiness, or where valuation results are realised, the cumulative result previously reported under other comprehensive income (OCI) is reclassified from equity to profit or loss. Subsequent reversals of impairments that have previously been recorded are recognised in profit or loss for debt securities, and in other comprehensive income (OCI) in the case of equity instruments. Securities in the available for sale category are reported under financial investments.

Other liabilities

Other liabilities comprise financial liabilities, including securitised liabilities, unless these are designated at fair value through profit or loss. They are carried at amortised cost.

Loan commitments where the resultant loan receivables are to be sold, or for which the fair value option is to be exercised, are measured at fair value through profit or loss in accordance with IAS 39. All other loan commitments are recorded off the balance sheet in accordance with the provisions of IAS 37. If the creditworthiness analyses conducted indicate that a default by the borrower is probable, loan provisions are recognised based on the best estimate of the amount likely to be required.

Financial guarantees are reported using the net method, both at initial recognition and in subsequent measurements, in accordance with IAS 39.47(c). At the time the contract is concluded, the financial guarantee is measured at fair value, which comprises the present value of the performance commitments that are expected to be assumed, offset by the present value of future fees. Under market terms this is normally zero.

8 Fair value measurement of financial instruments

Fair value is deemed to be the amount that would be received on the sale of an asset or paid for the transfer of a liability in an arm’s length transaction between market participants at the measurement date.

The fair value of financial instruments is determined on the basis of market prices or observable market data as at the reporting date, and using generally recognised valuation models.

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 depending on the financial instrument and can change over time. Furthermore, the valuation models are periodically readjusted and validated as required. Depending on the financial instrument and market situation, it may be necessary to include assumptions and assessments made by the Bank in the valuation. The Bank is also responsible for selecting suitable modelling techniques, appropriate parameters and assumptions. The assumptions underlying financial valuation models can have a considerable effect on the fair value determined. Where there are no prices from active markets, the fair value is therefore deemed to be the model value as at the reporting date, which reflects a realistic estimate of how the market would be likely to value the financial instrument.

Where bid and ask prices are available for assets and liabilities, the provisions of IFRS 13 state that the price to be used to determine the fair value is that which best reflects the fair value within the bid-ask spread, with the use of mid-market pricing being an acceptable valuation convention. DekaBank generally measures financial instruments at mid-market prices. For illiquid financial instruments assigned to level three of the fair value hierarchy, bid-ask adjustments are taken into account.

Furthermore, the bank takes Credit Value Adjustments (CVA) or Debit Value Adjustments (DVA) into consideration when measuring OTC derivatives in order to allow for its own credit risk or that of counterparties, unless these are already included elsewhere in the valuation model. If a netting agreement exists for counterparties, the calculation is performed at the level of the counterparty based on the net position. In other cases, the calculation is performed on the basis of the individual positions. During the fourth quarter of 2015, the Deka Group recognised a Funding Value Adjustment (FVA) for the first time. 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.

9 Hedge accounting

In accordance with the provisions of IAS 39, derivatives are essentially classified as held for trading and measured at fair value. The valuation result and net interest income are reported in trading profit or loss. The Deka Group enters into derivatives both for trading purposes and hedging purposes. Derivatives entered into for hedging purposes may be treated as a hedge in accordance with IAS 39 (hedge accounting) under certain conditions. Derivative financial instruments which are used for economic hedging and do not meet the hedge accounting requirements of IAS 39 are treated in the same way as derivatives held for trading purposes and presented as financial assets or financial liabilities at fair value. Net interest income from economic hedging transactions is treated in the same way as interest from hedging derivatives within the meaning of IAS 39 (hedge accounting) and reported under net interest income. Valuation results from economic hedging derivatives are recorded in profit or loss on financial instruments designated at fair value.

In order to apply hedge accounting, the hedges must be documented individually at the date of their inception. The main items to be documented are the identification of the underlying and hedge transactions as well as the type of risk hedged. IAS 39 additionally requires proof of an effective hedge. The effectiveness of the hedging relationship must be determined for each hedge both at the start and during the term of the hedge.

As part of its asset-liability management, DekaBank uses fair value hedges as defined in IAS 39. Interest rate swaps used to hedge the lending, securities and issuing business against interest rate risks and which meet hedge accounting criteria are designated as hedging instruments. Microhedges may only be designated as hedges where the hedging instruments are able to offset one or more similar underlying transactions.

For fair value hedges, changes in the value of the underlying transaction that are attributable to the hedged risk are included in the result of fair value hedges along with the offsetting change in the fair value of the hedging transaction pursuant to IAS 39. Derivatives used for hedging are shown in the balance sheet under positive or negative market values from derivative hedging instruments. In principle, the effectiveness of the fair value hedges is monitored on a daily basis using regression analysis. A hedge is deemed to be effective if, throughout the entire term of the hedge, the ratio of changes in value of the underlying and hedge transaction is between 0.80 and 1.25. If a hedge is no longer effective, it is cancelled. The prospective effectiveness measurement is performed using the critical term match method.

DekaBank also applies the rules on cash flow hedge accounting. The transactions underlying cash flow hedges are future cash flows from foreign currency loans that are recognised in profit or loss and are hedged against currency risks. Spot foreign exchange transactions with rolling currency swaps are designated as hedging instruments.

In a cash flow hedge, the effective portion of the change in fair value of the hedging derivative is reported under equity (revaluation reserve for cash flow hedges) in other comprehensive income (OCI). The hedging instruments are shown in the balance sheet under positive or negative market values from derivative hedging instruments. The amounts recorded in the revaluation reserve are taken to profit or loss during the period in which the hedged cash flows are also recognised in profit or loss. The earnings components attributable to the ineffective portion of the hedge are recorded in profit or loss.

Daily reporting, which compares the expected future cash flows from the underlying transactions with the cash flows from the hedging transactions, is used to measure the prospective effectiveness. The cash flow hedge is deemed to be effective if the future cash flows from the hedged transactions at least offset the cash flows from the hedges. If the future cash flows change (e.g. through unscheduled repayments or interest payment dates on loans), the hedge is adjusted immediately, ensuring that it remains effective. To demonstrate the effectiveness of hedges retrospectively, monthly checks are conducted to determine whether the cash flows actually received correspond to the cash flows expected from the original hedge.

10 Structured products

Structured products are financial instruments composed of a host contract and one or more derivative financial instruments (embedded derivatives), whereby the embedded derivatives constitute an integral part of the contract and cannot be traded separately. For accounting purposes, under IAS 39 embedded derivatives must be separated from the host contract and accounted for in the balance sheet as independent derivatives under the following conditions:

- the structured financial instrument is not already measured at fair value through profit or loss,
- the economic characteristics and risks of the embedded derivative do not show any close relationship with the economic characteristics and risks of the host contract, and
- the contractual standards of the embedded derivatives, if they were treated as independent financial instruments, would meet the criteria for a derivative.

In the Deka Group, financial assets required to be separated are recorded in the designated at fair value category and reported in the balance sheet under financial assets at fair value. There were no banking book portfolios subject to separation at the reporting date. Structured trading issues are categorised as held for trading.

11 Currency translation

Currency translation in the Deka Group is carried out in accordance with IAS 21. All monetary foreign currency items are converted using the mean spot rate as at the reporting date. Non-monetary items are converted in accordance with their applicable valuation standard: Non-monetary items valued at amortised cost are converted at the rate for the acquisition valuation (historical rate). Non-monetary items carried at fair value are converted at the current reporting date rate in the same way as monetary items. The result from currency translation is recognised in profit or loss under trading profit or loss (for the trading book portfolio) or in profit or loss from financial instruments designated at fair value (for the banking book portfolio). In principle, income and expenses are converted at the mean spot rate on the day on which they are recognised in profit or loss.

The financial statements of foreign subsidiaries prepared in a foreign currency are converted using the modified closing rate method. All assets and liabilities are converted at the rate prevailing on the reporting date. The items in the statement of profit or loss and other comprehensive income are converted using the arithmetic mean of the month-end exchange rates during the reporting year. With the exception of the revaluation reserve (converted using the rate prevailing on the reporting date) and profit or loss for the year (from the statement of profit or loss and other comprehensive income), equity is converted on the basis of historical exchange rates at the time of acquisition by the Group. The resulting translation differences are posted under equity in the currency translation reserve.

12 Genuine repurchase agreements and securities lending transactions

The Deka Group engages in both genuine securities repurchase agreements and securities lending transactions.

Genuine repurchase agreements are contracts transferring securities in return for a consideration, in which it is agreed at the same time that the securities must subsequently be transferred back to the pledgor in return for payment of a sum agreed in advance. The pledgor continues to account for the transferred securities in the previous measurement category, as the principal risks and rewards of ownership are not transferred. A liability for the pledgor or a receivable for the pledgee is accounted for in the amount of the cash sum received or paid, respectively. Provided the IAS 32 netting criteria are met, receivables and liabilities from genuine repurchase agreements are offset against one another and recorded in the balance sheet on a net basis under assets due from banks or customers, or liabilities due to banks or customers.

The term “securities lending” means transactions where securities are transferred by the lender to the borrower with the obligation that the borrower, upon expiry of the agreed time, will transfer back securities of the same type, quality and quantity and will pay a consideration for the term of the loan. The securities loaned are treated for accounting purposes in the same way as genuine repurchase agreements. Collateral must generally be provided for securities lending transactions. Cash collateral is reported in the lender’s balance sheet as a liability and in the balance sheet of the borrower as a receivable. Collateral provided by the borrower in the form of securities is still carried in the accounts of the borrower.

Lending and repurchase agreements are carried out under the conditions usual for the market. Transactions are either subject to the clearing conditions of the respective central counterparty, or are conducted using the standard German or international framework agreements. The securities transferred may in principle be resold or re-pledged by the recipient, provided no contractual agreement or regulation exists that would prevent this. In the event of the sale of borrowed securities and collateral, the resulting short position is reported under financial liabilities at fair value.

If transactions have been undertaken for trading purposes, income and expenses from repurchase agreements and from securities lending transactions are shown under trading profit or loss. If the fair value option is applied, the transactions are reported under profit or loss from financial instruments designated at fair value.

13 Lease accounting

The decisive factor for the classification and consequently the accounting treatment of leases is not the legal title to the leased item but primarily the economic content of the lease agreement: if essentially all risks and rewards associated with the legal title to the leased item are transferred to the lessee, the transaction will be classified as a finance lease. All other cases are deemed to be operating leases.

The Deka Group as lessee

The rental and lease agreements concluded by the Deka Group as lessee are operating leases. The property, plant and equipment to which the operating leases relate are accordingly not reported in the balance sheet. The rental and lease instalments payable by the Deka Group are recorded as administrative expenses. Lease payments made in advance are recognised as prepayments for the correct accounting period and shown in other assets.

The Deka Group as lessor

As at the reporting date, there are no leases in place where companies in the Deka Group act as lessor.

14 Receivables

The items due from banks and due from customers principally include loans granted, non-negotiable bearer and registered bonds, demand deposits, call money and time deposits. Paid cash sums and cash collateral from genuine securities repurchase agreements or securities lending transactions are also reported as receivables. Under IAS 39, the amounts due are categorised as loans and receivables (see also note [7]). Amounts due that are classified as loans and receivables are reported in the balance sheet at amortised cost less any risk provision. Income from interest payments and the sale of receivables is reported in net interest income, apart from interest payments in respect of receivables held for trading purposes (for portfolios in the trading book) which are reported in trading profit or loss. The measurement rules set out in note [9] apply to receivables secured as part of fair value hedges.

15 Provisions for loan losses

Provisions for loan losses for amounts due from banks and customers are deducted from the amounts shown under assets. For sureties and guarantees, provisions are recognised for the lending business.

If there is doubt that a receivable is recoverable, this is taken into account through the recognition of provisions for loan losses. If it is virtually certain that further payments will not be paid, the receivable is classified as irrecoverable. An irrecoverable receivable which has already been written down is written off utilising the provision for loan losses. If there is no specific provision, the receivable is written off directly and charged to profit or loss. Direct write-downs are also carried out if the bank waives parts of a non-impaired receivable or sells a receivable and the purchase price is below the carrying value of the receivable.

Loan receivables are checked individually for impairment. If impairments are identified, specific provisions are recognised in the corresponding amount. In the case of receivables for which there are no specific provisions, the default risk is taken into account by recognising collective provisions. The Deka Group does not create general provisions.

Specific provisions are recognised to take account of acute default risks if it is likely, based on fulfilment of impairment criteria, 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 or waiver of payment claims;
- initiation of enforcement measures;
- imminent insolvency or over-indebtedness;
- petition for or commencement of insolvency proceedings;
- failure of remedial measures.

The amount of the provision corresponds to the difference between the carrying value of a receivable and the present value of the estimated future cash flows (recoverable amount), discounted using the original effective interest rate and taking into account the fair value of the collateral.

As the specific provision is determined based on the net present value of the estimated future cash flows, if payment expectations remain the same, there will be an effect from the change in present value (unwinding) as at the subsequent reporting date. In accordance with IAS 39 AG 93, the change in present value must be recorded as interest income in the statement of profit or loss and other comprehensive income.

Where the interest payments are from impaired loans, the interest is reported in net interest income. As a result of the immaterial difference between the change in present value and the actual nominal interest received, interest income from unwinding is not recorded in profit or loss.

The collective provisions for creditworthiness risks reflect the assumptions concerning impairments of the loan and securities portfolio that have already occurred at the reporting date but have not yet become known. The assessment base includes financial instruments in the loans and receivables and held to maturity categories. Collective provisions are determined taking borrower ratings, counterparty default history and current economic developments into account.

Transfer risk is taken into account by recognising collective provisions for country risks. Collective provisions for country risks are based on a number of factors, including an internal rating system that incorporates current and historical economic, political and other data and categorises countries by risk profile.

Impairments are recorded in profit or loss using provisions or direct write-downs, as are reversals of provisions and income received on written-down receivables. They are reported in the statement of profit or loss and other comprehensive income under provisions for loan losses.

At DekaBank, securitised instruments are primarily categorised as designated at fair value and are accordingly measured at fair value through profit or loss. Securitised instruments allocated to the loans and receivables category are regularly tested for impairment. There were no indications of impairment as at the reporting date.

16 Financial assets and financial liabilities at fair value

Held for trading

Financial instruments in the held for trading sub-category are reported under financial assets and financial liabilities at fair value. These are financial instruments that have been acquired or issued with the intention of trading. All financial instruments in this category are measured at fair value through profit or loss. With regard to derivatives with outstanding premium payments, the present value of the premium is netted against the market value of the derivative. For financial instruments that are not traded on a market, standard valuation procedures (in particular the present value method and option pricing models) are used to determine the balance sheet value. Unrealised valuation results and realised profits and losses are recorded through profit or loss in trading profit or loss. Interest income and dividend income, refinancing expenses and trading commission are also reported in trading profit or loss.

Designated at fair value

Financial assets and financial liabilities at fair value also include other financial instruments allocated on initial recognition to the designated at fair value sub-category. Derivative financial instruments from economic hedges which do not meet the criteria for hedge accounting are also reported in this sub-category. Effects from fair value changes and commission are recorded in profit or loss on financial instruments designated at fair value. Interest and dividend income are reported in net interest income along with refinancing expenses and income from reinvestments.

17 Positive and negative market values from derivative hedging instruments

This item includes hedging derivatives as defined in IAS 39 (hedge accounting) with positive market values recorded as assets and negative market values recorded as liabilities in the balance sheet.

Hedging derivatives are measured at fair value using accepted valuation models based on observable measurement parameters. The valuation results for fair value hedges under hedge accounting rules are recorded through profit or loss under profit or loss from fair value hedges in accordance with IAS 39.

In a cash flow hedge, the effective portion of the change in fair value of the hedging derivative is reported in other comprehensive income (revaluation reserve for cash flow hedges). The amounts recorded in the revaluation reserve are taken to profit or loss, under profit or loss on financial instruments measured at fair value, during the period in which the hedged cash flow is also recognised in profit or loss.

18 Financial investments

Financial investments mainly include negotiable bonds and other fixed-interest securities, shares and other non-fixed-interest securities, holdings in unconsolidated subsidiaries, joint ventures and associates, and other equity investments.

The financial investments line item comprises financial instruments in the loans and receivables, held to maturity and available for sale categories. Securities shown under loans and receivables or as held to maturity are reported at amortised cost. Financial assets in the available for sale category are reported at fair value. Interests in affiliated unlisted companies and other equity investments for which neither prices from active markets nor the factors relevant for valuation models can be reliably determined, are stated at their acquisition cost in accordance with IAS 39.46c.

Income from bonds, including that of cancelled premiums and discounts, as well as dividend income and current income from unconsolidated equity investments in affiliated companies, are posted as net interest income. Realised gains and losses are recorded in profit or loss on financial investments. After taking into account deferred taxes, valuation results from financial instruments in the available for sale category are presented under other comprehensive income (OCI).

Financial investments are regularly subject to an impairment test. A potential impairment on tradable securities in the loans and receivables, held to maturity and available for sale categories exists in principle if, as a result of a deterioration in the creditworthiness of the issuer, the market value of an instrument at the reporting date has fallen significantly below its acquisition cost or if the drop in market value is long term.

If an impairment is established, a provision must be recognised, taking account of the expected cash flows from valuable collateral (guarantees, credit default swaps etc.). Impairments are recorded through profit or loss under profit or loss on financial investments. For debt instruments, if the reasons for a previously recognised provision no longer apply, an impairment reversal must be recognised through profit or loss and presented under profit or loss on financial investments. In contrast, increases in the value of equity instruments that are available for sale are recognised in the revaluation reserve with no impact on profit or loss.

If the result of the impairment test shows there is no need to recognise a specific provision, the corresponding financial investments in the loans and receivables and held to maturity categories must be taken into account in the assessment basis for the provisions at portfolio level. As with loans, collective provisions for creditworthiness risks on financial investments are determined using the expected loss method. No collective provisions are recognised for financial investments in the available for sale category.

Holdings in associates and joint ventures are also recorded under financial investments.

Shares in associates and joint ventures are stated in the consolidated balance sheet at historical cost as at the date of establishment or when significant influence was gained. In subsequent years, the equity value shown in the balance sheet is adjusted by the proportionate changes in equity of the associated company. The proportionate annual net income of the associated company is reported in profit or loss on financial investments. Profits and losses on transactions with companies valued under the equity method are eliminated pro rata, based on the percentage shareholding, as part of the elimination of intercompany profits or losses. In the event of downstream delivery, i.e. if an asset is no longer fully consolidated, the value correction is carried out against the equity reported for the respective equity investment.

If there are indications of an impairment of the shares in a company valued in accordance with the equity method, these are subject to an impairment test and if necessary, the equity value of the shares will be written down. Revaluations take place if the reasons for impairment no longer apply, using write-backs up to the recoverable amount, but only up to a maximum of the amount of the carrying value that would have been applicable in the previous periods without the impairment losses. Impairments and write-backs are recognised through profit or loss under profit or loss on financial investments.

19 Intangible assets

Intangible assets comprise goodwill acquired as part of business combinations, as well as software that has been purchased or developed in-house and other intangible assets.

Goodwill arises on the acquisition of subsidiaries if the cost of acquisition exceeds the Group’s share of the acquired company’s net assets. Goodwill is reported at cost as at the date of acquisition and is not subject to any regular amortisation. Subsequent valuation is carried out at acquisition cost less all accumulated impairment charges. Goodwill is subject to an impairment test each year, or more frequently if there are indications of a possible decrease in value. For the purposes of the impairment test, goodwill is allocated to a cash-generating unit. If an impairment is identified during the test, the goodwill is written down.

Other intangible assets acquired as part of the business combination are amortised on a straight-line basis over their expected useful life. Where there are signs that the expected benefit is no longer in evidence, the asset is written down.

Intangible assets acquired in return for a consideration are stated at amortised cost. Software developed in-house is capitalised at production cost where it meets the recognition criteria under IAS 38. The capitalised costs primarily include personnel expenses and expenses for external services. Software developed in-house or purchased is, in principle, amortised over four years on a straight-line basis. Where there are signs that the expected benefit is no longer in evidence, the asset is written down.

Scheduled amortisation and impairment losses on intangible assets are recorded under administrative expenses in the statement of profit or loss and other comprehensive income.

20 Property, plant and equipment

In addition to plant and equipment, the property, plant and equipment line item includes technical equipment and machinery. Property, plant and equipment are stated at amortised cost. Subsequent expenditure for property, plant and equipment is capitalised if an increase in the future potential benefit can be assumed. All other subsequent expenditure is recorded as an expense. Items of property, plant and equipment are depreciated on a straight-line basis over the following periods in accordance with their estimated useful economic lives:

	Useful life in years
Plant and equipment	2 – 15
Technical equipment and machines	2 – 10

For materiality reasons, economic assets as defined in Section 6 (2) of the German Income Tax Act (*Einkommensteuergesetz* – EStG) are written off in the year of acquisition in accordance with tax regulations.

Impairment losses in excess of amortised cost are immediately recognised as write-downs. Scheduled depreciation and impairment losses are recorded under administrative expenses, while gains and losses on the disposal of property, plant and equipment are recorded as other operating income.

21 Other assets

This item in the balance sheet includes assets, which when each considered separately are of minor importance and cannot be allocated to any other line item in the balance sheet. Receivables are measured at amortised cost. The positive valuation effects from regular way financial instruments measured at fair value, with settlement dates after the reporting date, are also reported under other assets.

22 Income taxes

As DekaBank is treated for tax purposes as an atypical silent partnership, DekaBank only incurs corporation tax to the extent that taxable income is not allocated to atypical silent partners. Taking into account the Bank’s existing own shares in subscribed capital (acquired in the first half of 2011), the proportion of taxable income attributable to atypical silent partners is 45.6%. This results in a combined tax rate of 24.68% for the companies in the DekaBank fiscal group. However, in return for the allocation of the tax base, atypical silent partners are entitled to allocate to DekaBank the corporation tax expense attributable to them (45.6% of 15.0% corporation tax plus the 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 economic point of view also bears this part of the tax expense. Thus, in order to achieve better comparability, the portion of the corporation tax expense attributable to the atypical silent partners is also reported as tax expense. The applicable combined tax rate (trade tax plus corporation tax and solidarity surcharge) therefore totals 31.90%.

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

Deferred income tax assets and liabilities are recognised for temporary differences between the carrying amounts of assets and liabilities in the IFRS balance sheet and the tax balance sheet. They are calculated based on the tax rate projected for the date they will be reversed. Deferred tax liabilities are posted for temporary differences resulting in tax charges on reversal. If tax savings are projected when temporary differences are settled and it is probable they will be utilised, deferred tax assets are recorded. Actual income tax assets and liabilities and deferred tax assets and liabilities are stated net in each case, without discounting. Deferred taxes on temporary differences that have arisen with no effect on profit or loss are recorded in the revaluation reserve such that they also have no impact on profit or loss.

For loss carry-forwards chargeable to tax, deferred tax assets are recorded if it is probable that they will be utilised. Loss carry-forwards in Germany can be carried forward for an unlimited period. Foreign loss carry-forwards, which cannot be carried forward for an unlimited period, are shown by maturity accordingly. Deferred tax assets arising from temporary differences and loss carry-forwards are tested for impairment at each reporting date.

23 Liabilities

Financial liabilities are accounted for in the balance sheet at amortised cost if they come under the other liabilities category. Liabilities in the at fair value through profit or loss category are measured at fair value through the statement of profit or loss and other comprehensive income. The valuation guidelines described in note [9] apply to liabilities which have been designated as hedging transactions in the context of hedge accounting.

24 Provisions for pensions and similar commitments

The Deka Group offers employees various types of retirement pension benefits. These include both defined contribution plans and defined benefit plans.

For the defined contribution plans, a fixed amount is paid to an external provider (such as Sparkassen Pensionskasse, BVV and direct insurance companies). In accordance with IAS 19, the Deka Group does not recognise any provisions for such commitments.

For defined benefit plans, the scope of obligation is calculated annually by independent actuaries. In these cases, at each closing date the present value of the pension entitlements earned (defined benefit obligation) is determined using the projected unit credit method and compared with the fair value of the plan assets. If the calculation results in a potential asset, the asset recognised is restricted to the present value of any economic benefit. The net interest expense (income) on the net liability (net asset) arising from defined benefit obligations to be recognised in profit or loss in the current reporting period is determined by applying the actuarial interest rate that was used to measure defined benefit obligations at the beginning of the period. Expected changes in the net liability (net asset) occurring during the year as a result of contribution and benefit payments are taken into account. Revaluations of the net liability (net asset) are recognised directly in other comprehensive income (OCI). The revaluation includes actuarial gains and losses, income from plan assets (excluding interest) and the effect of any asset ceiling (excluding interest).

As well as final salary plans and general contribution schemes, the defined benefit obligations of the Deka Group include unit-linked defined contribution plans. The final salary plans and general contribution schemes involve both individual commitments for members of the Board of Management and executive staff, and collective commitments for the general workforce. These guarantee lifelong retirement, survivors' and disability pensions. Under the unit-linked defined contribution pension commitments, contributions are made by both employer and employee and are invested mainly in the Deka Group's investment funds. When benefits become due, the employee is entitled to a contractually agreed minimum benefit or to the market value of the underlying fund units if higher.

Plan assets were created for the company retirement pensions of the Deka Group in the form of a Contractual Trust Arrangement (CTA). These are held by a legally independent trustee – Deka Trust e.V. The plan assets for the unit-linked defined contribution plans consist primarily of fund assets allocated to each individual employee and other assets to cover the biometric risks arising from benefits becoming due early and the subsequent financing risk. In addition, commitments under final salary plans and general contribution schemes were funded through the creation of ring-fenced plan assets using a CTA. This section of the plan assets is invested in a special fund with an investment strategy based on integrated asset-liability assessment.

Similar commitments include commitments for early retirement and transitional payments. These are also valued actuarially and a provision is created in the amount of the present value of the commitment. When accounting for commitments similar to pensions, in principle no actuarial profits or losses arise and the provision shown in the financial statements therefore corresponds to the present value of the commitment. Furthermore, employees of the Deka Group also have the option of paying into working hours accounts. These accounts are maintained in money and, like the defined benefit plans, are covered by plan assets in Deka Trust e.V. The amount carried in the balance sheet is the difference between the extent of the commitments and the fair value of the plan assets.

25 Other provisions

Provisions for uncertain liabilities to third parties and imminent losses from pending transactions are recognised on a best estimate basis in the amount of the expected liability. Risks and uncertainties are taken into account when determining these provisions, as well as all relevant knowledge relating to the liability. If the interest effect has a material impact, long-term provisions with a suitable market rate for the residual term are discounted and valued at the present value of the liability. A pre-tax discount rate is used that reflects current market expectations relating to the interest effect and the risks specific to the liability. Allocations and reversals are carried out via the line item in the statement of profit or loss and other comprehensive income that corresponds to the provision in terms of content. Provisions for creditworthiness risks in off-balance sheet lending transactions are charged to provisions for loan losses and reversed in the same line item.

26 Other liabilities

Other liabilities include liabilities and accruals which are not individually material and cannot be allocated to any other line item in the balance sheet. They are measured at amortised cost or at their settlement amount.

27 Subordinated capital

Subordinated capital comprises subordinated liabilities, profit-participation items and typical silent capital contributions. In the event that DekaBank becomes insolvent or is liquidated, subordinated capital may only be repaid after all non-subordinated creditors have been repaid. In accordance with the provisions of IAS 32, subordinated capital must be recognised as debt because of the contractual termination right associated with it, regardless of the likelihood that this right will be exercised. The subordinated capital is in principle shown at amortised cost. For subordinated liabilities that are hedged against interest rate risks by a fair value hedge as set out under IAS 39, the changes in fair value attributable to interest rate risks are also to be take into consideration.

28 Atypical silent capital contributions

Atypical silent capital contributions are equity shown in the balance sheet in accordance with German commercial law. Under IAS 32, atypical silent capital contributions must be treated as debt capital, since atypical silent partners have a contractual termination right.

Atypical silent capital contributions are stated in the balance sheet at nominal value. The dividend distribution on subscribed capital is used as the basis for calculating the distribution to atypical silent partners. There is also an entitlement to deduct amounts in respect of taxation. The distribution is disclosed as a separate line item – interest expenses for atypical silent capital contributions – below net income before tax. The allocable tax is disclosed as a component of the tax expense (see note [22]).

29 Equity

Subscribed capital is the capital paid in by shareholders in accordance with the Bank's statutes. Capital reserves include premiums from the issue of shares in the company in accordance with the provisions of the Bank's statutes.

The sub-heading additional equity components comprises Additional Tier 1 bonds issued by the Bank. In accordance with the provisions of IAS 32, Additional Tier 1 bonds are recognised on the balance sheet as equity capital, since they have no maturity date, payments of interest can be totally or partially at the discretion of the issuer and the creditor has no cancellation entitlement.

Reserves from retained earnings are broken down into statutory reserves, reserves required under the Bank's statutes and other reserves. Other reserves from retained earnings include retained profits from previous years. In addition, the effects of applying IFRS for the first time, with the exception of valuation effects for financial instruments in the available for sale category, are shown in other reserves from retained earnings.

Revaluations of net liabilities (net assets) arising from defined benefit obligations, including the associated deferred taxes, are shown within the revaluation reserve. Revaluations consist mainly of actuarial gains and losses, and income from plan assets (excluding interest).

The effects of fair value measurement on financial instruments in the available for sale category are also stated in the revaluation reserve through other comprehensive income, after taking account of the applicable deferred taxes. Gains or losses are not recorded through profit or loss until the asset is sold or written down due to impairment.

The effective portion of the change in the fair value of hedging instruments arising from cash flow hedges is also reported in the revaluation reserve after taking account of any applicable deferred tax. The amounts recorded in the revaluation reserve are taken to profit or loss during the period in which the hedged future cash flows are also recognised in profit or loss. The earnings components attributable to the ineffective portion of the change in fair value of hedging instruments are recorded in profit or loss.

The differences arising from the conversion of financial statements of foreign subsidiaries prepared in a foreign currency are posted to the currency translation reserve.

Minority interests, if these exist, are shown as a separate sub-item under equity.

Notes to the statement of profit or loss and other comprehensive income

30 Net interest income

In addition to interest income and expenses, this item includes pro-rated reversals of premiums and discounts from financial instruments. Net interest income from items in the trading book and the associated refinancing expenses are not included as they are reported in trading profit or loss. Under IAS 32, silent capital contributions are classified as debt and the payments to typical silent partners are reported in interest expenses.

€m	2015	2014	Change
Interest income from			
Lending and money market transactions	544.2	796.5	–252.3
Interest rate derivatives (economic hedges)	211.9	292.7	–80.8
Fixed-interest securities and debt register claims	193.2	300.2	–107.0
Hedging derivatives (hedge accounting)	55.4	45.6	9.8
Current income from			
Shares and other non fixed-interest securities	32.3	107.8	–75.5
Equity investments	1.9	1.9	–
Total interest income	**1,038.9**	**1,544.7**	–505.8
Interest expenses for			
Interest rate derivatives (economic hedges)	283.2	448.9	–165.7
Liabilities	397.0	546.5	–149.5
Securitised liabilities	92.7	134.3	–41.6
Hedging derivatives (hedge accounting)	32.4	67.9	–35.5
Subordinated liabilities and profit participation capital	34.1	33.4	0.7
Typical silent capital contributions	8.0	19.2	–11.2
Total interest expenses	**847.4**	**1,250.2**	–402.8
Net interest income	**191.5**	**294.5**	–103.0

The profit from the disposal of receivables amounting to €31.2m (previous year: €30.8m) is reported under interest income from lending and money market transactions.

In the reporting year, interest amounting to €10.5m (previous year: €12.8m) was collected on impaired loans and securities.

Overall, interest income of €570.5m (previous year: €843.1m) and interest expenses of €417.8m (previous year: €585.4m) were reported for financial assets and liabilities not measured at fair value.

Net interest income includes interest income of €1.8m and interest expenses of €2.3m arising from negative interest rates.

31 Provisions for loan losses

The breakdown of provisions for loan losses in the statement of profit or loss and other comprehensive income is as follows:

€m	2015	2014	Change
Allocations to provisions for loan losses	–104.7	–74.2	–30.5
Reversals of provisions for loan losses	37.7	65.0	–27.3
Direct write-downs on receivables	–	–3.9	3.9
Income on written-down receivables	1.9	8.9	–7.0
Provisions for loan losses	**–65.1**	**–4.2**	–60.9

Movement in the risk provision for securities in the loans and receivables and held to maturity categories is reported under profit or loss on financial investments (see note [36]).

32 Net commission income

€m	2015	2014	Change
Commission income from			
Investment fund business	1,865.3	1,607.0	258.3
Securities business	137.7	122.1	15.6
Lending business	47.2	43.2	4.0
Other	33.3	29.7	3.6
Total commission income	**2,083.5**	**1,802.0**	281.5
Commission expenses for			
Investment fund business	931.0	757.0	174.0
Securities business	20.2	18.2	2.0
Lending business	20.1	16.2	3.9
Other	2.1	2.2	–0.1
Total commission expenses	**973.4**	**793.6**	179.8
Net commission income	**1,110.1**	**1,008.4**	101.7

Commission income is measured at the fair value of the consideration received or receivable. Fees from services and performance-related commission are recognised in profit or loss when the service has been rendered or once significant performance criteria have been met. Fees for services that are rendered over a particular period are recognised accordingly over the period during which the service is rendered.

Commission income from investment fund business essentially comprises management fees, front-end loads and sales commission. The vast majority of net commission income stems from portfolio-related, and therefore ongoing, commission. Performance-related remuneration and income from lump sum costs are also shown under commission income from investment fund business. The corresponding expenses relating to the lump sum costs are reported in the respective expenses item – mainly in administrative expenses – on a source-specific basis. Commission expenses for the investment fund business are largely attributable to services provided to sales partners. Therefore, net commission income from investment fund business mostly comprises fees in accordance with IFRS 7.20c (ii).

Commission expenses in the amount of €40.0 thousand (previous year: €98.1 thousand), which are not included when determining the effective interest rate, were incurred for financial instruments not measured at fair value through profit or loss.

33 Trading profit or loss

Trading profit or loss comprises sale and valuation results as well as commission from financial instruments in the held for trading sub-category. Net interest income from derivative and non-derivative financial instruments for trading book positions, together with related refinancing expenses, are also reported under this item.

€m	2015	2014	Change
Sale and valuation results	–166.5	–165.9	–0.6
Net interest income and current income from trading transactions	420.7	430.6	–9.9
Commission on trading transactions	–17.9	–16.9	–1.0
Trading profit or loss	**236.3**	**247.8**	–11.5

34 Profit or loss on financial instruments designated at fair value

This item is principally made up of profits or losses on the disposal of financial instruments allocated to the designated at fair value sub-category, revaluation gains or losses on these, and profits or losses on derivatives in the banking book. Interest and dividend income, on the other hand, is reported in net interest income, along with refinancing expenses, reinvestment profits from financial instruments within this sub-category and interest income or expenses from derivatives in the banking book.

€m	2015	2014	Change
Sale and valuation results	41.6	261.6	–220.0
Foreign exchange profit or loss	–7.7	9.7	–17.4
Commission	–0.1	–0.1	–
Total	**33.8**	**271.2**	–237.4

In the year under review, the valuation result from financial instruments designated at fair value included net income of €6.7m (previous year: expense of €2.8m) which was attributable to changes in value arising from changes in creditworthiness. The Bank calculates the change in value arising from changes in creditworthiness as the difference between the result based on full fair value measurement and the result from measurement based on swap rates for the corresponding issue currency, plus the spread which applied at the time of sale of the issue in the market for similar liabilities. The valuation result arising from changes in creditworthiness during the reporting period is calculated as the movement in this difference relative to the nominal value as at the reporting date.

35 Profit or loss from fair value hedges in accordance with IAS 39

Changes in value in the underlying transactions to which the hedged risk relates, together with fair value changes in the hedges, are reported as profit or loss from fair value hedges in accordance with IAS 39. The profit or loss from these hedges is composed as follows:

€m	2015	2014	Change
Valuation result from hedged underlying transactions	37.2	–132.1	169.3
Valuation result from hedging derivatives	–41.3	135.5	–176.8
Total	**–4.1**	**3.4**	–7.5

36 Profit or loss on financial investments

€m	2015	2014	Change
Sale and valuation results from securities	–	–0.8	0.8
Sale and valuation results from shareholdings	7.8	–0.9	8.7
Reversal of/allocation to risk provision for securities	–14.3	–18.3	4.0
Write-downs arising from impairment of equity-accounted companies	–18.8	–	–18.8
Write-backs arising from increase in value of equity-accounted companies	4.4	–	4.4
Net income from investments valued using the equity method	2.2	2.3	–0.1
Total	**–18.7**	**–17.7**	–1.0

An impairment loss equal to the carrying value of €18.8m was identified as a result of the indicative valuation of the holding in S PensionsManagement GmbH. The valuation was carried out on the basis of the value in use, with a discount rate of 10.28%. The corresponding amount was written down as an impairment to equity-accounted companies.

The shares in S Broker AG & Co. KG were written off in full in previous years. The indicative valuation carried out as at 31 December 2015 revealed that a reversal of €4.4m was required against this write-off. The corresponding amount was written back as an impairment reversal to equity-accounted companies.

37 Administrative expenses

Administrative expenses comprise personnel expenses, other administrative expenses and depreciation and amortisation. The breakdown of the respective items is as follows:

€m	2015	2014	Change
Personnel expenses			
Wages and salaries	377.7	373.1	4.6
Social security contributions	45.7	44.1	1.6
Allocation to/reversal of provisions for pensions and similar commitments	42.6	31.3	11.3
Expenses for defined contribution plans	2.1	1.9	0.2
Other expenses for retirement pensions and benefits	1.9	0.7	1.2
Total personnel expenses	**470.0**	**451.1**	18.9
Other administrative expenses			
Consultancy expenses	67.2	78.0	–10.8
Computer equipment and machinery	63.1	56.1	7.0
Rentals and expenses for buildings	54.5	57.6	–3.1
Marketing and sales expenses	46.8	40.6	6.2
IT information services	37.9	35.8	2.1
Subscriptions and fees	37.1	23.4	13.7
Bank levy	34.8	26.9	7.9
Lump sum for fund administration services	32.0	30.5	1.5
Postage/telephone/office supplies	10.5	9.0	1.5
Other administrative expenses	43.3	51.1	–7.8
Total other administrative expenses	**427.2**	**409.0**	18.2
Depreciation of intangible assets	17.9	21.1	–3.2
Depreciation of property, plant and equipment	2.3	3.5	–1.2
Total depreciation	**20.2**	**24.6**	–4.4
Administrative expenses	**917.4**	**884.7**	32.7

Other administrative expenses primarily include expenses for the annual accounts, auditing costs and travel costs.

Administrative expenses include payments of €48.6m (previous year: €48.8m) on rental and lease agreements for buildings, vehicles, and plant and equipment (operating leases) where DekaBank is the lessee. The following minimum lease payments are payable under these leases in the coming years:

€m	2015	2014	Change
Up to 1 year	47.1	47.0	0.1
Between 1 and 5 years	137.6	143.8	–6.2
More than 5 years	85.1	111.6	–26.5

38 Other operating income

The breakdown of other operating income is as follows:

€m	2015	2014	Change
Income from repurchased debt instruments	**–8.0**	**–19.5**	11.5
Other operating profit			
From disposal of property, plant and equipment	42.1	0.1	42.0
Reversal of other provisions	3.1	6.4	–3.3
Rental income	1.2	1.2	–
Other income	58.0	41.0	17.0
Total other operating profit	**104.4**	**48.7**	55.7
Other operating expenses			
Restructuring expenses	0.1	16.1	–16.0
VAT from provision of intra-Group services	18.2	16.1	2.1
Other taxes	1.1	0.8	0.3
Other expenses	42.4	43.2	–0.8
Total other operating expenses	**61.8**	**76.2**	–14.4
Other operating income	**34.6**	**–47.0**	81.6

The repurchase of the Bank's own registered and bearer bonds as well as promissory note loans raised led to a reduction in the liability (net result). The repurchase of own issues results in the realisation of a profit or loss in the amount of the difference between the repurchase price and the book price.

Other income includes administrative fees for settlement services relating to company pension scheme products amounting to €647.9 thousand (previous year: €773.4 thousand).

39 Income taxes

This item includes all domestic and foreign taxes determined on the basis of the net income for the year. Income tax expenses comprise the following:

€m	2015	2014	Change
Current tax expense in financial year	162.8	192.7	–29.9
Current tax expense/income (–) in previous years	15.0	–20.6	35.6
Current tax expense	**177.8**	**172.1**	5.7
Effect of origination and reversal of temporary differences	50.1	93.9	–43.8
Prior-year deferred tax income	–13.7	–0.5	–13.2
Deferred tax expense	**36.4**	**93.4**	–57.0
Total income tax expense	**214.2**	**265.5**	–51.3

The rate of tax that applies in Germany comprises a corporation tax rate of 15.0% plus a solidarity surcharge on this of 5.5% and the applicable rate of trade tax. As DekaBank is treated for tax purposes as an atypical silent partnership, this results in a combined tax rate of 24.68% (previous year: 24.68%) for the companies in the DekaBank fiscal group. Furthermore, atypical silent partners have a right to withdraw the portion of corporation tax expense attributable to them (7.22%). A tax rate of 31.90% (previous year: 31.90%) is therefore applied for the valuation of deferred taxes (see note [22]). This tax rate is assumed as the expected tax rate in the reconciliation statement below. As in the previous year, the other domestic companies determine their deferred taxes using a tax rate of approximately 32.0%.

The foreign companies determine deferred taxes using the respective tax rate for the country in question. The tax rate amounts to 29.22% for the DekaBank Luxembourg fiscal group (previous year: 29.22%).

The origination or reversal of temporary differences led to deferred tax expenses of €50.1m (previous year: €93.9m). Current tax expenses for previous years relate primarily to DekaBank (€15.0m). Voluntary advance tax payments (€14.6m) were made as part of a tax audit which was underway at the balance sheet date. This was offset by recognition for the first time of the temporary differences arising as a result of this, which led to deferred tax income relating to other periods in the amount of €13.7m. For two subsidiaries in liquidation, the net income generated during the winding-up period was offset using tax loss carry-forwards against which no deferred tax assets had been recognised in previous years (imputed tax reduction of €0.9m). In the previous year, a deferred tax expense arising from the use or non-recognition of deferred taxes on tax loss carry-forwards previously capitalised was recognised in the amount of €0.1m. As in the previous year, changes in rates of taxation had no impact in the 2015 financial year.

The following statement reconciles the net income before tax with the tax expense:

€m	**2015**	**2014**	Change
IFRS – net income before tax	601.0	871.7	−270.7
x income tax rate	31.90%	31.90%	–
= Anticipated income tax expense in financial year	**191.7**	**278.1**	−86.4
Increase from taxes on non-deductible expenses	16.3	12.1	4.2
Decrease from taxes on tax-exempt income	4.8	4.4	0.4
Withholding tax	0.3	6.8	−6.5
Tax effect of special funds	0.1	−3.2	3.3
Tax effect of shares in companies accounted for using the equity method	4.5	−0.7	5.2
Effects of differing effective tax rates	−3.1	−3.1	–
Tax effects from past periods	1.1	−21.2	22.3
Other	8.1	1.1	7.0
Tax expenses according to IFRS	**214.2**	**265.5**	−51.3

Non-deductible expenses primarily include the effect of the non-deductible bank levy.

The tax effect of at-equity valuation is primarily due to the interest in S PensionsManagement GmbH being written off in full.

Interest payments in respect of the AT1 bonds are treated as a distribution in the IFRS consolidated financial statements and are offset directly within reserves. From a taxation point of view, the interest is accrued and is deductible. In order to align the figures with the treatment in the IFRS consolidated financial statements, the corresponding imputed tax benefit of €9.1m was recorded directly in equity. If the figure had been posted to profit or loss, the tax burden would have been 1.5% lower.

Notes to the consolidated balance sheet

40 Cash reserves

The breakdown in cash reserves is as follows:

€m	31 Dec 2015	31 Dec 2014	Change
Cash on hand	6.3	5.7	0.6
Balances with central banks	3,601.8	772.7	2,829.1
Total	**3,608.1**	**778.4**	2,829.7

The required minimum reserve was maintained at all times during the reporting year and amounted to €296.0m at the reporting date (previous year: €186.0m).

41 Due from banks

€m	31 Dec 2015	31 Dec 2014	Change
Domestic banks	18,063.7	16,951.6	1,112.1
Foreign banks	9,032.7	7,721.0	1,311.7
Due from banks before risk provision	**27,096.4**	**24,672.6**	2,423.8
Provisions for loan losses	–2.4	–2.5	0.1
Total	**27,094.0**	**24,670.1**	2,423.9

DekaBank paid €10.6bn (previous year: €6.0bn) for genuine repurchase agreements and collateralised securities lending transactions as pledgee and borrower, respectively.

42 Due from customers

€m	31 Dec 2015	31 Dec 2014	Change
Domestic borrowers	5,438.3	5,962.3	–524.0
Foreign borrowers	17,291.7	17,604.5	–312.8
Due from customers before risk provision	**22,730.0**	**23,566.8**	–836.8
Provisions for loan losses	–222.0	–178.1	–43.9
Total	**22,508.0**	**23,388.7**	–880.7

DekaBank paid €6.5bn (previous year: €7.7bn) for genuine repurchase agreements and collateralised securities lending transactions as pledgee and borrower, respectively.

43 Provisions for loan losses

Default risks in the lending business are recognised through the creation of specific and collective provisions and through the creation of provisions for off-balance sheet liabilities. The collective provisions for creditworthiness risks reflect the assumptions concerning impairments in the loan portfolio that have already occurred but are not yet known as at the reporting date. Transfer risk is taken into account by recognising collective provisions for country risks.

€m	31 Dec 2015	31 Dec 2014	Change
Provisions for loan losses – due from banks			
Specific provisions	2.1	–	2.1
Collective provisions for creditworthiness risks	0.3	2.5	–2.2
Provisions for loan losses – due from customers			
Specific provisions	185.2	146.7	38.5
Collective provisions for creditworthiness risks	32.9	27.2	5.7
Collective provisions for country risks	3.9	4.2	–0.3
Total	**224.4**	**180.6**	43.8

The following table shows the movement in provisions for loan losses:

€m	Opening balance 1 Jan 2015	Allocation	Utilisation	Reversal	Disposals	Reclassi-fication	Currency effects	Closing balance 31 Dec 2015
Provisions for loan losses – due from banks								
Specific provisions	–	2.1	–	–	–	–	–	2.1
Collective provisions for creditworthiness risks	2.5	–	–	2.2	–	–	–	0.3
Sub-total	**2.5**	**2.1**	**–**	**2.2**	**–**	**–**	**–**	**2.4**
Provisions for loan losses – due from customers								
Specific provisions	146.7	94.5	33.5	32.4	–	–0.2	10.1	185.2
Collective provisions for creditworthiness risks	27.2	8.1	–	2.2	–0.2	–	–	32.9
Collective provisions for country risks	4.2	–	–	0.4	–	–	0.1	3.9
Sub-total	**178.1**	**102.6**	**33.5**	**35.0**	**–0.2**	**–0.2**	**10.2**	**222.0**
Provisions for credit risks								
Specific risks	0.4	–	0.1	0.1	–	0.2	–	0.4
Portfolio risks	1.8	–	–	0.4	–	–	–	1.4
Sub-total	**2.2**	**–**	**0.1**	**0.5**	**–**	**0.2**	**–**	**1.8**
Total	**182.8**	**104.7**	**33.6**	**37.7**	**–0.2**	**–**	**10.2**	**226.2**

€m	Opening balance 1 Jan 2014	Allocation	Utilisation	Reversal	Disposals	Reclassi-fication	Currency effects	Closing balance 31 Dec 2014
Provisions for loan losses – due from banks								
Collective provisions for creditworthiness risks	3.5	–	–	1.0	–	–	–	2.5
Sub-total	**3.5**	**–**	**–**	**1.0**	**–**	**–**	**–**	**2.5**
Provisions for loan losses – due from customers								
Specific provisions	179.2	63.6	60.4	55.5	–	8.5	11.3	146.7
Collective provisions for creditworthiness risks	30.8	0.2	–	3.8	–	–	–	27.2
Collective provisions for country risks	1.3	2.6	–	–	–	–	0.3	4.2
Sub-total	**211.3**	**66.4**	**60.4**	**59.3**	**–**	**8.5**	**11.6**	**178.1**
Provisions for credit risks								
Specific risks	3.3	7.8	0.1	3.0	–	–8.5	0.9	0.4
Portfolio risks	3.5	–	–	1.7	–	–	–	1.8
Sub-total	**6.8**	**7.8**	**0.1**	**4.7**	**–**	**–8.5**	**0.9**	**2.2**
Total	**221.6**	**74.2**	**60.5**	**65.0**	**–**	**–**	**12.5**	**182.8**

Key ratios for provisions for loan losses:

%	2015	2014
Reversal/allocation ratio as at reporting date[1] (Quotient from net allocation and lending volume)	−0.24	−0.03
Default rate as at reporting date (Quotient from loan defaults and lending volume)	0.12	0.18
Average default rate (Quotient from loan defaults in 5-year average and lending volume)	0.46	0.45
Net provisioning ratio as at reporting date (Quotient from provisions for loan losses and lending volume)	0.84	0.61

[1] Reversal ratio shown without leading sign.

Calculations of the above key ratios are based on the following lending volume as reflected in the balance sheet:

€m	31 Dec 2015	31 Dec 2014
Due from banks[1]	8,832.1	13,507.8
Due from customers[1]	14,915.1	14,369.8
Contingent liabilities	2,150.9	1,789.5
Irrevocable lending commitments	1,185.6	495.2
Total	**27,083.7**	**30,162.3**

[1] Excluding money transactions.

Provisions for loan losses by risk segment:

	Valuation allowances and provisions for loan losses and credit risks		Loan defaults[1]		Net allocations to[2]/reversals of valuation allowances and provisions for loan losses	
€m	31 Dec 2015	31 Dec 2014	2015	2014	2015	2014
Customers						
Transport and export finance	118.9	109.3	32.6	31.6	−33.2	−17.6
Public infrastructure	39.5	26.4	–	–	−13.1	−4.7
Property risks	32.2	27.8	−0.6	−0.6	−4.5	10.1
Energy and utility infrastructure	31.4	13.3	–	12.4	−17.7	−4.2
Corporates	0.5	1.1	−0.4	12.1	0.7	6.7
Other	1.3	2.4	0.1	–	0.7	−0.5
Total customers	**223.8**	**180.3**	**31.7**	**55.5**	**−67.1**	**−10.2**
Banks	**2.4**	**2.5**	**–**	**–**	**0.1**	**1.0**
Corporates	2.1	–	–	–	−2.1	–
Financial institutions	0.3	2.5	–	–	2.2	1.0
Total	**226.2**	**182.8**	**31.7**	**55.5**	**−67.0**	**−9.2**

[1] Payments received on written-down receivables – negative in the column.
[2] Negative in the column.

44 Financial assets at fair value

In addition to securities and receivables in the categories held for trading and designated at fair value, financial assets at fair value through profit or loss include positive market values from derivative financial instruments in the trading book and from economic hedges that do not meet the criteria for hedge accounting under IAS 39.

€m	31 Dec 2015	31 Dec 2014	Change
Held for trading			
Debt securities and other fixed-interest securities	19,894.0	18,277.1	1,616.9
Bonds and debt securities	19,516.6	17,900.0	1,616.6
Money market securities	377.4	377.1	0.3
Shares and other non fixed-interest securities	2,604.6	4,928.9	−2,324.3
Shares	1,915.9	4,215.6	−2,299.7
Investment fund units	688.7	713.2	−24.5
Other non fixed-interest securities	–	0.1	−0.1
Other	868.0	762.6	105.4
Promissory note loans	868.0	762.6	105.4
Positive market values from derivative financial instruments (trading)	9,790.0	12,277.1	−2,487.1
Total – held for trading	**33,156.6**	**36,245.7**	−3,089.1
Designated at Fair Value			
Debt securities and other fixed-interest securities	15,215.0	19,856.4	−4,641.4
Bonds and debt securities	15,196.0	19,795.4	−4,599.4
Money market securities	19.0	61.0	−42.0
Shares and other non fixed-interest securities	1,363.2	668.3	694.9
Investment fund units	1,363.2	662.9	700.3
Participating certificates	–	5.4	−5.4
Amounts due from securities repurchase agreements	500.5	1,504.6	−1,004.1
Positive market values from derivative financial instruments (economic hedges)	672.5	1,195.0	−522.5
Total – designated at fair value	**17,751.2**	**23,224.3**	−5,473.1
Total	**50,907.8**	**59,470.0**	−8,562.2

The following debt securities and other fixed-interest securities, and shares and other non-fixed-interest securities in financial assets measured at fair value, are listed on the stock exchange:

€m	31 Dec 2015	31 Dec 2014	Change
Debt securities and other fixed-interest securities	33,683.6	36,242.4	−2,558.8
Shares and other non fixed-interest securities	2,452.9	4,812.2	−2,359.3

45 Positive market values from derivative hedging instruments

The positive market values from hedging instruments that meet the criteria for hedge accounting in accordance with IAS 39 can be broken down by underlying hedged transaction as follows:

€m	31 Dec 2015	31 Dec 2014	Change
Fair value hedges			
Asset items			
Due from banks	0.1	–	0.1
Due from customers	6.6	8.2	–1.6
Liability items			
Due to banks	40.3	42.7	–2.4
Due to customers	53.9	275.9	–222.0
Securitised liabilities	7.1	1.2	5.9
Subordinated capital	0.5	–	0.5
Total fair value hedges	**108.5**	**328.0**	–219.5
Cash flow hedges			
Asset items	0.5	–	0.5
Total	**109.0**	**328.0**	–219.0

The hedging instruments consist chiefly of interest rate swaps (fair value hedges) and spot currency transactions with rolling currency swaps (cash flow hedges).

46 Financial investments

€m	31 Dec 2015	31 Dec 2014	Change
Loans and receivables			
Debt securities and other fixed-interest securities	531.4	502.9	28.5
Held to maturity			
Debt securities and other fixed-interest securities	2,406.4	2,959.5	–553.1
Available for sale			
Debt securities and other fixed-interest securities	0.0	0.0	–
Shares and other non fixed-interest securities	0.0	0.0	–
Shareholdings			
Equity investments	27.9	30.8	–2.9
Shares in equity-accounted companies	12.3	28.1	–15.8
Shares in affiliated, non-consolidated companies	4.6	1.0	3.6
Shares in associated companies not accounted for under the equity method	0.2	0.2	–
Financial investments before risk provision	**2,982.8**	**3,522.5**	–539.7
Risk provision	–38.4	–24.2	–14.2
Total	**2,944.4**	**3,498.3**	–553.9

Shares in affiliated companies, as well as equity investments, are stated at acquisition cost. There is currently no intention to sell these assets. There are no publicly quoted market prices for companies valued using the equity method in the Deka Group.

Of the financial investments, the following are listed:

€m	31 Dec 2015	31 Dec 2014	Change
Debt securities and other fixed-interest securities	2,857.1	3,284.9	–427.8

The following table shows the movement in long-term financial investments:

€m	Equity investments	Shares in companies valued under the equity method	Shares in affiliated companies	Shares in associated companies	Total
Historical cost					
As at 1 January 2014	35.1	132.4	1.1	–	168.6
Additions	0.1	–	–	–	0.1
Disposals	3.3	0.6	0.1	–	4.0
Reclassification and other changes	–0.2	–	–	0.2	–
As at 31 December 2014	31.7	131.8	1.0	0.2	164.7
Additions	–	0.0	3.6	–	3.6
Disposals	2.9	–	–	–	2.9
As at 31 December 2015	28.8	131.8	4.6	0.2	165.4
Cumulative amortisation/change in value					
As at 1 January 2014	–	106.0	–	–	106.0
Amortisation/impairment	0.9	–	–	–	0.9
Result from companies valued under the equity method	–	2.3	–	–	2.3
As at 31 December 2014	0.9	103.7	–	–	104.6
Amortisation/impairment	–	18.8	–	–	18.8
Write-backs	–	4.4	–	–	4.4
Result from companies valued under the equity method	–	2.2	–	–	2.2
Reclassification and other changes	–	0.3	–	–	0.3
Changes in the revaluation reserve	–	–3.3	–	–	–3.3
As at 31 December 2015	0.9	119.5	–	–	120.4
Carrying value as at 31 December 2014	**30.8**	**28.1**	**1.0**	**0.2**	**60.1**
Carrying value as at 31 December 2015	**27.9**	**12.3**	**4.6**	**0.2**	**45.0**

Disposals of investments relate mainly to the liquidation of Liquiditäts-Konsortialbank GmbH.

47 Intangible assets

€m	31 Dec 2015	31 Dec 2014	Change
Purchased goodwill	**148.1**	**148.1**	–
Software			
Purchased	20.1	27.5	–7.4
Developed in-house	2.1	3.1	–1.0
Total software	**22.2**	**30.6**	–8.4
Other intangible assets	20.9	25.0	–4.1
Total	**191.2**	**203.7**	–12.5

The line item purchased goodwill includes goodwill arising on the acquisition of LBB-INVEST (€95.0m). For the purposes of the impairment test performed as at 31 December 2015, this was allocated to the cash-generating unit LBB-INVEST. This line also contains goodwill arising on the acquisition of WestInvest Gesellschaft für Investmentfonds mbH (WestInvest) (€53.1m). The impairment test was carried out at the level of the Real Estate business division in the course of normal testing procedures as at 31 December 2015.

The recoverable amount of both cash-generating units, each taken individually, was determined on the basis of the value in use. The discount rate required for the income capitalisation approach used was derived using the Capital Asset Pricing Model (CAPM) methodology. The expected cash flows after tax were calculated for a five-year period.

The performance of LBB-INVEST's total customer assets under management was identified as a key value driver in its capacity as a cash-generating unit. The forecast was based on national economic data and past empirical values. Business and earnings trends are expected to remain stable. Values for perpetual annuity are in line with the forecast for 2020. The long-term growth rate remains unchanged at 1.0%. The discount rate was 11.83% (previous year: 10.56%). The value in use established with this approach was higher than the book value of the cash-generating unit. As a result, no impairment write-down was required.

Internal forecasts based on national economic data and specific competition and market analyses were used for the Real Estate business division cash-generating unit. Account was taken of past empirical values, particularly with regard to material value drivers, namely the future development of total customer assets and the proportional gross loan volume. On the basis of planned net sales, the fund business is expected to see a further increase in total customer assets and to consolidate its successful market position over the next three years. This is contingent on the successful completion of the planned transactions in the target segments, which continue to be very competitive. For the subsequent years, 2019 and 2020, lower net cash inflows and correspondingly lower transaction income are forecast, due to the cyclical nature of sales as well as expected regulatory interventions (for example, reforms to the taxation of investments). The proven business strategy for property financing business will fundamentally remain in place, but there are plans to increase volumes significantly though new business, while at the same time reducing the number of external placements. Continuing price competition is expected to maintain pressure on margins in new business. Furthermore, expectations of future performance take into account a perpetual annuity in line with the forecast for 2020 and assume a long-term growth rate of still 1.0% (previous year: 1.0%). The discount rate was 9.06% (previous year: 9.63%). The value in use established with this approach was higher than the book value of the cash-generating unit. As a result, no impairment write-down was required.

The line item other intangible assets primarily contains sales partnerships and customer relationships from the acquisition of LBB-INVEST.

The following table shows the movement in intangible assets:

€m	Purchased goodwill	Software purchased	Software developed in-house	Other intangible assets	Total
Historical cost					
As at 1 January 2014	145.4	134.3	71.4	22.2	373.3
Additions	95.0	11.7	1.9	29.5	138.1
Disposals	–	0.2	–	–	0.2
As at 31 December 2014	240.4	145.8	73.3	51.7	511.2
Additions	–	4.7	0.7	–	5.4
As at 31 December 2015	240.4	150.5	74.0	51.7	516.6
Cumulative amortisation/impairment					
As at 1 January 2014	92.3	101.8	67.9	21.9	283.9
Amortisation/impairment	–	14.0	2.3	4.8	21.1
Disposals	–	0.1	–	–	0.1
Change in scope of consolidation	–	2.6	–	–	2.6
As at 31 December 2014	92.3	118.3	70.2	26.7	307.5
Amortisation/impairment	–	12.1	1.7	4.1	17.9
As at 31 December 2015	92.3	130.4	71.9	30.8	325.4
Carrying value as at 31 December 2014	**148.1**	**27.5**	**3.1**	**25.0**	**203.7**
Carrying value as at 31 December 2015	**148.1**	**20.1**	**2.1**	**20.9**	**191.2**

48 Property, plant and equipment

€m	31 Dec 2015	31 Dec 2014	Change
Land and buildings	–	12.8	–12.8
Plant and equipment	14.6	15.2	–0.6
Technical equipment and machines	1.7	2.0	–0.3
Total	**16.3**	**30.0**	–13.7

The decline in land and buildings is due to the disposal of a building complex (see note [50]).

The movement in property, plant and equipment in the Deka Group was as follows:

€m	Land and buildings	Plant and equipment	Technical equipment and machines	Total
Historical cost				
As at 1 January 2014	28.0	46.7	58.1	132.8
Additions	–	2.6	2.9	5.5
Disposals	–	5.4	1.8	7.2
Change in currency translation	–	0.1	–	0.1
As at 31 December 2014	28.0	44.0	59.2	131.2
Additions	–	0.6	0.7	1.3
Disposals	28.0	0.1	0.2	28.3
As at 31 December 2015	–	44.5	59.7	104.2
Cumulative amortisation/change in value				
As at 1 January 2014	14.7	31.2	56.1	102.0
Scheduled amortisation	0.5	1.4	1.6	3.5
Disposals	–	5.4	1.8	7.2
Change in currency translation	–	0.1	–	0.1
Change in the scope of consolidation	–	1.5	1.3	2.8
As at 31 December 2014	15.2	28.8	57.2	101.2
Amortisation/impairment	0.2	1.1	1.0	2.3
Disposals	15.4	–	0.2	15.6
As at 31 December 2015	–	29.9	58.0	87.9
Carrying value as at 31 December 2014	**12.8**	**15.2**	**2.0**	**30.0**
Carrying value as at 31 December 2015	**–**	**14.6**	**1.7**	**16.3**

49 Income tax assets

€m	31 Dec 2015	31 Dec 2014	Change
Current income tax assets	164.0	165.1	–1.1
Deferred income tax assets	57.5	137.5	–80.0
Total	**221.5**	**302.6**	–81.1

Deferred income tax assets represent the potential income tax relief arising from temporary differences between the values of assets and liabilities in the IFRS balance sheet and the tax balance sheet.

As in the previous year, no deferred tax assets on tax loss carry-forwards arose during the year under review. Deferred tax assets were recognised in relation to the following line items:

€m	31 Dec 2015	31 Dec 2014	Change
Asset items			
Due from banks	–	0.0	–0.0
Due from customers	0.3	0.7	–0.4
Financial assets at fair value	15.6	0.8	14.8
Financial investments	0.0	0.0	–0.0
Shares in equity-accounted companies	1.8	2.3	–0.5
Intangible assets	21.9	6.2	15.7
Other assets	0.7	2.1	–1.4
Liability items			
Due to banks	11.7	14.6	–2.9
Due to customers	71.3	77.7	–6.4
Securitised liabilities	1.2	3.5	–2.3
Financial liabilities at fair value	251.0	454.9	–203.9
Negative market values from derivative hedging instruments	10.1	35.5	–25.4
Provisions	86.5	105.8	–19.3
Other liabilities	3.7	3.3	0.4
Subordinated capital	0.4	4.1	–3.7
Loss carryforwards	**–**	**–**	–
Sub-total	**476.2**	**711.5**	–235.3
Netting	–418.7	–574.0	155.3
Total	**57.5**	**137.5**	–80.0

Reported deferred tax assets include €57.5m (previous year: €135.9m) which are medium or long-term in nature.

As at the reporting date, no deferred tax had been recognised during the reporting year in respect of unrecognised tax loss carry-forwards amounting to €18.5m at one foreign Group company (previous year: €26.7m at two Group companies). The related unrecognised tax amount was €3.9m (previous year: €5.0m). Similarly, no deferred tax asset on tax loss carry-forwards was recognised at one German company (loss carried forward: €0.5m, deferred tax not recognised: €0.2m). In addition, there were no temporary differences for which deferred tax assets have not been recognised (amount of tax assets not recognised during the previous year: €0.3m).

Netting of deferred tax assets and liabilities relates mainly to short-term deferred taxes as a result of temporary differences in connection with financial assets and liabilities at fair value.

At the reporting date, as in the previous year, there were no outside basis differences that would have led to the recognition of deferred tax assets.

Deferred income tax assets amounting to €48.9m (previous year: €62.5m) in connection with pension provisions and deferred income tax assets amounting to €12.6m (previous year: €8.4m) in connection with cash flow hedges were offset against equity.

50 Other assets

€m	31 Dec 2015	31 Dec 2014	Change
Amounts due from investment funds	140.0	125.6	14.4
Amounts due from non-banking business	22.3	29.6	–7.3
Amounts due or refunds from other taxes	0.7	1.5	–0.8
Other miscellaneous assets	191.3	319.9	–128.6
Prepaid expenses	26.2	28.2	–2.0
Total	**380.5**	**504.8**	–124.3

The building complex at a city-centre location in Frankfurt am Main's banking quarter, in respect of which – in accordance with the requirements of IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" – an amount of €12.6m was presented within other assets during the first half of 2015, was disposed of during the second half of 2015. The gain on disposal of €42.1m resulting from the sale of the building complex, which was allocated to the Real Estate business division, is presented within 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 falling due in June 2015 and payment of the second being made in October 2015. No impairment losses or reversals were required during the reporting year as a result of the measurement rules to be applied at the time of classification under IFRS 5.

Other assets include €0.3m (previous year: €0.3m) which are of a medium or long-term nature.

51 Due to banks

€m	31 Dec 2015	31 Dec 2014	Change
Domestic banks	16,640.1	21,560.3	–4,920.2
Foreign banks	7,444.0	5,178.7	2,265.3
Total	**24,084.1**	**26,739.0**	–2,654.9
Of which:			
Collateralised registered bonds and promissory note loans	204.8	432.7	–227.9
Unsecured registered bonds and promissory note loans	2,593.2	3,184.1	–590.9

Amounts due to banks include payments received from genuine securities repurchase agreements and collateralised securities lending transactions amounting to €5.7bn (previous year: €5.0bn).

52 Due to customers

€m	31 Dec 2015	31 Dec 2014	Change
Domestic borrowers	18,970.8	18,277.5	693.3
Foreign borrowers	10,491.2	9,349.3	1,141.9
Total	**29,462.0**	**27,626.8**	1,835.2
Of which:			
Collateralised registered bonds and promissory note loans	1,907.0	2,651.7	–744.7
Unsecured registered bonds and promissory note loans	1,123.0	2,552.3	–1,429.3

Amounts due to customers include payments received from genuine securities repurchase agreements and collateralised securities lending transactions amounting to €4.8bn (previous year: €4.9bn).

53 Securitised liabilities

Securitised liabilities include bonds and other liabilities for which transferable certificates are issued. Under IAS 39, bonds held by the Deka Group with a nominal amount of €0.2bn (previous year: €1.5bn) were deducted from the issued bonds.

€m	31 Dec 2015	31 Dec 2014	Change
Unsecured bonds issued	6,353.2	17,445.3	–11,092.1
Covered debt securities issued	284.9	708.5	–423.6
Money market securities issued	13,283.7	5,967.9	7,315.8
Total	**19,921.8**	**24,121.7**	–4,199.9

54 Financial liabilities at fair value

In addition to trading issues and liabilities in the designated at fair value category, financial liabilities at fair value include negative market values from derivative financial instruments in the trading book as well as economic hedges which do not meet the criteria for hedge accounting in accordance with IAS 39. Securities short portfolios are also reported in this line item.

€m	31 Dec 2015	31 Dec 2014	Change
Held for trading			
Trading issues	11,796.0	8,497.5	3,298.5
Securities short portfolios	1,217.2	925.2	292.0
Negative market values from derivative financial instruments (trading)	10,149.5	12,390.9	–2,241.4
Total – held for trading	**23,162.7**	**21,813.6**	1,349.1
Designated at fair value			
Issues	2,525.8	3,572.3	–1,046.5
Negative market values from derivative financial instruments (economic hedges)	1,426.3	1,742.6	–316.3
Total – designated at fair value	**3,952.1**	**5,314.9**	–1,362.8
Total	**27,114.8**	**27,128.5**	–13.7

Issues can be broken down by product type as follows:

€m	31 Dec 2015	31 Dec 2014	Change
Held for trading			
Unsecured trading issues			
Bearer bonds issued	8,979.9	5,827.3	3,152.6
Registered bonds issued	714.0	664.8	49.2
Promissory notes raised	2,102.1	2,005.4	96.7
Total	**11,796.0**	**8,497.5**	3,298.5
Designated at fair value			
Unsecured issues			
Bearer bonds issued	422.4	1,042.1	–619.7
Registered bonds issued	489.4	510.5	–21.1
Promissory notes raised	482.9	745.7	–262.8
Covered issues	1,131.1	1,274.0	–142.9
Total	**2,525.8**	**3,572.3**	–1,046.5

The fair value of issues in the designated at fair value category includes cumulative creditworthiness-related changes in value amounting to €16.1m (previous year: €23.7m).

The carrying value of liabilities allocated to the designated at fair value category is €291.5m (previous year: €368.5m) higher than the repayment amount.

55 Negative market values from derivative hedging instruments

The negative market values of hedging instruments that meet the criteria for hedge accounting in accordance with IAS 39 are shown below by hedged underlying transactions:

€m	31 Dec 2015	31 Dec 2014	Change
Fair value hedges			
Asset items			
Due from banks	9.9	53.8	–43.9
Due from customers	26.6	56.6	–30.0
Liability items			
Due to banks	–0.3	–	–0.3
Securitised liabilities	–0.1	–	–0.1
Subordinated capital	–0.1	–	–0.1
Total – fair value hedges	**36.0**	**110.4**	–74.4
Cash flow hedges			
Asset items	–	8.4	–8.4
Total	**36.0**	**118.8**	–82.8

The hedging instruments consist chiefly of interest rate swaps (fair value hedges) and spot currency transactions with rolling currency swaps (cash flow hedges).

56 Provisions for pensions and similar commitments

The following table shows the movement in provisions:

€m	Provisions for pensions	Provisions for similar commitements[1]	Total
As at 1 January 2014	**98.1**	**23.2**	**121.3**
Additions	29.0	2.7	31.7
Utilisations	11.3	5.6	16.9
Reversal	–	0.4	0.4
Reclassifications	–	2.2	2.2
Change in plan assets	–19.2	–0.2	–19.4
Business combinations and change in scope of consolidation	12.7	0.1	12.8
Revaluations not affecting net profit	121.0	–	121.0
As at 31 December 2014	**230.3**	**22.0**	**252.3**
Additions	40.7	1.9	42.6
Utilisations	11.7	6.7	18.4
Reclassifications	–	8.1	8.1
Change in plan assets	–15.2	–0.4	–15.6
Revaluations not affecting net profit	–55.4	–	–55.4
As at 31 December 2015	**188.7**	**24.9**	**213.6**

[1] Including provisions for working hours accounts.

The present value of the defined benefit obligations can be reconciled to the provision in the balance sheet as follows:

€m	31 Dec 2015	31 Dec 2014	Change
Present value of fully or partially funded defined benefit obligations	658.3	662.0	−3.7
Fair value of plan assets at reporting date	491.9	453.7	38.2
Funded status	**166.4**	**208.3**	−41.9
Present value of unfunded defined benefit obligations	47.2	44.0	3.2
Provisions for pensions	**213.6**	**252.3**	−38.7

The movement in the net liability arising from defined benefit obligations was as follows:

	Defined benefit obligations		**Fair value of plan assets**		**Net debt/ (net assets)**	
€m	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
As at 1 January	**706.0**	**518.4**	**453.7**	**397.1**	**252.3**	**121.3**
Current service cost	36.9	26.2	–	–	36.9	26.2
Interest expenses or income	14.8	18.3	9.1	13.2	5.7	5.1
Net interest income/expense (recognised in profit or loss)	**51.7**	**44.5**	**9.1**	**13.2**	**42.6**	**31.3**
Actuarial gains/losses arising from:						
Financial assumptions	−37.2	139.9	–	–	−37.2	139.9
Experience adjustments	−4.7	5.1	–	–	−4.7	5.1
Income from plan assets excluding interest income	–	–	13.5	24.0	−13.5	−24.0
Revaluation gains/losses (recognised in other comprehensive income)	**−41.9**	**145.0**	**13.5**	**24.0**	**−55.4**	**121.0**
Transfers	8.1	2.2	–	–	8.1	2.2
Business combinations and change in scope of consolidation	–	12.8	–	6.6	–	6.2
Employer contributions	–	–	6.3	6.0	−6.3	−6.0
Employee contributions	–	–	10.2	7.6	−10.2	−7.6
Employee benefits	−18.4	−16.9	−0.9	−0.8	−17.5	−16.1
As at 31 December	**705.5**	**706.0**	**491.9**	**453.7**	**213.6**	**252.3**
Of which:						
Final salary plans and general contribution schemes	470.4	491.2	311.9	301.3	158.5	189.9
Fund-based defined contribution plans	205.6	188.6	175.4	148.2	30.2	40.4

The present value of the defined benefit obligation was calculated using the Heubeck mortality tables 2005 G based on the following actuarial parameters:

%	31 Dec 2015	31 Dec 2014	Change
Actuarial interest rate	2.3	2.00	0.3
Pension trend for adjustments according to Section 16 (2) Company Pension Funds Act (BetrAVG)[1]	2.0	2.00	–
Pension adjustment with overall trend updating[1]	2.5	2.50	–
Salary trend[1]	2.5	2.50	–

[1] Not relevant for the valuation of fund-based commitments as these are not dependent on the final salary.

For forfeitable projected benefits, staff turnover profiles published by Heubeck-Richttafeln-GmbH are also used in the calculation with a level parameter of 1.5. The discount factor for similar commitments was 0.04% (previous year: 0.1%). This rate takes account of the shorter time to maturity compared to pension commitments as well as the rate of adjustment in early retirement and transitional payments not shown separately.

The sensitivity analysis presented below shows how a change in significant actuarial assumptions can affect the defined benefit obligation (DBO). This considers the change in one assumption, leaving the other assumptions unchanged relative to the original calculation. This means that potential correlation effects between the individual assumptions are disregarded. The sensitivity analysis only applies to the present value of the defined benefit obligation (DBO) and not to the net obligation, as this is determined by a number of factors including not only the actuarial assumptions but also the plan assets measured at fair value.

€m	Change in actuarial assumptions	Effect on defined benefit obligations	
		31 Dec 2015	31 Dec 2014
Actuarial interest rate	Increase of 1.0 percentage point	–104.1	–108.3
	Reduction of 1.0 percentage point	136.5	142.0
Salary trend	Increase of 0.25 percentage point	6.9	7.9
	Reduction of 0.25 percentage point	–6.5	–7.4
Pension trend	Increase of 0.25 percentage point	15.3	16.0
	Reduction of 0.25 percentage point	–14.5	–15.3
Life expectancy	Extended by 1 year	20.9	21.5

At the balance sheet date, plan assets were as follows:

€m	31 Dec 2015	31 Dec 2014	Change
Equity funds	164.8	139.0	25.8
Bond funds	2.3	1.9	0.4
Mixed funds	7.2	6.1	1.1
Near-money market funds	4.7	4.3	0.4
Mutual funds	179.0	151.3	27.7
Special funds	311.8	301.0	10.8
Insurance contracts	1.1	1.4	–0.3
Total	**491.9**	**453.7**	38.2

Apart from insurance contracts, the plan assets consist of assets for which quoted market prices are available on an active market. As at 31 December 2015, the plan assets included €490.8m (previous year: €452.3m) of the Deka Group's own investment funds. They did not include properties used by the Deka Group or other assets.

The units in mutual funds are used to finance fund-based commitments and working hours accounts. Investments were made in a special fund for commitments under final salary plans and general contribution schemes, the investment strategy of which is based on an integrated asset-liability approach. Insurance contracts relate mainly to term life assurance policies. The risks associated with defined benefit obligations include not only the usual actuarial risks such as longevity risk and interest-rate risk, but also risks in connection with the plan assets. In particular, the plan assets may be subject to market price risks.

The income from the plan assets is assumed to be at the level of the actuarial interest rate which is determined on the basis of corporate bonds with a credit rating of at least AA. If the actual return on the plan assets falls below the actuarial interest rate applied, the net obligation arising from the defined benefit commitments is increased. However, in view of the composition of the plan assets, it is assumed that the actual return over the medium to long term will exceed the yield on good-quality corporate bonds.

The amount of the net obligation is also affected in particular by the actuarial interest rate, whereby the current very low level of interest rates leads to a relatively high net obligation. A further decline in corporate bond yields would lead to a further increase in the defined benefit obligations, which can only be partially offset by the positive performance of the plan assets.

The weighted average maturity of the defined benefit pension obligations was 17.2 years as at the balance sheet date (previous year: 18.2 years).

The present value of the defined benefit obligations is made up as follows:

€m	31 Dec 2015	31 Dec 2014	Change
Current scheme members	360.1	379.8	–19.7
Former scheme members	157.5	139.2	18.3
Pensioners and surviving dependants	187.9	187.0	0.9
Present value of defined benefit obligation	**705.5**	**706.0**	–0.5

For 2016 it is expected that contributions amounting to €16.5m (previous year: €13.5m) will have to be allocated to the defined benefit schemes.

57 Other provisions

€m	31 Dec 2015	31 Dec 2014	Change
Provisions for restructuring measures	9.9	25.5	–15.6
Provisions for legal risiks	9.4	9.2	0.2
Provisions for operational risks[1)]	0.7	1.8	–1.1
Provisions for credit risks	1.8	2.2	–0.4
Provisions in human resources	1.4	0.5	0.9
Provisions in investment funds business[1)]	112.0	111.9	0.1
Sundry other provisions[1)]	105.1	115.2	–10.1
Total	**240.3**	**266.3**	–26.0

[1)] Previous year's figures adjusted.

Restructuring provisions arise from the Deka Group's various restructuring activities, including the transformation process aimed at turning DekaBank into a *Wertpapierhaus* for the savings banks. Provisions for legal and operational risks are established for potential losses that may result from the use of inadequate internal processes and systems or their failure, as well as from human error and external events. Operational risks can lead to claims from customers, counterparties and supervisory authorities or to legal action.

Provisions for credit risks are provisions created for impairments identified in relation to guarantees and sureties (see note [43]).

Provisions established in relation to fund business related mainly to investment funds with formal guarantees and targeted returns, as set out below.

The Deka Group's range of products includes, inter alia, investment funds with guarantees of various types. At maturity of the fund or at the end of the investment period, the capital management company guarantees the capital invested less charges or the unit value at the start of the respective investment period. The amount of the provision is determined from the forecast shortfall at the guarantee date, which represents the difference between the expected and guaranteed unit value. On the balance sheet date provisions of €7.9m (previous year: €8.5m) were established based on the performance of the respective fund assets. As at the reporting date, the guarantees covered a maximum total volume of €4.8bn (previous year: €4.5bn) at the respective guarantee dates. The market value of the corresponding fund assets totalled €5.0bn (previous year: €4.7bn). These also include the funds described below with a forecast return performance amounting to a volume of €2.7bn (previous year: €2.1bn).

Investment funds, whose return is forecast and published on the basis of current money market rates set by the Group, exist in two fund varieties: with or without a capital guarantee. However, the forecast return is not guaranteed. Although the Deka Group is not contractually obliged to meet the funds' target returns, the Deka Group retains the right to support the desired performance of the funds and has set aside the necessary amount. The level of the provision is determined using potential loss scenarios taking account of the risks related to liquidity, interest rate structure, duration and spreads. As at the reporting date, provisions of €78.7m (previous year: €69.7m) had been established. The underlying total value of the funds amounted to €6.1bn (previous year: €5.7bn), of which €2.7bn (previous year: €2.1bn) related to funds with a capital guarantee and €3.4bn (previous year: €3.6bn) related to funds without a capital guarantee.

The sundry other provisions were established in respect of liabilities arising from a range of issues. These include, inter alia, a provision of €54.8m for the contingent purchase price payment in connection with the acquisition of the shares of LBB-INVEST as well as a provision for an onerous contract in the amount of €30.0m.

The movement in other provisions is as follows:

€m	Opening balance 1 Jan 2015	Addition	Utilisation	Reversal	Reclassi-fications	Accumu-lation	Currency effects	Closing balance 31 Dec 2015
Provisions for restructuring measures	25.5	3.7	8.2	3.9	−8.1	–	0.9	9.9
Provisions for legal risks	9.2	0.6	0.3	0.1	–	–	–	9.4
Provisions for operational risks	1.8	0.2	0.6	0.7	–	–	–	0.7
Provisions for credit risks	2.2	–	0.1	0.5	0.2	–	–	1.8
Provisions in human resources	0.5	1.1	0.1	0.1	–	–	–	1.4
Provisions in investment funds business	111.9	16.4	1.6	14.5	–	−0.2	–	112.0
Sundry other provisions	115.2	46.5	56.2	0.4	–	–	–	105.1
Other provisions	**266.3**	**68.5**	**67.1**	**20.2**	**−7.9**	**−0.2**	**0.9**	**240.3**

Depending on their original nature, some of the provisions for restructuring measures are reclassified as provisions for pensions and similar commitments in the subsequent year.

Other provisions include €100.9m (previous year: €113.6m) which are of a medium or long-term nature.

58 Income tax liabilities

€m	31 Dec 2015	31 Dec 2014	Change
Provisions for income taxes	21.3	14.0	7.3
Current income tax liabilities	58.4	78.5	−20.1
Deferred income tax liabilities	28.1	62.3	−34.2
Total	**107.8**	**154.8**	−47.0

Provisions for income taxes relate to corporation tax, the solidarity surcharge and trade tax. Provisions for income taxes include €21.3m (previous year: €14.0m) which are of a medium or long-term nature.

Current income tax liabilities comprise payments due but not yet paid as at the reporting date for income taxes from the reporting year and earlier periods. Deferred income tax liabilities represent the potential income tax charges from temporary differences between the values of assets and liabilities in the IFRS balance sheet and the tax balance sheet.

Deferred tax liabilities were recognised in relation to the following line items in the balance sheet:

€m	31 Dec 2015	31 Dec 2014	Change
Asset items			
Due from banks	9.1	19.2	–10.1
Due from customers	77.6	18.9	58.7
Financial assets at fair value	270.8	455.6	–184.8
Positive market values from derivative hedging instruments	32.6	99.9	–67.3
Financial investments	44.9	33.4	11.5
Intangible assets	6.3	7.5	–1.2
Property, plant and equipment	–	0.8	–0.8
Other assets	4.6	–	4.6
Liability items			
Due to customers	–	0.0	–0.0
Provisions	0.1	0.1	–
Other liabilities	0.8	0.9	–0.1
Sub-total	**446.8**	**636.3**	–189.5
Netting	–418.7	–574.0	155.3
Total	**28.1**	**62.3**	–34.2

The deferred tax liabilities reported are all of a short-term nature.

Netting of deferred tax assets and liabilities relates mainly to short-term deferred taxes as a result of temporary differences in connection with financial assets and liabilities at fair value.

As at the reporting date, temporary differences existed in connection with outside basis differences at consolidated subsidiaries amounting to €471.1m (previous year: €486.3m), resulting in imputed deferred tax liabilities of €7.5m (previous year: €7.8m) of which, in accordance with IAS 12.39, €7.3m were not recognised on the balance sheet. An amount of €0.2m was recognised in connection with the liquidation of a subsidiary, which is expected to be completed in the first quarter of 2016.

During the reporting year, deferred income tax liabilities amounting to €0.7 thousand (previous year: €0.8 thousand) in connection with the revaluation of bonds and other securities in the available for sale portfolio were offset against equity.

59 Other liabilities

The breakdown of other liabilities is as follows:

€m	31 Dec 2015	31 Dec 2014	Change
Liabilities			
Debt capital from minority interests	0.8	289.7	–288.9
Commissions not yet paid to sales offices	97.1	83.1	14.0
Liabilities from current other taxes	30.5	35.5	–5.0
Securities spot deals not yet settled	0.1	0.4	–0.3
Shares of profit attributable to atypical silent partners	7.7	–	7.7
Other	73.6	75.3	–1.7
Accruals			
Sales performance compensation	301.9	275.0	26.9
Personnel costs	107.3	100.7	6.6
Closing and other audit costs	6.2	5.6	0.6
Other accruals	45.3	48.5	–3.2
Prepaid income	4.7	5.8	–1.1
Total	**675.2**	**919.6**	–244.4

Debt capital from minority interests essentially comprises the minority interests in consolidated investment funds. This is shown as other liabilities, since the unit holders have a redemption right at any time.

DekaBank offsets the share of profit attributable to atypical silent partners against the taxes already deducted for the benefit of the owners. The taxes deducted were €7.7m higher than the share of profit concerned. In the previous year, the share of profit was €10.9m higher than the taxes deducted, meaning that a corresponding amount was reported as other miscellaneous assets within other assets.

The item 'other' includes trade payables of €44.0m (previous year: €46.1m) and liabilities to custodial account holders of €1.8m (previous year: €8.3m).

Other liabilities include €0.6m (previous year: €3.1m) which are medium or long-term in nature.

60 Subordinated capital

€m	31 Dec 2015	31 Dec 2014	Change
Subordinated bearer bonds	188.3	396.1	–207.8
Subordinated promissory note loans	213.4	119.6	93.8
Other subordinated liabilities	514.6	412.0	102.6
Prorated interest on subordinated liabilities	21.5	19.9	1.6
Capital contributions of typical silent partners	203.9	203.8	0.1
Prorated interest on capital contributions of typical silent partners	8.0	19.2	–11.2
Total	**1,149.7**	**1,170.7**	–21.0

In detail, the issues of subordinated capital are as follows:

Year of issue	Nominal amount €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
2015	207.3	3.51	2025
2015	22.7	3.58	2026
2015	10.0	3.74	2027
2015	60.0	4.04	2030

There are no agreements or plans to convert these funds into capital or another form of debt. There is no early repayment obligation.

Interest expenses for typical silent capital contributions existing as at the reporting date amounted to €8.0m and are reported in net interest income (see note [30]). Silent capital contributions of €203.9m have been terminated in full.

61 Atypical silent capital contributions

Atypical silent capital contributions amounted to €52.4m (previous year: €52.4m). The distribution on atypical silent capital contributions in the year under review was €56.9m (previous year: €54.9m).

62 Equity

€m	31 Dec 2015	31 Dec 2014	Change
Subscribed capital	286.3	286.3	–
Less own shares	94.6	94.6	–
Additional equity components (AT1 bonds)	473.6	473.6	–
Capital reserve	190.3	190.3	–
Reserves from retained earnings			
Statutory reserve	13.4	13.4	–
Reserves required by the Bank's statutes	51.3	51.3	–
Other reserves from retained earnings	4,054.4	3,790.6	263.8
Total reserves from retained earnings	**4,119.1**	**3,855.3**	263.8
Revaluation reserve			
For provisions for pensions	–154.4	–209.8	55.4
For cash flow hedges	–39.5	–26.4	–13.1
For equity-accounted companies	–3.3	–	–3.3
Applicable deferred taxes	61.5	70.9	–9.4
Total revaluation reserve	**–135.7**	**–165.3**	29.6
Currency translation reserve	16.2	12.5	3.7
Consolidated profit/loss	67.9	65.6	2.3
Total	**4,923.1**	**4,623.7**	299.4

In the 2015 financial year, a negative valuation result from existing cash flow hedges totalling €–13.1m (previous year: €–41.7m) was recorded in the revaluation reserve. In addition, a loss on completed hedging transactions in the amount of €–24.9m (previous year: €–3.2m) was reclassified from the revaluation reserve to profit on financial instruments in the designated at fair value category. Margin cash flows from loans on the basis of unscheduled repayments and syndications, converted in the amount of €74.6m (previous year: €47.2m), will not be entered into in future periods if they were originally hedged. The cash flow hedge was modified accordingly. There were no reclassifications due to the ineffectiveness of hedges during the reporting year.

The hedged cash flows are expected in the following subsequent reporting periods and are scheduled to be recognised through profit or loss in those periods:

€m	31 Dec 2015	31 Dec 2014	Change
Expected cash flows from asset items			
Up to 3 months	25.1	28.8	–3.7
3 months to 1 year	57.0	59.1	–2.1
1 year to 5 years	194.1	222.6	–28.5
More than 5 years	53.3	69.3	–16.0
Total expected cash flows	**329.5**	**379.8**	–50.3

Notes to financial instruments

63 Carrying values by valuation category

In the Deka Group, financial instruments are classified by balance sheet line item and IFRS categories in accordance with IFRS 7:

€m	31 Dec 2015	31 Dec 2014	Change
Asset items			
Loans and receivables			
Due from banks	27,094.0	24,670.1	2,423.9
Due from customers	22,508.0	23,388.7	–880.7
Financial investments	531.1	502.2	28.9
Held to maturity			
Financial investments	2,368.3	2,936.0	–567.7
Available for sale			
Financial investments	45.0	60.1	–15.1
Held for trading			
Financial assets at fair value	33,156.6	36.,.7	–3,089.1
Designated at fair value			
Financial assets at fair value	17,751.2	23,224.3	–5,473.1
Positive market values from derivative hedging instruments	109.0	328.0	–219.0
Total asset items	**103,563.2**	**111,355.1**	–7,791.9
Liability items			
Other liabilities			
Due to banks	24,084.1	26,739.0	–2,654.9
Due to customers	29,462.0	27,626.8	1,835.2
Securitised liabilities	19,921.8	24,121.7	–4,199.9
Subordinated capital	1,149.7	1,170.7	–21.0
Held for trading			
Financial liabilities at fair value	23,162.7	21,813.6	1,349.1
Designated at fair value			
Financial liabilities at fair value	3,952.1	5,314.9	–1,362.8
Negative market values from derivative hedging instruments	36.0	118.8	–82.8
Total liability items	**101,768.4**	**106,905.5**	–5,137.1

64 Net income by valuation category

The individual valuation categories resulted in the following contributions to income and expenses:

€m	2015	2014	Change
Loans and receivables	462.6	742.1	–279.5
Held to maturity	59.8	74.9	–15.1
Other liabilities	–417.8	–584.1	166.3
Other comprehensive income	–	0.6	–0.6
Results recognised in profit or loss	9.7	1.7	8.0
Available for sale	9.7	2.3	7.4
Held for trading	277.2	242.5	34.7
Designated at fair value	16.5	329.2	–312.7
Valuation result from hedge accounting for fair value hedges	–4.1	3.4	–7.5
Result from hedge accounting for cash flow hedges not recognised in profit or loss	–13.1	41.6	–54.7

Income and expenses are presented in line with their allocation to valuation categories in accordance with IAS 39. All income and expense components, i.e. sales and valuation results as well as interest and current income, are included. Net interest income from derivative financial instruments in the trading book is reported in the held for trading category. Net interest income from economic hedging derivatives (banking book derivatives) that do not meet the requirements for hedge accounting are reported in the designated at fair value category. This does not include commission on trading portfolios or financial instruments in the designated at fair value category. Income or expenses from companies valued at equity are also excluded.

As in the previous year, no reclassifications were carried out during the reporting year.

65 Fair value data

The carrying values and fair values of financial assets and financial liabilities are divided among the classes of financial instruments as shown in the following table.

	31 Dec 2015		31 Dec 2014	
€m	**Fair value**	**Carrying value**	**Fair value**	**Carrying value**
Asset items				
Cash reserve	3,608.1	3,608.1	778.4	778.4
Due from banks	27,290.4	27,094.0	25,015.2	24,670.1
Due from customers	22,623.2	22,508.0	23,706.9	23,388.7
Financial assets at fair value	50,907.8	50,907.8	59,470.0	59,470.0
Positive market values from derivative hedging instruments	109.0	109.0	328.0	328.0
Financial assets	3,004.3	2,944.4	3,617.1	3,498.3
Loans and receivables	485.3	531.1	452.3	502.2
Held to maturity	2,474.0	2,368.3	3,104.7	2,936.0
Available for sale	45.0	45.0	60.1	60.1
Other assets	164.5	164.5	187.2	187.2
Total asset items	**107,707.3**	**107,335.8**	**113,102.8**	**112,320.7**
Liability items				
Due to banks	24,290.6	24,084.1	27,005.0	26,739.0
Due to customers	29,806.6	29,462.0	28,086.2	27,626.8
Securitised liabilities	20,025.5	19,921.8	24,254.6	24,121.7
Financial liabilities at fair value	27,114.8	27,114.8	27,128.5	27,128.5
Negative market values from derivative hedging instruments	36.0	36.0	118.8	118.8
Subordinated liabilities	1,249.4	1,149.7	1,267.1	1,170.7
Other liabilities	149.7	149.7	419.3	419.3
Total liability items	**102,672.6**	**101,918.1**	**108,279.5**	**107,324.8**

For financial instruments due on demand or short-term financial instruments, fair value corresponds to the amount payable as at the reporting date. The carrying value therefore represents a reasonable approximation to the fair value. These include, inter alia, the cash reserve, overdraft facilities and demand deposits owed to banks and customers, as well as financial instruments included in the other assets or liabilities items. In the following description of the fair value hierarchy, financial assets amounting to €4,327.2m (previous year: €1,562.6m) and financial liabilities amounting to €10,527.7m (previous year: €7,679.7m) are not allocated to any level of the fair value hierarchy.

Financial instruments in the held to maturity category are bearer bonds for which there was a liquid market on acquisition. Their fair values correspond to market prices or were determined on the basis of observable market parameters.

Interests in affiliated unlisted companies and other equity investments in the amount of €45.0m (previous year: €60.1m) included in financial investments allocated to the available for sale category, for which neither prices from active markets nor the factors relevant for valuation models can be reliably determined, are stated at cost. There is currently no intention to sell these assets. These financial instruments are not allocated to any level of the fair value hierarchy in the table below.

Fair value hierarchy

Financial instruments carried at fair value in the balance sheet, as well as financial instruments that are not measured at fair value but for which the fair value is disclosed, must be allocated to the following three fair value hierarchy levels specified in IFRS 13, depending on the input factors influencing their valuation:

Level 1 (Prices listed on active markets): Financial instruments whose fair value can be derived directly from prices on active, liquid markets are allocated to this level.

Level 2 (Valuation method based on observable market data): Financial instruments whose fair value can be determined either from similar financial instruments traded on active and liquid markets, or from similar or identical financial instruments traded on less liquid markets, or based on valuation methods with directly or indirectly observable input factors are allocated to this level.

Level 3 (Valuation method not based on observable market data): Financial instruments whose fair value is determined based on valuation models using, inter alia, input factors not observable in the market, provided they are significant for the valuation, are allocated to this level.

The tables below show the fair values of the financial instruments recognised on the balance sheet, allocated to the respective level of the fair value hierarchy.

	Prices on active markets (Level 1)		Valuation method based on observable market data (Level 2)		Valuation method not based on observable market data (Level 3)	
€m	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Financial assets at fair value						
Debt securities, other fixed-interest securities and loan receivables	20,672.1	25,727.8	12,904.6	10,619.7	2,400.4	2,548.7
Shares and other non fixed-interest securities	3,672.1	3,132.1	295.7	2,455.1	–	9.9
Derivative financial instruments						
Interest-rate-related derivatives	0.1	–	6,677.1	9,165.0	15.3	0.5
Currency-related derivatives	–	–	113.3	178.1	–	–
Share-price and other price-related derivatives	335.0	682.4	3,313.7	3,439.5	7.9	6.6
Other financial assets (dafv)	–	–	500.5	1,504.6	–	–
Positive market values from derivative hedging instruments	–	–	109.0	328.0	–	–
Assets measured at amortised cost						
Due from banks	–	812.8	18,944.4	13,061.2	7,927.4	10,775.3
Of which relating to genuine repurchase agreements and collateralised securities lending transactions	–	–	10,604.0	5,984.2	–	–
Due from customers	–	195.5	7,767.6	8,950.1	14,719.6	14,330.2
Of which relating to genuine repurchase agreements and collateralised securities lending transactions	–	–	6,517.4	7,742.7	–	–
Financial investments	1,130.2	1,443.6	504.7	586.3	1,324.4	1,527.1
Total	**25,809.5**	**31,994.2**	**51,130.6**	**50,287.6**	**26,395.0**	**29,198.3**
Financial liabilities at fair value						
Securities short portfolios	1,102.3	826.4	114.9	97.7	–	1.1
Derivative financial instruments						
Interest-rate-related derivatives	0.1	–	6,905.4	8,940.0	33.6	0.8
Currency-related derivatives	–	–	127.7	136.5	–	–
Share-price and other price-related derivatives	671.9	828.6	3,828.7	4,217.3	8.3	10.3
Issues	–	–	13,791.3	11,831.7	530.5	238.1
Negative market values from derivative hedging instruments	–	–	36.0	118.8	–	–
Liabilities measured at amortised cost						
Due to banks	–	–	21,418.1	23,990.2	2,403.3	2,896.5
Of which liabilities relating to genuine repurchase agreements and collateralised securities lending transactions	–	–	5,729.4	5,025.8	–	–
Due to customers	–	134.6	18,610.2	18,679.1	1,287.7	2,130.4
Of which liabilities relating to genuine repurchase agreements and collateralised securities lending transactions	–	–	4,781.3	4,949.2	–	–
Securitised liabilities	–	–	20,025.5	24,254.6	–	–
Subordinated capital	–	–	–	313.3	1,249.4	953.8
Total	**1,774.3**	**1,789.6**	**84,857.8**	**92,579.2**	**5,512.8**	**6,231.0**

Reclassifications

The following reclassifications between level 1 and level 2 of the fair value hierarchy took place in respect of assets and liabilities measured at fair value and held in the portfolio at the balance sheet date:

	Reclassification from level 1 to level 2		Reclassification from level 2 to level 1	
€m	**2015**	**2014**	**2015**	**2014**
Financial assets at fair value				
Debt securities, other fixed-interest securities and loan receibales	2,202.4	1,897.3	659.9	125.7
Shares and other non fixed-interest securities	249.5	2,065.0	642.9	538.2
Derivative financial instruments				
Interest-rate-related derivatives	0.1	–	–	–
Financial liabilities at fair value				
Securities short portfolios	3.5	70.8	88.5	–

Financial instruments were transferred from level 1 to level 2 during the year under review because it could no longer be demonstrated that an active market existed for these financial instruments. Financial instruments were also transferred from level 2 to level 1 because, at the reporting date, prices were available for these financial instruments on an active market which could be used unchanged for valuation purposes.

Within the Deka Group, reclassifications between the different levels of the fair value hierarchy are deemed to have taken place as at the end of the relevant reporting period.

Fair value hierarchy level 1

Where securities and derivatives with sufficient liquidity are traded on active markets, and hence where stock market prices or executable broker quotations are available, these prices are used to determine the fair value.

In principle, the redemption price published by the respective *Kapitalverwaltungsgesellschaft* is used to determine the fair value of non-consolidated investment funds.

Fair value hierarchy level 2

Fair values for insufficiently liquid bearer bonds are determined on the basis of discounted future cash flows (the discounted cash flow model). Instrument-specific and issuer-specific interest rates are used for discounting. Interest rates are determined from market prices of similar liquid securities, selected according to criteria in the categories of issuer, sector, rating, rank and maturity.

If no price is observable on an active market for long-term financial liabilities, fair value is determined by discounting the contractually agreed cash flows using an interest rate at which comparable liabilities could have been issued. Any existing collateralisation structure is taken into account, such as that used for *Pfandbriefe*, for example.

Provided that they are not products traded on the stock market, derivative financial instruments are in principle measured using standard valuation models, such as the Black-Scholes model, the Black-76 model, the Bachelier model, the Hull-White 1 and 2 factor models, displaced diffusion models or the local volatility model. The models are always calibrated using observable market data.

Furthermore, in some individual cases and under restrictive conditions, options traded on the stock market are also measured using the Black-Scholes model. This case-by-case regulation applies to special EUREX options where the published price is not based on sales or actual trading volume, but on the 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 forward interest rate curves. Discounting is carried out using the respective currency-specific interest rate curve. This is used for bootstrapping the forward yield curve.

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

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

The fair value of deposits and borrowings is determined by discounting future cash flows using discount rates that are customary for similar financial transactions with similar terms on liquid or less liquid markets.

The fair value of receivables and liabilities from genuine securities repurchase agreements is calculated by discounting future cash flows using the corresponding discount rate adjusted for credit risk. The discount rate applied takes into account the collateral criteria defined at the time the genuine repurchase agreement was concluded.

Fair value hierarchy level 3

Fair values of amounts due from banks or due from customers relating to lending business are determined using the present value method. Future cash flows from receivables are discounted at a risk-adjusted market rate based on the categories of borrower, sector, rating, rank and maturity. For the valuation of collateralised loans, the collateral structure is also taken into account. The interest rate for a comparable unsecured loan is adjusted according to the collateralisation category and percentage.

Bonds and debt securities reported under assets measured at amortised cost are bonds and securitisation positions for which DekaBank had no current market price information as at the reporting date. Bonds are valued using the discounted cash flow model, applying risk-adjusted market interest rates. The differing credit ratings of issuers are taken into account through appropriate adjustments in the discount rates.

The bonds and debt securities in the designated at fair value category and reported under financial assets at fair value essentially relate to plain vanilla bonds and non-synthetic securitisation positions. Since 2009, the Bank has been winding down the latter whilst safeguarding assets. Determining the fair value of plain vanilla bonds involves the use of credit spreads that are not observable in the market. Assuming an average uncertainty of five basis points relating to the credit spreads, the fair value of the plain vanilla bonds could have been €1.0m higher or lower.

The fair value of non-synthetic securitisation positions in the portfolio is determined on the basis of indicative quotations or via spreads derived from indicative quotations for comparable bonds. These quotations are obtained from various brokers as well as from market price providers, such as S&P. The bid-ask spreads from the available price indications for the individual securitisation positions were used to determine a cautious bid-ask spread, which was used as an estimate for price sensitivity. Using this bid-ask spread, a variation range of 1.33 percentage points averaged across the portfolio was obtained. On this basis, the market value of the securitisation positions concerned could have been €2.5m lower or higher.

The bonds and debt securities presented within the financial assets at fair value line item in the held for trading category are plain vanilla bonds measured using credit spreads not observable in the market. Assuming an average uncertainty of five basis points relating to the credit spreads, the market value of the positions concerned could have been €7.8m higher or lower.

The Bank also allocates to level 3 a limited number of equity and interest rate derivatives or issues with embedded equity and interest rate derivatives, for example if unobservable valuation parameters are used which are significant for their valuation. For equity and interest rate derivatives whose valuation requires correlations, the Bank typically uses historical correlations with the respective share prices or interest rate fixings, or changes to these. Using a 14.0% shift in the correlations, the sensitivity of the equity option positions concerned as at 31 December 2015 was around €–4.4m. The size of the shift was determined on the basis of relevant historical fluctuations in the correlations. For interest rate derivatives based on an index spread, the sensitivity in terms of the correlation between the relevant reference indices is mapped via shifts in the model parameters. The resulting change in the correlation is approximately +3%, giving rise to a measurement difference of €–0.1m. There are also equity derivatives with a maturity that is longer than the equivalent (based on the underlying) equity (index) options. The temporal extrapolation uncertainty amounts to an equity vega of 1.2, resulting in a value of approximately €0.4m as at 31 December 2015. For credit default swaps (CDS) and credit linked notes with a longer maturity than CDS spreads quoted on the market, a temporal extrapolation uncertainty of five basis points is assumed. As at 31 December 2015, this results in a value of €0.9m.

Under subordinated liabilities, DekaBank essentially reports positions of a hybrid capital nature which are allocated to level 3 due to the absence of indications of spreads tradable on the market. They are valued using the discounted cash flow model based on an interest rate which is checked at the relevant reporting date.

As at 31 December 2015, 99.0% of bonds and other fixed-income securities allocated to level 3 for which an external rating was available were rated as investment grade.

Performance of financial instruments in fair value hierarchy level 3

The movement in level 3 assets carried at fair value in the balance sheet is shown in the table below. This is based on fair values without accrued interest.

€m	Debt securities, other fixed-interest securities and loan receivables	Shares and other non fixed interest securities	Interest-rate-related derivatives	Share-price and other price-related derivatives	Total
As at 1 January 2014	1,849.0	–	0.9	5.9	1,855.8
Additions through purchase	690.4	–	–	–	690.4
Disposals through sale	73.7	–	–	–	73.7
Maturity/repayments	267.8	–	–	–	267.8
Transfers					
To level 3	285.2	9.9	–	–	295.1
From level 3	–	–	–	–	–
Changes arising from measurement/disposal[1]					
Recognised in profit or loss	62.4	–	−0.4	0.7	62.7
Recognised in other comprehensive income	–	–	–	–	–
As at 31 December 2014	**2,545.5**	**9.9**	**0.5**	**6.6**	**2,562.5**
Movement in unrealised gains or losses in respect of assets in the portfolio at the balance sheet date[2]	**49.7**	**–**	**−0.4**	**0.7**	**50.0**
Additions through purchase	2,425.5	–	1.1	0.0	2,426.6
Disposals through sale	703.4	–	–	–	703.4
Maturity/repayments	1,955.0	5.2	–	0.1	1,960.3
Transfers					
To level 3	88.9	–	14.6	1.4	104.9
From level 3	52.0	4.5	0.5	–	57.0
Changes arising from measurement/disposal[1]					
Recognised in profit or loss	45.6	−0.2	–	−0.3	45.1
As at 31 December 2015	**2,395.1**	**−0.0**	**15.7**	**7.6**	**2,418.3**
Movement in unrealised gains or losses in respect of assets in the portfolio at the balance sheet date[2]	**14.7**	**–**	**–**	**−0.3**	**14.4**

[1] Movements arising from the measurement/disposal of level 3 financial instruments are recognised through profit or loss within net interest income, trading profit or loss and profit or loss on financial instruments designated at fair value.

[2] Unrealised profits or losses from level 3 financial instruments are presented within net interest income, trading profit or loss and profit or loss on financial instruments designated at fair value

The movement in level 3 liabilities carried at fair value in the balance sheet is shown in the table below This is based on fair values without accrued interest:

€m	Securities short portfolios	Interest-rate-related derivatives	Share-price and other price-related derivatives	Issues	Total
As at 1 January 2014	**–**	**0.8**	**11.7**	**116.5**	**129.0**
Additions through issues	–	–	–	186.5	186.5
Maturity/repayments	–	–	2.3	72.6	74.9
Transfers					
To level 3	1.1	–	–	–	1.1
From level 3	–	–	–	–	–
Changes arising from measurement/disposal[1]					
Recognised in profit or loss	–	0.2	−0.9	−7.4	−8.1
Recognised in other comprehensive income	–	–	–	–	–
As at 31 December 2014	**1.1**	**0.6**	**10.3**	**237.8**	**249.8**
Movement in unrealised gains or losses in respect of liabilities in the portfolio at the balance sheet date[2]	**–**	**0.2**	**−1.0**	**−7.0**	**−7.8**
Additions through purchase	–	18.9	0.6	–	19.5
Disposals through sale	–	0.2	–	–	0.2
Additions through issues	–	–	–	384.2	384.2
Maturity/repayments	–	–	3.0	172.5	175.5
Transfers					
In Level 3	–	14.0	0.6	149.1	163.7
Aus Level 3	1.1	0.4	–	43.8	45.3
Changes arising from measurement/disposal[1]					
Recognised in profit or loss	–	–	0.3	26.6	26.9
Recognised in other comprehensive income	–	–	–	–	–
As at 31 December 2015	**–**	**32.9**	**8.2**	**528.2**	**569.3**
Movement in unrealised gains or losses in respect of liabilities in the portfolio at the balance sheet date[2]	**–**	**–**	**0.3**	**26.6**	**26.9**

[1] Movements arising from the measurement/disposal of level 3 financial instruments are recognised through profit or loss within net interest income, trading profit or loss and profit or loss on financial instruments designated at fair value.
[2] Unrealised profits or losses from level 3 financial instruments are presented within net interest income, trading profit or loss and profit or loss on financial instruments designated at fair value.

Measurement processes for financial instruments in fair value hierarchy level 3

For all transactions in the trading book and the banking book, DekaBank essentially performs a daily valuation independent of trading operations, which provides the basis for the calculation of results. Responsibility for the valuation process lies with Risk Control, the different tasks being assigned to various specialist teams as part of the valuation process. The models used for theoretical valuation of transactions must undergo validation and initial acceptance before they are employed in the valuation process. Adequacy checks are carried out on a regular basis as part of normal operations. The main steps in the process are the provision of market data that is independent of trading activities, parameterisation, performance of the valuation and quality assurance. The above mentioned steps and processes are each designed and conducted by one team.

Finance and Risk Control analyse and provide commentary on any notable changes in the valuation carried out independently of trading activities. The economic profits and losses determined on the basis of this independent valuation are made available to the trading units on a daily basis for the trading book and on a weekly basis for the banking book. To support the process, a committee has been established within Risk Control which plans and coordinates the medium to long-term development of the valuation process.

Valuation models are always used where no reliable external prices are available. External price quotations are obtained from established providers such as stock exchanges and brokers. Every price is subject to a monitoring process which assesses its quality and establishes whether it is appropriate for use in the valuation process. Unless the level of quality is assessed as inadequate, a theoretical valuation is carried out.

For financial instruments whose present value is determined using a valuation model, the prices needed to calibrate the model are either found directly, independently of trading, or are checked via an independent price verification process (IPV) to ensure they are consistent with the market, and are corrected if necessary. The valuation models used are either validated by Risk Control or implemented in Risk Control independently of trading. The appropriateness of the models is examined by Risk Control on a regular basis, and at least once a year. The results of the examination form the basis for a joint recommendation agreed between Risk Control, Finance and the trading units on whether the valuation models should continue to be used or require further development.

When new financial instruments are introduced, existing valuation processes are examined to determine whether they can be applied to the new instrument and modified or expanded if necessary. Valuation processes may be expanded to include new price sources or apply new valuation models. Where new models are introduced, Risk Control checks for model risks as part of the implementation and validation process. If model risks are present, a corresponding model reservation is taken into account.

66 Offsetting financial assets and liabilities

The following table contains disclosures concerning the effects of offsetting on the Deka Group's consolidated balance sheet. Offsetting is currently only carried out for receivables and liabilities from genuine securities repurchase agreements and derivative transactions.

31 Dec 2015				Associated amounts not offset in the balance sheet		
€m	Financial assets/ liabilities (gross)	Offset financial assets/ liabilities	Financial assets/liabilities shown in the balance sheet (net)	Collateral – securities	Collateral – cash	Net amount
Assets						
Receivables arising from securities repurchase agreements (eligible for offsetting)	6,201.2	3,043.8	3,157.4	3,157.4	–	–
Receivables arising from securities repurchase agreements (not eligible for offsetting)	14,231.3	–	14,231.3	14,231.3	–	–
Derivatives (eligible for offsetting)	4,648.4	4,605.2	43.2	–	–	43.2
Derivatives (not eligible for offsetting)	10,528.3	–	10,528.3	268.1	1,173.8	9,086.4
Total	**35,609.2**	**7,649.0**	**27,960.2**	**17,656.8**	**1,173.8**	**9,129.6**
Liabilities						
Liabilities arising from securities repurchase agreements (eligible for offsetting)	6,514.2	3,043.8	3,470.4	3,470.4	–	–
Liabilities arising from securities repurchase agreements (not eligible for offsetting)	6,457.9	–	6,457.9	6,457.9	–	–
Derivatives (eligible for offsetting)	4,820.0	4,771.0	49.0	49.0	–	–
Derivatives (not eligible for offsetting)	11,562.8	–	11,562.8	149.1	2,580.1	8,833.6
Total	**29,354.9**	**7,814.8**	**21,540.1**	**10,126.4**	**2,580.1**	**8,833.6**

31 Dec 2014				Associated amounts not offset in the balance sheet		
€m	Financial assets/ liabilities (gross)	Offset financial assets/ liabilities	Financial assets/liabilities shown in the balance sheet (net)	Collateral – securities	Collateral – cash	Net amount
Assets						
Receivables arising from securities repurchase agreements (eligible for offsetting)	8,195.9	5,080.6	3,115.3	3,115.3	–	–
Receivables arising from securities repurchase agreements (not eligible for offsetting)	11,360.3	–	11,360.3	11,360.3	–	–
Derivatives (eligible for offsetting)	4,531.1	4,530.9	0.2	–	–	0.2
Derivatives (not eligible for offsetting)	13,799.9	–	13,799.9	15.1	1,118.8	12,666.0
Total	**37,887.2**	**9,611.5**	**28,275.7**	**14,490.7**	**1,118.8**	**12,666.2**
Liabilities						
Liabilities arising from securities repurchase agreements (eligible for offsetting)	9,675.7	5,080.6	4,595.1	4,595.1	–	–
Liabilities arising from securities repurchase agreements (not eligible for offsetting)	4,837.6	–	4,837.6	4,829.0	8.6	–
Derivatives (eligible for offsetting)	4,737.7	4,737.1	0.6	–	0.6[1)]	–
Derivatives (not eligible for offsetting)	14,251.7	–	14,251.7	222.5	2,421.8	11,607.4
Total	**33,502.7**	**9,817.7**	**23,685.0**	**9,646.6**	**2,431.0**	**11,607.4**

[1)] Initial margin and default fund contribution totalling €112.7m.

In principle, the Deka Group enters into securities repurchase agreements and derivative transactions eligible for offsetting on the basis of standardised framework contracts with central counterparties. Offsetting is carried out provided the offsetting agreements defined in the contracts are in accordance with the offsetting criteria under IAS 32.42.

Transactions subject to offsetting agreements but which do not meet the offsetting criteria under IAS 32.42, or which are carried out on a gross basis as part of normal business activities, are reported gross. In such cases, all claims and obligations are essentially only offset and processed on a net basis if the counterparty does not meet its payment obligations (liquidation netting).

67 Information on the quality of financial assets

Impaired exposure and provisions for loan losses by risk segment

The table below shows the gross book values of receivables and securities in the loans and receivables and held to maturity categories which have been written down by means of specific provisions or provisions for country risks. Off-balance sheet exposures for which a provision for loan losses has been established using provisions for individual risks are also included in the written-down gross or net exposure.

€m	Financial institu-tions	Trans-port and export finance	Energy and utility infrastruc-ture	Property risks	Public infrastruc-ture	Corpo-rates	Other	Total 31 Dec 2015	Total 31 Dec 2014
Impaired gross loan volume[1]	–	280.0	33.7	33.4	99.5	71.8	0.8	519.2	523.5
Collateral[2]	–	113.8	–	16.8	–	–	–	130.6	163.1
Impaired net loan volume[1]	–	166.2	33.7	16.6	99.5	71.8	0.8	388.6	360.4
Provisions for loan losses	22.4	118.9	31.6	32.2	39.5	18.6	1.4	264.6	207.0
Specific valuation allowances	–	92.5	23.6	30.3	38.7	17.7	0.1	202.9	146.7
Provisions	–	–	–	–	–	–	0.4	0.4	0.4
Portfolio valuation allowances for country risks	–	2.2	1.7	–	–	–	–	3.9	4.2
Portfolio valuation allowances for credit-worthiness risk	22.4	24.2	6.3	1.9	0.8	0.9	0.9	57.4	55.7

[1] Gross and net loan volumes impaired by specific and country valuation allowances. The figures shown represent the gross carrying value of the impaired financial assets at the respective balance sheet date.
[2] Recognition of measureable collateral after discounts.

In addition to provisions for loan losses of €226.2m (previous year: €182.8m), risk provisions also include provisions for financial investments amounting to €38.4m (previous year: €24.2m).

As at the reporting date, the total amount of loans in default but not impaired amounted to €36.1m (previous year: €13.4m).

Non-performing exposures

Non-performing exposures under the definition introduced by the EBA for supervisory reporting (FINREP) amounted to €698.5m (previous year: €769.0m). This relates to exposures that are more than 90 days overdue or for which the Bank expects that the borrower will not satisfy its loan obligations in full. It is also mandatory to classify exposures as non-performing where the CRR regulations (Article 178) require them to be classified as in default or where specific provisions have been made against them. In addition, exposures subject to successful restructuring measures may only be classified as performing after a recovery period of at least one year has elapsed.

The following table shows the breakdown of non-performing exposures by risk segment.

€m	Transport and export finance	Energy and utility infrastructure	Property risks	Public infrastructure	Corpo-rates	Other	Total 31 Dec 2015	Total 31 Dec 2014
Non-performing exposures[1]	423.8	69.1	33.4	99.5	71.8	0.9	698.5	769.0
Collateral[2]	180.0	–	16.8	–	–	–	196.8	276.7
Provision for loan losses	99.8	28.5	30.3	38.7	17.7	0.5	215.5	162.6
Specific valuation allowances	92.5	23.6	30.3	38.7	17.7	0.1	202.9	146.7
Provisions	–	–	–	–	–	0.4	0.4	0.4
Portfolio valuation allowances for country risks	2.2	1.7	–	–	–	–	3.9	4.2
Portfolio valuation allowances for credit-worthiness risk	5.1	3.2	–	–	–	–	8.3	11.3

[1] The values shown represent the gross carrying value of the credit-risk bearing financial assets classified as non-performing.
[2] Recognition of measureable collateral after discounts.

The amounts stated for the securities presented are the values that the Deka Group calculates for internal purposes. These amounts are generally determined on the basis of the underlying market value, taking into account appropriate discounts for general resale risks and allowing for future volatility in market values. The amounts stated for guarantees and sureties are primarily based on the creditworthiness of the party providing the collateral. As at the balance sheet date, the market value of the physical collateral provided stood at €284.1m; guarantees and sureties received amounted to €16.0m.

Exposures with forbearance measures

The Deka Group concludes extension or restructuring agreements with borrowers experiencing financial difficulties if there is a prospect of recovery. Responsibility for the monitoring and management of such deferred or restructured exposures rests with the Monitoring Committee, in accordance with the general rules on default monitoring (see the risk report). Furthermore, creditworthiness-related restructuring measures or deferral agreements represent objective evidence of an impairment. Relevant exposures are tested individually for impairment, and where necessary specific provisions are recognised (see note [15]). Where restructuring measures entail such extensive contractual amendments that a new asset exists from an accounting perspective, this is presented in the balance sheet as a disposal of the original asset and acquisition of a new asset. If there is a difference between the carrying value and the fair value of the asset to be disposed of, the difference is posted directly to profit or loss.

Exposures are no longer classified as forborne if all of the following conditions are met:

- More than two years (probation period) have elapsed since the exposure ceased to be classified as non-performing.
- Regular payments for a significant amount of the interest and principal due have been made during the probation period.
- None of the exposures is more than 30 days overdue.

As at the balance sheet date, there were €803.7m (previous year: €897.5m) of deferred or restructured exposures requiring classification as forborne exposures under the EBA definition. Risk provisions in place in respect of these exposures amounted to €181.2m (previous year: €143.3m)

The following table shows the breakdown of forborne exposures by risk segment. The vast majority of forborne exposures have already been classified as non-performing exposures and are therefore also shown in the table of non-performing exposures by risk segment.

€m	Transport and export finance	Energy and utility infrastructure	Property risks	Public infrastructure	Corporates	Other	Total 31 Dec 2015	Total 31 Dec 2014
Forborne exposures[1]	530.0	113.0	40.2	120.5	–	–	803.7	897.5
of which performing	134.3	50.1	26.5	21.0	–	–	231.9	195.4
of which non-performing	395.7	62.9	13.7	99.5	–	–	571.8	702.1
Collateral[2]	238.5	12.0	0.7	–	–	–	251.2	313.4
Provision for loan losses	101.6	28.1	12.8	38.7	–	–	181.2	143.3
Specific valuation allowances	92.0	23.6	12.5	38.7	–	–	166.8	130.3
Portfolio valuation allowances for credit-worthiness risk	9.6	4.5	0.3	–	–	–	14.4	13.0

[1] The values shown represent the gross carrying value of the credit-risk bearing financial assets classified as non-performing.
[2] Recognition of measureable collateral after discounts. The market value of the physical collateral provided amounted to €382.3m at the balance sheet date.

Key ratios for non-performing and forborne exposures

%	2015	2014
NPE rate at the reporting date (Ratio of non-performing exposures to maximum credit risk)	0.67	0.72
NPE coverage ratio, including collateral, at the reporting date (Ratio of provisions for loan losses, including collateral, to non-performing exposures)	59.01	57.35
Forborne exposures ratio at the reporting date (Ratio of forborne exposures to maximum credit risk)	0.77	0.84

The maximum credit risk underlying the rate of non-performing and forborne exposures is determined based on IFRS 7.36a, using credit-risk bearing financial assets and the corresponding off-balance sheet liabilities. Financial instruments measured at amortised cost are included at gross carrying value, credit-risk bearing financial instruments measured at fair value are included at fair value, irrevocable lending commitments are included at the respective amount of the commitment and sureties and guarantees are included at nominal value. On this basis, the maximum credit risk was €104.7bn (previous year: €107.3bn) at the balance sheet date.

68 Credit exposure in individual European countries

The following table shows the exposure to selected European countries from an accounting perspective. In addition to receivables and securities, this comprises credit linked notes issued by the Bank that are referenced to these countries as well as credit default swaps from both the protection buyer and protection seller perspectives:

	31 Dec 2015			31 Dec 2014		
€m	Nominal[1]	Carrying value	Fair value	Nominal[1]	Carrying value	Fair value
Ireland						
Debt securities (designated at fair value category)	30.0	31.4	31.4	30.0	32.7	32.7
Italy						
Debt securities (designated at fair value category)	265.0	265.1	265.1	280.0	278.8	278.8
Credit default swaps (protection seller)	90.5	0.7	0.7	30.0	−0.3	−0.3
Credit default swaps (protection buyer)	−60.5	−0.3	−0.3	–	–	–
Credit linked notes[2] (held for trading category)	−20.0	−19.9	−19.9	−20.0	−19.6	−19.6
Portugal						
Credit default swaps (protection seller)	17.0	−1.5	−1.5	9.1	0.0	0.0
Credit default swaps (protection buyer)	−17.0	1.5	1.5	−9.1	−0.0	−0.0
Spain						
Receivables (loans and receivables category)	–	–	–	2.0	2.0	1.9
Debt securities (held for trading category)	95.0	95.8	95.8	96.0	99.6	99.6
Securities forward contracts	−35.0	−1.9	−1.9	–	–	–
Credit default swaps (protection seller)	35.1	0.1	0.1	20.3	0.1	0.1
Credit default swaps (protection buyer)	−3.0	−0.0	−0.0	−3.0	−0.0	−0.0
Credit linked notes[2] (held for trading category)	−17.8	−18.1	−18.1	−17.0	−17.3	−17.3
Total	**379.3**	**352.9**	**352.9**	**418.3**	**376.0**	**375.9**

[1] The nominal values of the protection buyer transactions are shown with a negative sign.
[2] The figure shown is the fair value of credit linked notes issued by the Bank and relating to a liability of the respective country.

In addition to exposure to the government of Spain, the Bank also has exposure to Spanish banks. This mainly relates to bonds with a nominal value of €490.7m (previous year: €240.2m), including one bond in the held to maturity category with a nominal value of €25.0m (previous year: €25.0m). The remaining bonds are measured at fair value through profit or loss. There are also receivables from securities repurchase agreements and collateralised securities lending transactions amounting to €505.2m (previous year: €532.2m), compared with liabilities from securities repurchase agreements and collateralised securities lending transactions amounting to €406.6m. The receivables and liabilities were allocated to the loans and receivables and other liabilities categories, respectively. A loan allocated to the loans and receivables category, with a nominal value of €150.0m, was repaid in full during the reporting period.

DekaBank also holds loan receivables with a value of €235.3m (previous year: €257.4m) allocated to the loans and receivables category in respect of companies that are majority state-owned by Russia. There is no exposure to Ukraine. As was already the case at the end of 2014, there was no exposure to borrowers classified under Greek country risk at the end of 2015.

69 Derivative transactions

The Deka Group uses derivative financial instruments for trading purposes and to hedge interest rate risks, currency risks, and equity and other price risks. The following table shows the portfolio of derivative financial instruments by type of risk hedged and by contract type:

	Nominal value		Positive fair values [1]		Negative fair values [1]	
€m	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Interest rate risks **OTC products**						
Interest rate swaps	426,970.8	409,374.6	10,823.6	13,305.1	9,777.3	12,127.7
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	255.8	51.9	56.3
Sales	10,602.7	11,515.7	116.3	124.3	342.6	439.6
Caps, floors	3,050.8	2,816.6	19.8	111.5	8.9	8.8
Other interest rate contracts	2,715.0	2,303.2	7.0	6.5	143.8	207.5
Stock exchange traded products						
Interest rate futures/options	15,426.7	18,660.9	2.6	1.6	2.3	9.6
Sub-total	**505,551.5**	**472,731.8**	**11,175.1**	**13,805.5**	**10,328.5**	**12,849.9**
Currency risks **OTC products**						
Foreign exchange future contracts	15,623.6	11,547.3	113.9	178.0	127.7	144.9
(Interest rate) currency swaps	9,101.8	8,307.8	233.7	220.6	1,419.9	947.9
Sub-total	**24,725.4**	**19,855.1**	**347.6**	**398.6**	**1,547.6**	**1,092.8**
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	2,720.6	2,135.6	2,120.0	2,211.4	–	–
Sales	22,430.1	7,530.4	–	–	2,515.2	2,888.1
Credit derivatives	11,250.7	9,497.0	106.3	106.8	112.1	72.3
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	22,002.5	1,399.8	1,777.5	1,867.3	2,048.1
Share futures	283.7	170.7	15.9	12.8	7.1	10.6
Sub-total	**62,286.1**	**44,985.0**	**3,672.5**	**4,141.2**	**4,514.6**	**5,066.8**
Total	**592,563.0**	**537,571.9**	**15,195.2**	**18,345.3**	**16,390.7**	**19,009.5**
Net amount presented on the statement of financial position			**10,571.6**	**13,800.1**	**11,611.8**	**14,252.3**

[1] Fair values are shown before offsetting against variation margin paid or received.

The lower amount carried in the balance sheet compared with fair values is due to allowance for the variation margin from transactions with central counterparties. Within assets, the variation margin received reduced the fair values by a total of €4.6bn (previous year: €4.5bn). Conversely, the variation margin paid reduced fair values within liabilities by a total of €4.8bn (previous year: €4.8bn).

The following table shows nominal values and positive and negative market values for derivative transactions by counterparty:

	Nominal value		Positive fair values [1]		Negative fair values [1]	
€m	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Banks in the OECD	203,590.7	213,584.7	6,751.9	9,671.4	7,721.3	9,887.9
Public offices in the OECD	25,988.1	22,131.3	970.0	1,018.5	355.7	399.9
Other counterparties	362,984.2	301,855.9	7,473.3	7,655.4	8,313.7	8,721.7
Total	**592,563.0**	**537,571.9**	**15,195.2**	**18,345.3**	**16,390.7**	**19,009.5**

[1] Fair values are shown before offsetting against variation margin paid or received.

70 Breakdown by remaining maturity

Remaining maturity is seen as the time between the reporting date and the contractually agreed maturity of the receivable or liability or their partial payment amount. Financial assets and liabilities at fair value were in principle recognised according to contractual maturity. However, financial instruments in the held for trading sub-category were deemed to have a maximum remaining maturity of one year due to the intention to trade. Equity instruments were allocated to the due on demand and indefinite term maturity bracket. Financial investments that serve business operations on an ongoing basis as part of ordinary business activity but do not have a contractually agreed maturity are not included in this breakdown.

€m	31 Dec 2015	31 Dec 2014	Change
Asset items			
Due from banks			
Due on demand and indefinite term	5,137.8	3,669.6	1,468.2
Up to 3 months	6,788.9	6,079.2	709.7
Between 3 months and 1 year	6,153.8	6,099.1	54.7
Between 1 year and 5 years	7,649.3	8,049.5	–400.2
More than 5 years	1,364.2	772.7	591.5
Due from customers			
Due on demand and indefinite term	1,082.7	1,855.6	–772.9
Up to 3 months	1,456.6	2,595.5	–1,138.9
Between 3 months and 1 year	4,793.0	4,570.9	222.1
Between 1 year and 5 years	10,185.3	10,221.8	–36.5
More than 5 years	4,990.4	4,144.9	845.5
Financial assets at fair value			
Of which non-derivative assets			
Due on demand and indefinite term	3,967.8	5,605.9	–1,638.1
Up to 3 months	5,545.3	4,111.0	1,434.3
Between 3 months and 1 year	17,620.4	20,352.3	–2,731.9
Between 1 year and 5 years	10,205.1	10,341.8	–136.7
More than 5 years	3,108.4	5,586.9	–2,478.5
Of which derivative assets			
Up to 3 months	1,375.2	772.9	602.3
Between 3 months and 1 year	8,160.0	11,720.5	–3,560.5
Between 1 year and 5 years	244.6	369.2	–124.6
More than 5 years	681.0	609.5	71.5
Positive market values from derivative hedging instruments			
Up to 3 months	1.8	3.6	–1.8
Between 3 months and 1 year	0.2	2.9	–2.7
Between 1 year and 5 years	20.3	48.1	–27.8
More than 5 years	86.7	273.4	–186.7
Financial investments			
Due on demand and indefinite term	0.0	0.1	–0.1
Up to 3 months	50.6	45.6	5.0
Between 3 months and 1 year	394.4	493.7	–99.3
Between 1 year and 5 years	2,068.4	2,499.5	–431.1
More than 5 years	386.0	399.2	–13.2

€m	31 Dec 2015	31 Dec 2014	Change
Liability items			
Due to banks			
Due on demand and indefinite term	3,564.0	1,385.4	2,178.6
Up to 3 months	10,878.1	14,238.0	−3,359.9
Between 3 months and 1 year	6,289.1	7,597.0	−1,307.9
Between 1 year and 5 years	1,893.0	1,664.9	228.1
More than 5 years	1,459.9	1,853.7	−393.8
Due to customers			
Due on demand and indefinite term	11,424.4	9,099.2	2,325.2
Up to 3 months	10,688.8	11,699.5	−1,010.7
Between 3 months and 1 year	4,077.8	3,746.9	330.9
Between 1 year and 5 years	1,622.8	1,382.4	240.4
More than 5 years	1,648.2	1,698.8	−50.6
Securitised liabilities			
Up to 3 months	10,585.0	6,194.9	4,390.1
Between 3 months and 1 year	4,309.2	13,679.2	−9,370.0
Between 1 year and 5 years	3,981.6	2,851.0	1,130.6
More than 5 years	1,046.0	1,396.6	−350.6
Financial liabilities at fair value			
of which non-derivative assets			
Due on demand and indefinite term	792.1	1,542.8	−750.7
Up to 3 months	1,775.6	1,593.6	182.0
Between 3 months and 1 year	11,290.6	7,540.4	3,750.2
Between 1 year and 5 years	922.6	1,180.4	−257.8
More than 5 years	758.1	1,137.8	−379.7
of which derivative assets			
Up to 3 months	1,505.3	880.6	624.7
Between 3 months and 1 year	8,450.7	11,602.1	−3,151.4
Between 1 year and 5 years	948.7	948.5	0.2
More than 5 years	671.1	702.3	−31.2
Negative market values from derivative hedging instruments			
Up to 3 months	0.9	12.1	−11.2
Between 3 months and 1 year	2.9	4.0	−1.1
Between 1 year and 5 years	27.8	94.7	−66.9
More than 5 years	4.4	8.0	−3.6
Subordinated capital			
Up to 3 months	29.5	39.1	−9.6
Between 3 months and 1 year	40.0	308.1	−268.1
Between 1 year and 5 years	282.5	323.4	−40.9
More than 5 years	797.7	500.1	297.6

Other information

71 Capital management

The objectives of capital management are to ensure adequate capital to carry out the business strategy determined by the Board of Management, to achieve an appropriate return on equity and to comply with regulatory capital requirements (for more information, see note [72]). The analysis of DekaBank's risk-bearing capacity is conducted chiefly based on an approach focused on the liquidity perspective. The definition of economic equity capital corresponds to the primary risk cover potential, which is the basis for the business strategy. In principle, DekaBank determines the overall risk across all significant risk types that impact on profit or loss and also includes those risks not taken into consideration for regulatory purposes, for example business risk. Overall risk is measured as the amount of capital that is highly likely to be sufficient to cover all losses from the main high risk positions within a year and at any time. 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.

To assess risk-bearing capacity on a differentiated basis, DekaBank distinguishes between primary and secondary risk cover potential. From a liquidation approach, the total risk cover potential, known as overall risk-bearing capacity, essentially consists of equity capital according to IFRS, income components and positions of a hybrid capital nature (subordinated capital) and is available in its entirety as a formal overall risk limit to guarantee the Bank's risk-bearing capacity. A capital buffer is defined for stress scenarios based on this outcome. The lower limit of this buffer is referred to as secondary risk cover potential. The primary control parameter and hence the basis of the allocated risk capital is referred to as primary risk cover potential, which is obtained by deducting secondary risk cover potential from the overall risk-bearing capacity.

72 Regulatory capital (own funds)

Since 1 January 2014 regulatory capital and capital adequacy have been calculated in accordance with the regulation on prudential requirements for credit institutions and investment firms (Capital Requirements Regulation – CRR) and pursuant to the directive on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (Capital Requirements Directive IV – CRD IV).

The figures presented below are shown in accordance with the transitional provisions set out in CRR/CRD IV as well as pursuant to full application of the new regulations. Regulatory capital is calculated based on the figures from the IFRS consolidated financial statements. The composition of regulatory capital is shown in the following table:

	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)**
Subscribed capital	286	286	286	286
Less repurchased Common Equity Tier 1 instruments	95	38	95	19
Open reserves	4,095	4,095	3,601	3,601
Other comprehensive income	160	–	46	–
Prudential filters	76	78	14	13
Deductions from Common Equity Tier 1 items	337	209	438	88
Common Equity Tier 1 (CET 1) capital	**3,866**	**4,213**	**3,295**	**3,798**
Additional Tier 1 capital instruments	474	474	474	474
Silent capital contributions	–	37	–	63
Deductions from Additional Tier 1 items	–	218	–	340
Additional Tier 1 (AT1) capital	**474**	**292**	**474**	**196**
Tier 1 capital	**4,339**	**4,505**	**3,768**	**3,964**
Subordinated liabilities	855	855	663	642
Deductions from Tier 2 items	–	41	–	86
Tier 2 (T2) capital	**855**	**814**	**663**	**556**
Own funds	**5,194**	**5,319**	**4,431**	**4,520**

The increase in Tier 1 capital is mainly due to the reinvestment of profits from the 2014 financial year. Tier 2 capital also increased in 2015, as a result of the issue of subordinated liabilities during the year.

The credit risk is essentially determined according to the IRB approach based on internal ratings. The capital charges for market risk and CVA risk are determined by using standard methods. Operational risk is measured using the Advanced Measurement Approach (AMA). Each of the above-mentioned risk factors must be backed by sufficient own funds. The items subject to a capital charge are shown in the following table:

	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)**
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**

The adequacy of regulatory capital is to be calculated by expressing Common Equity Tier 1 capital (CET1 ratio), Tier 1 capital (T1 ratio) and own funds (Total capital ratio) as a percentage of the total risk exposure amount. The table below shows the key ratios of the Deka Group:

	31 Dec 2015		31 Dec 2014	
%	**CRR/CRD IV (without transitional provisions)**	**CRR/CRD IV (with transitional provisions)**	**CRR/CRD IV (without transitional provisions)**	**CRR/CRD IV (with transitional provisions)**
Common Equity Tier 1 capital ratio	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

Regulatory own funds requirements have been met at all times during the reporting period. The ratios for the Deka Group are considerably higher than the statutory minimum requirements.

73 Contingent and other liabilities

The off-balance sheet liabilities of the Deka Group essentially consist of potential future liabilities.

€m	31 Dec 2015	31 Dec 2014	Change
Irrevocable lending commitments	1,185.6	495.2	690.4
Other liabilities	104.8	60.8	44.0
Total	**1,290.4**	**556.0**	734.4

Irrevocable lending commitments refer to credit lines granted but not drawn down and term credit lines. The amounts stated reflect the potential liabilities if the credit lines granted were to be used in full. The risk provision reported in the balance sheet for off-balance sheet liabilities has been deducted from the respective amounts.

As in the previous year, other financial liabilities include payment obligations of €0.1m and subsequent funding obligations of €5.1m (previous year: €26.0m) to unconsolidated companies or companies outside the Group. There is an additional funding obligation for the security reserve of the *Landesbanken* and *Girozentralen* of €99.4m (previous year: €32.4m). The increase is a result of the reorganisation of the *Sparkassen-Finanzgruppe*'s previous system of deposit guarantees in order to comply with the Deposit Guarantee Act (*Einlagensicherungsgesetz* – EinSiG), which came into force on 3 July 2015. In additional to the principle of institutional guarantees, which continues to apply, legal requirements covering reimbursements payable to depositors were also implemented as a mandatory fall-back arrangement. By 2024, the assets held in the security reserve must be built up to the statutory target level of 0.8% of the deposits held by members of the security reserve. Each year the security reserve collects contributions from its members for this purpose.

The guarantees provided by DekaBank are deemed to be financial guarantees under IFRS, which are stated net in accordance with IAS 39. The nominal amount of the guarantees in place as at the reporting date is €0.1bn (previous year: €0.1bn).

74 Assets transferred or received as collateral

The transfer of assets as collateral for own liabilities is shown in the following table:

€m	31 Dec 2015	31 Dec 2014	Change
Carrying value of transferred collateral securities			
Under Pfandbrief Act	4,449.8	7,591.5	−3,141.7
For refinancing purposes with Deutsche Bundesbank	2,975.8	2,723.4	252.4
For transactions on German and foreign futures exchanges	100.2	170.4	−70.2
For repurchase agreements	1,805.0	2,423.8	−618.8
For securities lending transactions	6,610.1	4,407.9	2,202.2
For triparty transactions	8,782.3	9,213.7	−431.4
For other securities transactions	129.2	52.6	76.6
Loan and securities collateral	**24,852.4**	**26,583.3**	−1,730.9
Cash collateral relating to securities lending and repurchase agreements	233.3	755.8	−522.5
Cash collateral relating to derivative transactions	2,780.4	2,540.3	240.1
Cash collateral	**3,013.7**	**3,296.1**	−282.4
Total	**27,866.1**	**29,879.4**	−2,013.3

Collateral received for repurchase agreements and securities lending transactions as well as other securities transactions, which may be repledged or resold even without the default of the party providing the collateral, amounts to €59.8bn (previous year: €58.3bn). Of this amount, €35.6bn (previous year: €33.3bn) was resold or repledged

75 Financial instruments transferred but not derecognised

The Deka Group transfers financial assets while retaining the material risks and rewards arising from these assets. Such a transfer takes place mainly in the context of genuine securities repurchase and securities lending transactions. The assets continue to be reported in the consolidated balance sheet.

€m	31 Dec 2015	31 Dec 2014	Change
Carrying value of non-derecognised securities for			
Genuine repurchase agreements			
Held to maturity	30.7	298.0	−267.3
Financial assets at fair value	1,771.4	2,078.9	−307.5
Securities lending transactions			
Financial assets at fair value	652.8	823.2	−170.4
Other sales without commercial disposal			
Loans and receivables	523.9	446.1	77.8
Financial liabilities at fair value	5.4	222.8	−217.4
Total	**2,984.2**	**3,869.0**	−884.8

Liabilities of €2.3bn (previous year: €2.4bn) were reported for financial instruments transferred but not derecognised.

76 Letter of comfort

Except in the case of political risk, DekaBank shall ensure that DekaBank Deutsche Girozentrale Luxembourg S.A. can meet its commitments. DekaBank Deutsche Girozentrale Luxembourg S.A. has in turn issued a letter of comfort in favour of

- Deka International S.A., Luxembourg and
- International Fund Management S.A., Luxembourg.

77 Information on interests in subsidiaries

Composition of the Deka Group

In addition to DekaBank, as parent company, a total of 9 (previous year: 10) domestic and 9 (previous year: 8) foreign affiliated companies in which DekaBank directly or indirectly holds the majority of voting rights are included in the consolidated financial statements. In addition, 9 (previous year: 11) structured entities controlled by the Deka Group are included in the scope of consolidation.

A total of 14 (previous year: 14) affiliated companies controlled by the Deka Group were not consolidated, because they are of minor significance for the presentation of the financial position and financial performance of the Group. The interests held in these subsidiaries are reported under financial investments (see note [46]). Where they are of minor significance to the consolidated financial statements, structured entities are also not consolidated (see list of shareholdings in note [79]). To determine their significance for the presentation of the financial position and performance of the Group, investment funds are assessed using both qualitative and quantitative criteria. The units in unconsolidated investment funds are recognised at fair value through profit or loss. These are shown in the balance sheet under financial assets at fair value (note [44]).

During the 2015 financial year, the Deka Group recorded a profit of €3.6m under profit or loss on financial instruments designated at fair value as a result of its loss of control over the structured entity Deka Investors Spezial-Investmentaktiengesellschaft mit veränderlichem Kapital and the sub-fund Deka Infrastrukturkredit.

Significant restrictions

Significant restrictions on the Group's ability to access or use assets and settle liabilities arise in particular as a result of the contractual, statutory and regulatory requirements that apply to financial institutions (see note [72] "Regulatory capital (own funds)" and note [74] with regard to restrictions associated with the placement of cash, loans or securities as collateral to cover the Group's own liabilities arising, for example, from genuine repurchase agreements, securities lending transactions and OTC derivative transactions).

Banks are also obliged to maintain mandatory deposits in accounts held with their national central banks (minimum reserve requirement). The extent of the mandatory minimum reserve is determined by the central banks (see note [40]).

Interests in joint arrangements and associates

DekaBank holds interests in three jointly controlled entities and two associated companies. Equity investments in S PensionsManagement GmbH and Dealis Fund Operations GmbH (joint ventures) as well as the equity investment in S Broker AG & Co. KG (associated companies) are included in the consolidated financial statements using the equity method. Although DekaBank has significant influence over the investees, two affiliated companies have not been accounted for using the equity method due to their minor significance for the presentation of the financial position and performance of the Group.

Joint ventures and associates which have been accounted for using the equity method can be found in the list of shareholdings (see note [79]).

The table below presents an overview of the summarised financial information for all associated companies and joint ventures that are considered to be individually immaterial and that are accounted for using the equity method. The amounts shown relate to the Group's investments in these companies. In principle, the equity method is applied on the basis of the last available financial statements of the investee, provided that these are not more than three months old.

	Associated companies		Joint ventures[1]	
€m	**31 Dec 2015**	**31 Dec 2014**	**31 Dec 2015**	**31 Dec 2014**
Carrying value of equity participation	**4.4**	**–**	**7.9**	**28.1**
Profit or loss from continuing business operations	–	–	2.2	2.3
Profit or loss after tax from discontinued operations	–	–	–	–
Other comprehensive income	–	–	–3.3	–
Total income[2]	**–**	**–**	**–1.1**	**2.3**

[1] At the time of the preparation of the DekaBank's consolidated financial statements, there were no current financial statements available for S PensionsManagement GmbH for the 2015 reporting year. For this reason, the measurement under the equity method used forecast results, which took into account the impact of any significant transactions and other events that have arisen since the last reporting date of S PensionsManagement GmbH, or that might be expected to occur.
[2] This does not include the distributions shown in net interest income.

78 Information on interests in unconsolidated structured entities

According to the definition in IFRS 12, an entity is classified as structured if it has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity.

The Deka Group engages in business relationships with structured entities as part of its ordinary business activities. Structured entities are often characterised by their restricted activities and a narrow and well-defined business objective. Furthermore, a structured entity is often characterised by the absence of sufficient equity to finance its activities without subordinated financial support.

The Deka Group is deemed to have an interest in an unconsolidated structured entity if companies in the Deka Group are exposed to variable returns from a structured entity's activities as a result of either contractual or non-contractual involvement with that entity, but where the entity concerned does not require consolidation under the provisions of IFRS 10. An interest can be evidenced by the holding of debt or equity instruments, liquidity arrangements, guarantees and various derivative financial instruments via which the Bank takes on risks arising from the structured entity. For the purposes of IFRS 12, an interest in an unconsolidated structured entity does not generally exist solely because of a typical customer-supplier relationship between Deka Group companies and a structured entity.

The Deka Group has relationships with entities that were classified as unconsolidated structured entities based on the definition under IFRS 12 and according to criteria set internally by the Group. The following unconsolidated structured entities by type of business activities were identified:

Investment funds

Part of the Deka Group's core business involves providing securities and real estate investments to private and institutional investors. As a result, companies in the Deka Group play a role, directly or indirectly, in setting up fund structures as part of their ordinary business activities, and are involved in determining the purpose and design of such structures. In addition, the Group's activities cover the whole of the usual value chain for the fund company involved. In return, the Group receives appropriate commission, for example in the form of management and custodial fees. The Group also invests in holdings in investment funds owned by the Group in the context of start-up financing, thereby providing those funds with liquidity. Investment funds are therefore considered to be structured entities within the meaning of IFRS 12. Funds are primarily financed by issuing unit certificates (equity). To a limited extent, funds can also take up loans. The assets held by the fund are generally used as collateral for the fund's external financing activities. Fund assets held in Group-owned and external investment funds amount to €234.4bn (previous year: €252.5bn). This amount includes all fund assets and also the fund assets of third parties in which Deka Group has an interest within the meaning of IFRS 12, irrespective of the Deka Group's unit holding. Fund assets calculated exclusively for the purposes of the IFRS 12 disclosures do not correspond to the key indicator total customer assets used for management purposes.

Securitisation companies (Structured capital market credit products)

The Group has investments in a number of securitisation companies. These include the non-strategic securitisation products in the former Liquid Credits portfolio acquired by the Bank, which has been allocated to non-core business since 2009 and is being reduced while safeguarding assets. The issuing companies are generally financed by issuing tradable securities whose value is dependent on the performance of the vehicle's assets or which are collateralised using the vehicle's assets. For all securitisations held by DekaBank, funding at matching maturities is in place for the assets held by the securitisation company. The vast majority of securitisation products at DekaBank are in the designated at fair value category and are reported under Financial assets at fair value on the balance sheet; this means that the earnings performance of these securitisations is recognised in full through profit or loss in the Group's financial statements.

The table below provides an overview of the maximum loss risk to which the Deka Group is exposed from the securitisation positions it holds, shown by type of securitisation transaction and by seniority of the tranche held. In addition, the table includes potential losses to be absorbed by other creditors who rank above Deka Group.

	Subordinated interest		Mezzanine interest		Senior interest		Most Senior interest	
€m	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
ABS								
Maximum default risk	–	–	2.5	3.0	–	10.0	0.7	1.1
Potential losses of prior-ranking creditors[1]	–	–	19.8	26.7	–	–	–	–
CLO								
Maximum default risk	–	–	131.2	154.6	50.0	130.0	16.7	24.7
Potential losses of prior-ranking creditors[1]	–	1,774.9	340.6	1,193.2	–	–	–	–
CMBS								
Maximum default risk	–	–	25.7	27.6	8.3	11.6	5.4	54.4
Potential losses of prior-ranking creditors[1]	–	271.1	255.6	1,042.0	–	–	–	–
RMBS								
Maximum default risk	–	–	100.9	179.6	9.4	9.7	34.2	46.3
Potential losses of prior-ranking creditors[1]	22.5	1,074.3	128.3	1,723.9	23.5	–	–	–

[1] Nominal values.

There were no actual defaults on nominal or interest payments in the tranches held during the reporting year. As at 31 December 2015, 94.5% of the portfolio (end of 2014: 93.4%) was rated as investment grade, and the majority of rating changes during the reporting year were upgrades. As before, the remaining portfolio continues to focus on western Europe. As at the end of 2015, 87.1% (previous year: 82.3%) of the securitisations related to the European market. Based on current expectations, around half of the remaining securitised positions will have been repaid or will expire by the beginning of 2020. The total volume of issued securities from the securitisation companies classified as structured entities amounts to €5.1bn (previous year: €23.4bn).

Lending business

According to the definition, if a company is founded specifically to finance or operate the assets for which a loan is taken, and the design of that company is such that it is not controlled by means of voting or similar rights, then this constitutes a structured entity for DekaBank. As part of the classification performed in accordance with IFRS 12, structured entities were identified within the transport and export finance, energy and utility infrastructure, and real estate risk segments. A holding in a structured entity may also exist if rights that are contractually agreed as part of the loan agreement (for example intellectual property or trademark rights) are converted into participation rights in the event of deteriorating creditworthiness. An operating company can, for example, become a structured entity if relevant business activities start to be governed predominantly by the terms and conditions of the loan agreement. The financing concerned is generally collateralised by charges on property, aircraft mortgages, ship mortgages, and sureties and guarantees. When determining the size of the financing classified as structured, the balance sheet totals of the current available financial statements or the market value of the (co)financed asset were used. This amounts to €2.7bn (previous year: €2.1bn).

The table below shows the carrying values of assets and liabilities recognised in the balance sheet that are related to interests in unconsolidated structured entities. The table also includes the maximum possible exposure to loss associated with these interests.

	Investment funds		Lending business[1]		Securitisation companies [1]	
€m	**31 Dec 2015**	**31 Dec 2014**	**31 Dec 2015**	**31 Dec 2014**	**31 Dec 2015**	**31 Dec 2014**
Asset items						
Due from customers	1,251.3	1,332.6	329.4	277.2	–	–
Financial assets at fair value	3,130.3	2,953.8	–	–	379.7	642.3
Financial investments	–	–	5.1	5.3	5.3	12.8
Total asset items	**4,381.6**	**4,286.4**	**334.5**	**282.5**	**385.0**	**655.1**
Liability items						
Due to customers	10,322.9	6,599.7	0.0	–	–	–
Financial liabilities at fair value	2,570.4	2,906.3	–	–	–	–
Total liability items	**12,893.3**	**9,506.0**	**0.0**	**–**	**–**	**–**
Contingent and other liabilities						
Irrevocable lending commitments	5.3	12.3	12.5	12.7	–	–
Other liabilities	–	–	6.5	5.1	–	–
Total contingent and other liabilities	**5.3**	**12.3**	**19.0**	**17.8**	**–**	**–**
Maximum exposure to loss	**4,386.9**	**4,298.7**	**353.5**	**300.3**	**385.0**	**655.1**

[1] Including loan loss provision.

The maximum exposure to loss sets out the highest possible loss that the Bank could sustain in connection with its interests in non-consolidated structured entities. The figure presented does not take into account the probability of such a loss being incurred.

- The maximum possible exposure to loss from interests in unconsolidated structured entities that arise as a result of on-balance-sheet transactions corresponds to the carrying value or fair value of the respective balance sheet figure.
- According to the definition, the maximum possible exposure to loss from interests in unconsolidated structured entities that arise from off-balance-sheet transactions, such as guarantees or lending commitments, corresponds to the maximum guaranteed amount, or the amount of the potential liability that would arise if the credit line that is extended were to be fully utilised.

In addition, provisions are established for investment funds with formal guarantees (see note [57]).

The maximum exposure to loss is a gross figure, i.e. it does not take into account the effects of collateral received or hedging transactions established.

Losses incurred during the 2015 financial year relating to interests in unconsolidated structured entities amounted to €63.7m.

In connection with interests in unconsolidated structured entities, the Deka Group received interest income, commission income and income from the revaluation and disposal of interests in unconsolidated structure entities during the year under review.

Sponsored unconsolidated structured entities

All circumstances must be considered when determining whether a company from the Deka Group should be classified as the sponsor of a structured entity. An unconsolidated structured entity in which the Bank has no interest as defined by IFRS 12 is regarded as sponsored if it was established for the benefit of a company in the Deka Group, and the Group has played an active role in determining the purpose and design of the unconsolidated structured entity. The Group is also considered to be a sponsor if a name used by the unconsolidated structured entity – for example its company name or the name of a product – is connected to a company in the Deka Group.

No relationships with sponsored unconsolidated structured entities existed during the year under review. As at 31 December 2015, there were no sponsored unconsolidated entities.

79 List of shareholdings

The following information on shareholdings is based on the supplementary requirements of German law pursuant to Section 315a of the German Commercial Code. As a result, no comparative information in respect of the previous period is presented.

Consolidated subsidiaries (affiliated companies):

Name, registered office	Share in capital in %
Deka Beteiligungs GmbH, Frankfurt/Main	100.00
Deka Far East Pte. Ltd., Singapur	100.00
Deka Grundstücksverwaltungsgesellschaft I (GbR), Frankfurt/Main	100.00
Deka Immobilien GmbH, Frankfurt/Main	100.00
Deka Immobilien Investment GmbH, Frankfurt/Main	100.00
Deka Immobilien Luxembourg S.A., Luxembourg	100.00
Deka International S.A., Luxembourg	100.00
Deka Investment GmbH, Frankfurt/Main	100.00
Deka Real Estate Lending k.k., Tokyo	100.00
Deka Real Estate Services USA Inc., New York	100.00
DekaBank Deutsche Girozentrale Luxembourg S.A., Luxembourg	100.00
DKC Deka Kommunal Consult GmbH, Düsseldorf	100.00
ExFin AG i.L., Zurich (formerly: Deka(Swiss) Finanz AG)	100.00
International Fund Management S.A., Luxembourg	100.00
Landesbank Berlin Investment GmbH, Berlin	100.00
Roturo S.A., Luxembourg	100.00
WestInvest Gesellschaft für Investmentfonds mbH, Düsseldorf	99.74[1]
WIV GmbH & Co. Beteiligungs KG, Frankfurt/Main	94.90

[1] 5.1% are held by WIV GmbH & Co. Beteiligungs KG.

Consolidated subsidiaries (structured entities):

Name, registered office	Share in fund assets in %
A-DGZ-FONDS, Frankfurt/Main	100.00
A-DGZ 2-FONDS, Frankfurt/Main	100.00
A-DGZ 5-FONDS, Frankfurt/Main	100.00
A-DGZ 13-FONDS, Luxembourg	100.00
A-DKBankLUX1-FONDS, Luxembourg	100.00
A-Treasury 2000-FONDS, Frankfurt/Main	100.00
A-Treasury 93-FONDS, Frankfurt/Main	100.00
DDDD-FONDS, Frankfurt/Main	100.00
Deka Treasury Corporates-FONDS, Frankfurt/Main	100.00

Joint ventures and associated companies accounted for at equity:

Name, registered office	Share in capital in %	Equity in € thousand[1]	Net income in € thousand[1]
Joint ventures			
S PensionsManagement GmbH, Cologne	50.00	111,686.9	1,720.1
Dealis Fund Operations GmbH, Frankfurt/Main	50.00	19,377.8	1,180.9
Associated companies			
S Broker AG & Co. KG, Wiesbaden	30.64	28,579.6	513.6

[1] Amounts reported in financial statements for the year ended 31 December 2014.

Joint ventures and associates not accounted for at equity:

Name, registered office	Share in capital in %
Joint ventures	
Deka-Neuburger Institut für wirtschaftsmathematische Beratung GmbH, Frankfurt/Main	50.00
Associated companies	
DPG Deutsche Performancemessungs-Gesellschaft für Wertpapierportfolios mbH, Frankfurt/Main	20.00

Unconsolidated subsidiaries (affiliated companies):

Name, registered office	Share in capital in %
Datogon S.A., Luxembourg	100.00
Deka Immobilien Beteiligungsgesellschaft mbH, Frankfurt/Main	100.00
Deka Investors Spezial InvAG m.v.K. und TGV, Frankfurt/Main Teilgesellschaftsvermögen Deka Investors Unternehmensaktien	100.00
Deka Treuhand GmbH, Frankfurt/Main	100.00
Deka Vermögensverwaltungs GmbH, Frankfurt/Main	100.00
Deka Verwaltungs GmbH, Frankfurt/Main	100.00
Deka Vermögensmanagement GmbH, Frankfurt/Main (formerly: Deka Vorratsgesellschaft 01 mbH)	100.00
Deka Treuhand Erwerbsgesellschaft mbH, Frankfurt/Main	100.00
Deutsche Landesbankenzentrale AG, Berlin	100.00
Europäisches Kommunalinstitut S.à.r.l., Luxembourg	100.00
LBG Leasing Beteiligungs-GmbH, Frankfurt/Main	100.00
Perfeus S.A., Luxembourg	100.00
Privates Institut für quantitative Kapitalmarktforschung der DekaBank GmbH, Frankfurt/Main	100.00
WIV Verwaltungs GmbH, Frankfurt/Main	94.90

Unconsolidated structured entities:

Name, registered office	Fund assets in €m	Share in capital/ fund assets in %
Deka-PB ManagerMandat, Frankfurt/Main	50.2	100.00
Teilgesellschaftsvermögen Deka Darlehen, Frankfurt/Main	49.9	100.00
DekaLux-Institutionell Renten Europa, Luxembourg	41.0	100.00
Deka-BR 45, Frankfurt/Main	6.1	100.00
Renten 3-7, Luxembourg	5.1	100.00
Deka-DiscountStrategie 1/2016, Frankfurt/Main	15.8	97.85
Deka Deutsche Boerse EUROGOV® France UCITS ETF, Frankfurt/Main	5.3	97.76
Deka-Kirchen Balance, Frankfurt/Main	21.5	92.84
Deka-Multi Asset Income, Luxembourg	54.1	89.66
Deka Oekom Euro Nachhaltigkeit UCITS ETF, Frankfurt/Main	19.4	89.65
Deka-BasisStrategie Aktien, Frankfurt/Main	26.1	86.82
Deka-CorporateBond Global Hedged Euro, Frankfurt/Main	35.9	83.42
Deka Eurozone Rendite Plus 1-10 UCITS ETF, Frankfurt/Main	24.1	78.26
Deka MSCI Europe ex EMU UCITS ETF, Frankfurt/Main	54.2	74.87
Deka-CorporateBond High Yield Euro 1-4, Frankfurt/Main	27.4	72.72
REAM QUANT Fonds – Euroland Aktien Plus, Luxembourg	8.5	70.65
Deka-Globale Renten High Income, Luxembourg	40.4	68.38
Deka EURO iSTOXX ex Fin Dividend + UCITS ETF, Frankfurt/Main	127.9	67.19
Deka-Immobilien PremiumPlus-Private Banking, Luxembourg	63.7	62.78
Deka-RentenStrategie Global, Luxembourg	45.5	54.74
Deka Deutsche Boerse EUROGOV® Germany UCITS ETF, Frankfurt/Main	417.1	50.93
Deka-TotalReturn Strategie 94 I (A), Luxembourg	43.1	45.53
Mix-Fonds: Select ChancePlus, Luxembourg	2.0	45.30
Deka EURO STOXX 50® (thesaurierend) UCITS ETF, Frankfurt/Main	14.3	45.25
Deka Deutsche Boerse EUROGOV® Germany 3-5 UCITS ETF, Frankfurt/Main	70.6	43.96
Deka-EuroFlex Plus, Luxembourg	126.8	42.28
Deka MSCI Japan UCITS ETF, Frankfurt/Main	20.1	39.22
Deka STOXX® Europe Strong Growth 20 UCITS ETF, Frankfurt/Main	5.7	29.17
Deka-RentSpezial EM 3/2021, Luxembourg	200.9	24.20
Deka DAX® ex Financials 30 UCITS ETF, Frankfurt/Main	42.9	24.17
Deka-Liquidität, Frankfurt/Main	2,286.7	20.73
Comtesse DTD Ltd., London	0.0	9.99 [1]

[1] Differing voting rights 25.1%.

80 Related party disclosures

The Deka Group has business relationships with related parties. These include DekaBank's shareholders, subsidiaries that are not consolidated due to immateriality, joint ventures, and associated companies and their respective subsidiaries, as well as individuals in key positions and their relatives, and companies controlled by these individuals. For the purposes of this disclosure, unconsolidated own mutual funds and special funds where the Deka Group's holding exceeds 10.0% as at the reporting date are shown as subsidiaries, associated companies or other related parties in accordance with their equity holding.

Natural persons in key positions deemed to be related parties under IAS 24 are the members of the Board of Management and Administrative Board of DekaBank as the parent company. Personnel expenses in respect of the persons concerned are shown in the table below:

	Board of Management		Administrative Board	
€m	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Short-term benefits	3.1	3.1	0.7	0.6
Post-employment benefits	1.8	1.9	–	–
Other long-term benefits	2.8	3.5	–	–
Total	**7.7**	**8.5**	**0.7**	**0.6**

Remuneration to employees' representatives on the Administrative Board made separately from their Administrative Board activities was at current market terms.

Transactions are carried out with related parties under normal market terms and conditions as part of the ordinary business activities of the Deka Group. These relate, inter alia, to loans, call money, time deposits and derivatives. The liabilities of the Deka Group to mutual funds and special funds essentially comprise balances with banks from the temporary investment of liquid funds. The tables below show the extent of these transactions.

Business relationships with shareholders of DekaBank and unconsolidated subsidiaries:

	Shareholders		Subsidiaries	
€m	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Asset items				
Due from customers	45.0	45.0	1.1	0.2
Financial assets at fair value	–	–	43.3	5.6
Other assets	–	–	0.6	0.7
Total asset items	**45.0**	**45.0**	**45.0**	**6.5**
Liability items				
Due to customers	43.6	56.0	53.9	33.3
Total liability items	**43.6**	**56.0**	**53.9**	**33.3**

Business relationships with joint ventures, associated companies and other related parties:

	Joint ventures/ associated companies		Other related parties	
€m	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Asset items				
Due from customers	–	0.8	0.2	0.1
Financial assets at fair value	–	–	27.4	–
Other assets	0.9	1.9	0.4	0.1
Total asset items	**0.9**	**2.7**	**28.0**	**0.2**
Liability items				
Due to customers	582.1	24.6	645.7	3.8
Financial Liability at fair value	31.5	31.9	1.8	–
Total liability items	**613.6**	**56.5**	**647.5**	**3.8**

81 Average number of staff

	2015			2014		
	Male	Female	Total	Male	Female	Total
Full-time employees	2,292	985	3,277	2,286	995	3,281
Part-time and temporary employees	137	611	748	131	584	715
Total	**2,429**	**1,596**	**4,025**	**2,417**	**1,579**	**3,996**

82 Remuneration of Board members

€	2015	2014
Total remuneration of Board members		
Board of Management	4,293,060	4,875,941
Administrative Board	709,500	622,583
Total remuneration of former Board members and their dependents		
Board of Management	5,370,846	4,285,940
Provisions for pensions for former Board members and their dependents	61,331,365	60,244,059

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

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

In the 2015 financial year, variable remuneration elements that are dependent on future performance amounting to €4.2m (previous year: €3.6m) were committed to active and former members of the Board of Management. Variable remuneration components that are not paid out in the year of the commitment depend on the sustainable performance of the Deka Group and are deferred until the three years following the commitment year. 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 earnings contribution of the Board Members are used to evaluate sustainability. Total emoluments include deferred variable remuneration components from previous years payable to active members of the Board of Management amounting to €1.0m and to former members of the Board of Management amounting to €1.8m. Of this amount, the entitlement of active board members includes €0.4m for the 2014 financial year, €0.2m for the 2013 financial year, €0.3m for the 2012 financial year and €0.1m for the 2011 financial year.

83 Auditor’s fees

The following fees for the auditors of the consolidated financial statements were recorded as expenses in the reporting year:

€m	2015	2014	Change
Fees for			
Year-end audit services	2.5	1.9	0.6
Other auditing services	1.0	0.6	0.4
Tax advisory services	0.1	0.2	–0.1
Other services	0.1	0.4	–0.3
Total	**3.7**	**3.1**	0.6

84 Additional miscellaneous information

The consolidated financial statements were approved for publication on 18 February 2016 by the Board of Management of DekaBank.

Responsibility Statement of the Board of Management

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

Frankfurt/Main, 18 February 2016

DekaBank
Deutsche Girozentrale

The Board of Management

Rüdiger

Dr. Stocker

Better

Dr. Danne

Müller

Auditor's Report

We have audited the consolidated financial statements prepared by the DekaBank Deutsche Girozentrale AöR, Berlin/Frankfurt am Main, comprising statement of profit or loss and comprehensive income, balance sheet, statement of changes in equity, statement of cash flow and notes to the financial statements, together with the group management report for the business year from January 1, 2015 to December 31, 2015.The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB [*Handelsgesetzbuch* „German Commercial Code"] (and supplementary provisions of the shareholder agreement/articles of incorporation) are the responsibility of the parent company`s management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated 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 consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group 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 consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and group 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 consolidated financial statements comply with IFRSs, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB (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 Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, February 19, 2016

KPMG AG
Wirtschaftsprüfungsgesellschaft

Pukropski	Fox
Wirtschaftsprüfer	Wirtschaftsprüfer

Other information

Shareholders, subsidiaries and associated companies

Shareholders of DekaBank *(as of 1 March 2016)*

DSGV ö. K.[1]	**50%**
thereof:	
Savings Banks Association Baden-Wuerttemberg	15.41%
Rhineland Savings Banks and Giro Association	13.12%
Savings Banks Association Lower Saxony	12.92%
Savings Banks Association Bavaria	12.63%
Savings Banks Association Westphalia-Lippe	12.35%
Savings Banks and Giro Association Hesse-Thuringia	11.62%
Savings Banks Association Rhineland-Palatinate	6.41%
Savings Banks Association Berlin/Landesbank Berlin	3.79%
East German Savings Banks Association	3.66%
Savings Banks and Giro Association for Schleswig-Holstein	3.56%
Savings Banks Association Saar	2.74%
Hanseatic Savings Banks and Giro Association	1.81%
Deka Erwerbsgesellschaft mbH & Co. KG	**50%**
thereof:	
Savings Banks Association Baden-Wuerttemberg	16.28%
Rhineland Savings Banks and Giro Association	15.32%
Savings Banks Association Lower Saxony	4.07%
Savings Banks Association Bavaria	16.80%
Savings Banks Association Westphalia-Lippe	7.37%
Savings Banks and Giro Association Hesse-Thuringia	10.94%
Savings Banks Association Rhineland-Palatinate	3.73%
Savings Banks Association Berlin/Landesbank Berlin	3.13%
East German Savings Banks Association	16.00%
Savings Banks and Giro Association for Schleswig-Holstein	2.96%
Savings Banks Association Saar	0.86%
Hanseatic Savings Banks and Giro Association	2.53%

Subsidiaries and associated companies of DekaBank[2] *(as of 1 March 2016)*

Securities business division	
Deka Investment GmbH, Frankfurt/Main	100.0%
Landesbank Berlin Investment GmbH, Berlin	100.0%
DekaBank Deutsche Girozentrale Luxembourg S.A., Luxembourg	100.0%
Deka International S.A., Luxembourg	100.0%
International Fund Management S.A., Luxembourg	100.0%
DekaTreuhand GmbH, Frankfurt/Main	100.0%
Privates Institut für quantitative Kapitalmarktforschung der DekaBank GmbH, Frankfurt/Main	100.0%
S-Pensionsmanagement GmbH, Cologne	50.0%

[1] Guarantor
[2] The shares are held directly or indirectly.

Sparkassen Pensionsfonds AG, Cologne	50.0%
Sparkassen Pensionskasse AG, Cologne	50.0%
Deka Neuburger Institut für wirtschaftsmathematische Beratung GmbH, Frankfurt/Main	50.0%
Dealis Fund Operations GmbH, Frankfurt/Main	50.0%
Heubeck AG, Cologne	30.0%
S Broker AG & Co. KG, Wiesbaden	30.6%
S Broker Management AG, Wiesbaden	30.6%
DPG Deutsche Performancemessungs-Gesellschaft für Wertpapierportfolios mbH, Frankfurt/Main	10.0%
Dealis Fund Operations S.A., Luxembourg	5.0%
Erste-Sparinvest Kapitalanlagegesellschaft mbH, Vienna	2.9%
Real Estate business division	
Deka Immobilien Investment GmbH, Frankfurt/Main	100.0%
Deka Immobilien GmbH, Frankfurt/Main	100.0%
Deka Real Estate Lending K.K., Tokyo	100.0%
Deka Beteiligungs GmbH, Frankfurt/Main	100.0%
Deka Grundstücksverwaltungsgesellschaft I (GbR), Frankfurt/Main	100.0%
Deka Vermögensverwaltungs GmbH, Frankfurt/Main	100.0%
Deka Verwaltungs GmbH, Frankfurt/Main	100.0%
Deka Immobilien Luxembourg S.A., Luxembourg	100.0%
Deka Immobilien Beteiligungsgesellschaft mbH, Frankfurt/Main	100.0%
Deka Investors Spezialinvestmentaktiengesellschaft mit veränderlichem Kapital und Teilgesellschaftsvermögen, Frankfurt/Main	100.0%
WestInvest Gesellschaft für Investmentfonds mbH, Düsseldorf	99.7%
WIV GmbH & Co. Beteiligungs KG, Frankfurt/Main	94.9%
Deka-S-PropertyFund No. 1 Beteiligungs GmbH & Co. KG, Frankfurt/Main	11.6%
Capital Markets business division	
True Sale International GmbH, Frankfurt/Main	7.7%
Financing business division	
Global Format GmbH & Co. KG, Munich	18.8%
HELICON Verwaltungsgesellschaft mbH & Co. Immobilien KG, Pullach	8.3%
RSU Rating Service Unit GmbH & Co. KG, Munich	6.5%
Corporate Centre Corporate Development	
DKC Deka Kommunal Consult GmbH, Düsseldorf	100.0%
DekaTreuhand Erwerbsgesellschaft mbH, Frankfurt/Main	100.0%
Liquiditäts-Konsortialbank GmbH i.L., Frankfurt/Main	2.1%

The Group has further holdings which are, however, of minor significance.

Administrative Board and Board of Management of DekaBank

(as of 1 March 2016)

Administrative Board

Georg Fahrenschon
Chairman
President of the German Savings Banks and Giro Association e. V., Berlin, and of the German Savings Banks and Giro Association e. V. – public law entity, Berlin
Chairman of the General and Nominating Committee
Chairman of the Remuneration Supervision Committee
Permanent Guest on the Audit and Risk Committee
Permanent Guest on the Credit Committee

Helmut Schleweis
First Deputy Chairman
Chairman of the Management Board of Sparkasse Heidelberg, Heidelberg
First Deputy Chairman of the General and Nominating Committee
First Deputy Chairman of the Remuneration Supervision Committee
Member of the Audit and Risk Committee

Thomas Mang
Second Deputy Chairman
President of the Savings Banks Association Lower Saxony, Hanover
Chairman of the Credit Committee
Second Deputy Chairman of the General and Nominating Committee
Second Deputy Chairman of the Remuneration Supervision Committee
Permanent Guest on the Audit and Risk Committee

Representatives elected by the Shareholders' Meeting

Michael Bräuer
Chairman of the Management Board of Sparkasse Oberlausitz-Niederschlesien, Zittau
Member of the General and Nominating Committee
Member of the Remuneration Supervision Committee

Michael Breuer
President of the Rhineland Savings Banks and Giro Association, Düsseldorf
Member of the Audit and Risk Committee

Rainer Burghardt
Chairman of the Management Board of Kreissparkasse Herzogtum Lauenburg, Ratzeburg

Carsten Claus
Chairman of the Management Board of Kreissparkasse Böblingen, Böblingen
Member of the Audit and Risk Committee

Dr. Michael Ermrich
Managing President of the East German Savings Banks Association, Berlin

Dr. Johannes Evers
Chairman of the Management Board of Berliner Sparkasse and President of the Savings Banks Association Berlin, Berlin
Deputy Chairman of the Credit Committee

Dr. Rolf Gerlach
President of the Savings Banks Association Westphalia-Lippe, Münster
Chairman of the Audit and Risk Committee
Member of the General and Nominating Committee
Member of the Remuneration Supervision Committee
Permanent Guest on the Credit Committee

Gerhard Grandke
Managing President of the Savings Banks and Giro Association Hesse-Thuringia, Frankfurt/Main
Member of the General and Nominating Committee
Member of the Remuneration Supervision Committee

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

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

Dr. Ulrich Netzer
President of the Savings Banks Association Bavaria, Munich

Hans-Werner Sander
Chairman of the Management Board of Sparkasse Saarbrücken, Saarbrücken
Member of the Credit Committee

Peter Schneider
President of the Savings Banks Association Baden-Wuerttemberg, Stuttgart
Member of the General and Nominating Committee
Member of the Remuneration Supervision Committee

Georg Sellner
Chairman of the Management Board of Stadt- und Kreis-Sparkasse Darmstadt, Darmstadt
Deputy Chairman of the Audit and Risk Committee

Walter Strohmaier
Chairman of the Management Board of Sparkasse Niederbayern-Mitte, Straubing
Member of the General and Nominating Committee
Member of the Audit and Risk Committee
Member of the Remuneration Supervision Committee

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

Alexander Wüerst
Chairman of the Management Board of Kreissparkasse Köln, Cologne
Member of the General and Nominating Committee
Member of the Remuneration Supervision Committee

Representatives appointed by the Federal Organisation of Central Municipal Organisations (in an advisory capacity)

Dr. Stephan Articus
Executive Director of the German Association of Cities, Berlin
Member of the General and Nominating Committee
Member of the Remuneration Supervision Committee

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

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

Employee Representatives appointed by the Staff Committee

Michael Dörr
Chairman of the Staff Committee, DekaBank Deutsche Girozentrale, Frankfurt/Main

Erika Ringel
Member of the Staff Committee, DekaBank Deutsche Girozentrale, Frankfurt/Main

(End of the term of office: 31 December 2018)

Board of Management

Michael Rüdiger
CEO

Dr. Georg Stocker
Deputy CEO (from 1 October 2015)

Manuela Better (from 1 June 2015)

Dr. Matthias Danne

Martin K. Müller

Executive Managers

Manfred Karg

Stefan Keitel (from 1 January 2016)

Seats on supervisory bodies

Michael Rüdiger
Member of the Supervisory Board, Evonik Industries AG, Essen
Chairman of the Administrative Board, Liquiditäts-Konsortialbank GmbH i.L., Frankfurt/Main
Chairman of the Supervisory Board, Deka Investment GmbH Frankfurt/Main
Chairman of the Supervisory Board, Landesbank Berlin Investment GmbH, Berlin
Member of the Administrative Board (to 20 March 2015), DekaBank Deutsche Girozentrale Luxembourg S.A., Luxembourg
Member of the Supervisory Board, Deka Immobilien GmbH, Frankfurt/Main

Dr. Georg Stocker
Deputy Chairman of the Supervisory Board (to 14 July 2015), Deka Immobilien GmbH, Frankfurt/Main
Member of the Supervisory Board (from 1 January 2015 to 21 January 2015), Deka Immobilien Investment GmbH, Frankfurt/Main
Deputy Chairman of the Supervisory Board (from 22 January 2015 to 14 July 2015), Deka Immobilien Investment GmbH, Frankfurt/Main
Deputy Chairman of the Supervisory Board (to 14 July 2015), Deka Investment GmbH, Frankfurt/Main
Member of the Administrative Board (from 6 March 2015 to 21 October 2015), DekaBank Deutsche Girozentrale Luxembourg S.A., Luxembourg
Deputy Chairman of the Supervisory Board (to 2 June 2015), Landesbank Berlin Investment GmbH, Berlin
Member of the Supervisory Board (to 2 June 2016), S Broker AG & Co. KG, Wiesbaden
Deputy Chairman of the Supervisory Board (from 3 June 2016), S Broker AG & Co. KG, Wiesbaden
Deputy Chairman of the Supervisory Board (from 3 June 2015), S Broker Management AG, Wiesbaden
Member of the Supervisory Board (from 1 January 2015 to 21 January 2015), WestInvest Gesellschaft für Investmentfonds mbH, Düsseldorf
Deputy Chairman of the Supervisory Board (from 1 January 2015 to 21 January 2015), WestInvest Gesellschaft für Investmentfonds mbH, Düsseldorf

Manuela Better
Member of the Supervisory Board (to 25 November 2015), AXA Konzern AG, Cologne
Member of the Supervisory Board, Deutsche EuroShop AG, Hamburg
Member of the Supervisory Board (from 10 June 2015 to 18 June 2015), Landesbank Berlin Investment GmbH, Berlin
Deputy Chairwoman of the Supervisory Board (from 19 June 2015), Landesbank Berlin Investment GmbH, Berlin
Member of the Supervisory Board (from 15 July 2015 to 15 October 2015), Deka Investment GmbH, Frankfurt/Main
Deputy Chairwoman of the Supervisory Board (from 16 October 2015), Deka Investment GmbH, Frankfurt/Main
Member of the Supervisory Board (from 15 July 2015 to 17 July 2015), Deka Immobilien Investment GmbH, Frankfurt/Main
Deputy Chairwoman of the Supervisory Board (from 18 July 2015), Deka Immobilien Investment GmbH, Frankfurt/Main
Member of the Supervisory Board (from 15 July 2015 to 17 July 2015), WestInvest Gesellschaft für Investmentfonds mbH, Düsseldorf
Deputy Chairwoman of the Supervisory Board (to 18 January 2015), WestInvest Gesellschaft für Investmentfonds mbH, Düsseldorf
Member of the Supervisory Board (from 15 July 2015 to 16 July 2015, Deka Immobilien GmbH, Frankfurt/Main
Deputy Chairwoman of the Supervisory Board (from 17 July 2015), Deka Immobilien GmbH, Frankfurt/Main
Member of the Administrative Board (from 17 September 2015), DekaBank Deutsche Girozentrale Luxembourg S.A., Luxembourg

Dr. Matthias Danne
Chairman of the Supervisory Board, Deka Immobilien GmbH, Frankfurt/Main
Chairman of the Supervisory Board, Deka Immobilien Investment GmbH, Frankfurt/Main
Chairman of the Supervisory Board, WestInvest Gesellschaft für Investmentfonds mbH, Düsseldorf
Deputy Chairman of the Administrative Board, DekaBank Deutsche Girozentrale Luxembourg S.A., Luxembourg
Member of the Supervisory Board (from 9 January 2015 to 26 March 2015), Sparkassen Pensionsfonds AG, Cologne
Chairman of the Supervisory Board (from 27 March 2015), Sparkassen Pensionsfonds AG, Cologne
Member of the Supervisory Board (to 30 June 2015), Sparkassen Rating und Risikosysteme GmbH, Berlin
Managing Director, Deka Treuhand Erwerbsgesellschaft mbH, Frankfurt/Main
Member of the Supervisory Board (from 8 January 2015), S PensionsManagement GmbH, Cologne
Deputy Chairman of the Supervisory Board (from 27 March 2015), S PensionsManagement GmbH, Cologne
Member of the Supervisory Board (from 9 January 2015 to 26 March 2015), Sparkassen Pensionskasse AG, Cologne
Deputy Chairman of the Supervisory Board (from 27 March 2015), Sparkassen Pensionskasse AG, Cologne

Martin K. Müller
Member of the Administrative Board (from 6 March 2015 to 15 March 2015), DekaBank Deutsche Girozentrale Luxembourg S.A., Luxembourg
Chairman of the Administrative Board (from 16 March 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 October 2015), Sparkassen Rating und Risikosysteme GmbH, Berlin
Member of the Supervisory Board, (until 6 June 2015) SIZ GmbH, Bonn
Member of the Shareholder Committee, Dealis Fund Operations GmbH, Frankfurt/Main
Managing Director, Deka Treuhand Erwerbsgesellschaft mbH, Frankfurt/Main

Fund-related committees

(as of 4 March 2016)

Securities business division

Advisory Board Retail

Manfred Herpolsheimer
Chairman
Chairman of the Management Board of Sparkasse Leverkusen, Leverkusen

Dr. Harald Langenfeld
Deputy Chairman
Chairman of the Management Board of Sparkasse Leipzig, Leipzig

Jochen Brachs
Chairman of the Management Board of Sparkasse Hochschwarzwald, Titisee-Neustadt

Gerhard Döpkens
Chairman of the Management Board of Sparkasse Gifhorn-Wolfsburg, Gifhorn

Wilfried Groos
Chairman of the Management Board of Sparkasse Siegen, Siegen

Markus Groß
Chairman of the Management Board of Sparkasse Neunkirchen, Neunkirchen

Arendt Gruben
Chairman of the Management Board of Sparkasse Schwarzwald-Baar, Villingen-Schwenningen

Michael Hahn
Chairman of the Management Board of Hohenzollerische Landesbank Kreissparkasse Sigmaringen, Sigmaringen

Michael Horn
Deputy Chairman of the Management Board of Landesbank Baden-Württemberg, Stuttgart

Wolfgang Kirschbaum
Chairman of the Management Board of Sparkasse Minden-Lübbecke, Minden

Oliver Klink
Chairman of the Management Board of Taunus Sparkasse, Bad Homburg v.d.H.

Jürgen Marquardt
Member of the Management Board of Hamburger Sparkasse AG, Hamburg

Marlies Mirbeth
Member of the Management Board of Stadtsparkasse München, Munich

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

Matthias Nester
Chairman of the Management Board of Sparkasse Koblenz, Koblenz

Dr. Birgit Roos
Chairwoman of the Management Board of Sparkasse Krefeld, Krefeld

Oliver Saggau
Member of the Management Board of Sparkasse zu Lübeck AG, Lübeck

Werner Schmiedeler
Chairman of the Management Board of Vereinigte Sparkassen Stadt und Landkreis Ansbach, Ansbach

(End of the term of office: 31 December 2017)

Advisory Board Institutional

Joachim Hoof
Chairman
Chairman of the Management Board of Ostsächsische Sparkasse Dresden, Dresden

Michael Bott
Deputy Chairman
Chairman of the Management Board of Sparkasse Waldeck-Frankenberg, Korbach

Felix Angermann
Chairman of the Management Board of Sparkasse Zwickau, Zwickau

Peter Becker
Chairman of the Management Board of Sparkasse Herford, Herford

Christian Bonnen
Member of the Management Board of Kreissparkasse Köln, Cologne

Frank Brockmann
Member of the Management Board of Hamburger Sparkasse AG, Hamburg

Walter Fichtel
Deputy Chairman of the Management Board of Kreissparkasse München Starnberg Ebersberg, Munich

Bernd Gurzki
Chairman of the Management Board of Sparkasse Emden, Emden

Thomas Lützelberger
Chairman of the Management Board of Sparkasse Schwäbisch Hall-Crailsheim, Schwäbisch Hall

Stefan Lukai
Member of the Management Board of Sparkasse Essen, Essen

Ingo Mandt
Member of the Management Board of Landesbank Baden-Württemberg, Stuttgart

Karl Novotny
Chairman of the Management Board of Sparkasse Neumarkt-Parsberg, Neumarkt

Hubert Riese
Member of the Management Board of Kreissparkasse Eichsfeld, Worbis

Stephan Scholl
Chairman of the Management Board of Sparkasse Pforzheim Calw, Pforzheim

Christoph Schulz
Chairman of the Management Board of Braunschweigische Landessparkasse, Brunswick

Rolf Settelmeier
Chairman of the Management Board of Stadtsparkasse Augsburg, Augsburg

Carl Trinkl
Chairman of the Management Board of Kreissparkasse Ostalb, Aalen

Norbert Wolf
Member of the Management Board of Sparkasse Dortmund, Dortmund

(End of the term of office: 31 December 2017)

Corporate Bodies of Subsidiaries – Securities business division

Deka Investment GmbH

Supervisory Board

Michael Rüdiger
Chairman
CEO of DekaBank Deutsche Girozentrale, Frankfurt/Main

Manuela Better
Deputy Chairwoman
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Daniel Kapffer
COO Securities Funds and Markets, DekaBank Deutsche Girozentrale, Frankfurt/Main

Stefan Keitel
Executive Manager of DekaBank Deutsche Girozentrale, Frankfurt/Main

Martin K. Müller
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Heinz-Jürgen Schäfer
Offenbach

Board of Management

Victor Moftakhar
Chairman
Frank Hagenstein
Thomas Ketter
Dr. Ulrich Neugebauer
Thomas Schneider

Landesbank Berlin Investment GmbH

Supervisory Board

Michael Rüdiger
Chairman
CEO of DekaBank Deutsche Girozentrale, Frankfurt/Main

Manuela Better
Deputy Chairwoman
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Serge Demolière
Berlin

Stefan Keitel
Executive Manager of DekaBank Deutsche Girozentrale, Frankfurt/Main

Steffen Matthias
Berlin

Martin K. Müller
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Board of Management

Arnd Mühle
Spokesman
Andreas Heß
Dyrk Vieten

DekaBank Deutsche Girozentrale Luxembourg S.A.

Administrative Board

Martin K. Müller
Chairman
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Dr. Matthias Danne
Deputy Chairman
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Manuela Better
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Wolfgang Dürr
Managing Director of Deutsche Girozentrale International S. A., Luxembourg

Board of Management

Wolfgang Dürr
Patrick Weydert

Real Estate business division

Advisory Board Real Estate

Johannes Hüser
Chairman
Chairman of the Management Board of Kreissparkasse Wiedenbrück, Rheda-Wiedenbrück

Dirk Köhler
Deputy Chairman
Chairman of the Management Board of Sparkasse Uelzen Lüchow-Dannenberg, Uelzen

Andrea Binkowski
Chairwoman of the Management Board of Sparkasse Mecklenburg-Strelitz, Neustrelitz

Wolfgang Busch
Deputy Chairman of the Management Board of Sparkasse Hilden-Ratingen-Velbert, Velbert

Toni Domani
Member of the Management Board of Sparkasse Regen-Viechtach, Regen

Peter Dudenhöffer
Deputy Chairman of the Management Board of Sparkasse Germersheim-Kandel, Kandel

Norbert Grießhaber
Chairman of the Management Board of Sparkasse Kraichgau, Bruchsal

Jürgen Hösel
Member of the Management Board of Kreissparkasse Peine, Peine

Udo Klopfer
Chairman of the Management Board of Sparkasse Hegau-Bodensee, Singen

Heinrich-Georg Krumme
Chairman of the Management Board of Sparkasse Westmünsterland, Dülmen

Karl Manfred Lochner
Member of the Management Board of Landesbank Baden-Württemberg, Stuttgart

Dr. Ewald Maier
Chairman of the Management Board of Sparkasse Forchheim, Forchheim

Mike Stieler
Chairman of the Management Board of Sparkasse Sonneberg, Sonneberg

Dr. Hariolf Teufel
Chairman of the Management Board of Kreissparkasse Göppingen, Göppingen

Ulrich Voigt
Member of the Management Board of Sparkasse KölnBonn, Cologne

Jürgen Wagenländer
Member of the Management Board of Sparkasse Mainfranken Würzburg, Würzburg

Hans Ulrich Weiss
Chairman of the Management Board of Sparkasse Mansfeld-Südharz, Lutherstadt Eisleben

Reinhold Wintermeyer
Deputy Chairman of the Management Board of Sparkasse Oberhessen, Friedberg

(End of the term of office:
31 December 2017)

Corporate Bodies of Subsidiaries – Real Estate business division

Deka Immobilien GmbH

Supervisory Board

Dr. Matthias Danne
Chairman
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Manuela Better
Deputy Chairwoman
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Michael Rüdiger
CEO of DekaBank Deutsche Girozentrale, Frankfurt/Main

Board of Management

Ulrich Bäcker
Burkhard Dallosch
Torsten Knapmeyer
Thomas Schmengler

Deka Immobilien Investment GmbH

Supervisory Board

Dr. Matthias Danne
Chairman
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Manuela Better
Deputy Chairwoman
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Hartmut Wallis
Zornheim

Board of Management

Burkhard Dallosch
Torsten Knapmeyer
Thomas Schmengler

WestInvest Gesellschaft für Investmentfonds mbH

Supervisory Board

Dr. Matthias Danne
Chairman
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Manuela Better
Deputy Chairwoman
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Hartmut Wallis
Zornheim

Board of Management

Ulrich Bäcker
Burkhard Dallosch
Torsten Knapmeyer
Mark Wolter

Glossary

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

Advisory/management mandate
External 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.

Headquarters and addresses

DekaBank
Deutsche Girozentrale
Head office Frankfurt/Main and Berlin
Mainzer Landstraße 16
60325 Frankfurt/Main
Postfach 11 05 23
60040 Frankfurt/Main
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Fax: +49 (0) 69 71 47-13 76
e-mail: konzerninfo@deka.de
Internet: www.dekabank.de

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38, avenue John F. Kennedy
1855 Luxembourg
Boîte Postale 5 04
2015 Luxembourg
Phone: +352 34 09-60 01
Fax: +352 34 09-30 90
e-mail: mail@deka.lu

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Representative Office London
53 to 54 Grosvenor Street
London W1K 3HU
Phone: +44 20 76 45 90 70
Fax: +44 20 76 45 90 75

Ufficio di Rappresentanza per l'Italia
Via Monte di Pietà 21
20121 Milano
Phone: +39 02 86 33-75 02
Fax: +39 02 86 33-74 00

Representative Office Milan
Real Estate Lending
Piazzale Biancamano 8
20121 Milano
Phone: +39 02 62 03-22 16
Fax: +39 02 62 03-40 00

Representative Office New York
1330 Avenue of the Americas
24th Floor
New York, NY 10019
Phone: +1 21 22 47 65 11

Bureau de représentation en France
30, rue Galilée
75116 Paris
Phone: +33 1 44 43 98 00
Fax: +33 1 44 43 98 16

Representative Office Tokyo
Roppongi
Hills Mori Tower
34 Floor
6-10-1 Roppongi, Minato-Ku
106-6134 Tokyo
Phone: (+81) 3-6837-1607
Fax: (+81) 3-6837-1606

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Schottenring 16
1010 Wien
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Fax: +43 15 37 12-40 00

Deka Investment GmbH
Mainzer Landstraße 16
60325 Frankfurt/Main
Postfach 11 05 23
60040 Frankfurt/Main
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The Annual Report 2015 can be found on our website, including as an interactive online version under "Investor Relations/ Reports" in German and English. Previous versions of our annual and interim reports are also available for download here.

Our group company in Luxembourg, DekaBank Deutsche Girozentrale Luxembourg S. A. publishes its own annual report.

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Gender clause
In this annual report, words in the masculine include words in the feminine; in parts of the report, the masculine form has solely been used to make the document easier to read.

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