Deka Group
Annual Report 2014

Participation.
Not speculation

Finanzgruppe

Deka

Deka Group at a glance

Business development indicators		31 Dec 2014	31 Dec 2013	Change %
Total assets	€m	113,175	116,073	–2.5
Total customer assets	€m	220,356	188,725	16.8
thereof Securities business division	€m	184,024	157,219	17.0
thereof Real Estate business division	€m	27,829	26,470	5.1
thereof Capital Markets business division	€m	8,503	4,969	71.1
Number of securities accounts	thousand	3,922	3,954	–0.8

		1 Jan – 31 Dec 2014	1 Jan – 31 Dec 2013	
Net sales	€m	13,169	7,444	76.9
thereof Securities business division	€m	8,244	3,125	163.8
thereof Real Estate business division	€m	1,472	1,634	–9.9
thereof Capital Markets business division	€m	3,452	2,637	30.9

Performance indicators				
Total income	€m	1,440.2	1,436.2	0.3
thereof net interest income	€m	325.8	375.5	–13.2
thereof net commission income	€m	1,010.4	937.1	7.8
Total expenses	€m	899.1	934.7	–3.8
thereof administrative expenses (including depreciation)	€m	884.7	895.4	–1.2
Economic result	€m	541.1	501.5	7.9
Net income before tax	€m	871.7	517.6	68.4

Key ratios				
Return on equity[1]	%	14.4	14.1	0.3%-Points
Cost/income ratio[2]	%	61.3	61.2	0.1%-Points

Key regulatory figures[3]		31 Dec 2014	31 Dec 2013	
Own funds (without/with transitional provisions)	€m	4,431/4,520	3,824	
Total capital ratio (without/with transitional provisions)	%	15.8/16.1	17.0	
Common Equity Tier 1 capital ratio (without/with transitional rules)	%	11.8/13.4	13.1[4]	

Risk ratios				
Total risk-bearing capacity	€m	5,562	4,913	13.2
Group risk (value-at-risk)[5]	€m	2,185	2,349	–7.0
Utilisation of risk-bearing capacity	%	39.3	47.8	–8.5%-Points

Non-guaranteed rating (short-term/long-term)				
Moody's		P-1/A1	P-1/A1	
Standard & Poor's		A-1/A	A-1/A	

Key employee figures				
Number of employees		4,183	4,035	3.7
Number full-time equivalents		3,678	3,538	4.0

[1] Return on equity (RoE before tax) corresponds to the economic result divided by equity at the start of the financial year, including atypical silent capital contributions.
[2] Cost/income ratio (CIR) corresponds to the ratio resulting from total expenses (excluding restructuring expenses) and total income (before provisions for loan losses).
[3] Regulatory ratios as at 31 December 2014 shown in accordance with CRR/CRD IV, as at 31 December 2013 with CRD III.
[4] The Common Equity Tier 1 capital ratio takes not account of silent capital contributions.
[5] Confidence level: 99.9%, holding period: one year.

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

Participation. Not speculation. Germans are very attached to their passbooks and instant-access or fixed-term savings accounts, but tend to steer clear of shares and other securities. This is an issue because such traditional forms of investment do not provide high enough returns in the current low interest rate environment. That means investors lose money every day – money that could otherwise be used to pay for large purchases or be put towards a pension. But investments in securities also play an important role in the economy, and for the wider society, because they make a major contribution to funding companies or infrastructure. Increasing the use of forms of saving that involve securities is therefore not just in customers' interests, but also makes a significant contribution to society as a whole. It therefore makes perfect sense that Deka and the savings banks share a commitment to them.

Content


Michael Rüdiger


Dr. Matthias Danne


Martin K. Müller


Dr. Georg Stocker

Dear Shareholders and Investors,

2014 showed that continuity of change yields a return. Consistent implementation of our strategy has given the Deka Group a clearly defined direction, providing a strong basis for profitable growth. We continued to put our strategy into effect by focusing on customers and quality while carefully monitoring costs. The development of the Deka Group from a product-centric into a customer-centric organisation enables us to fulfil our role as a securities service provider to the German savings banks. In 2014, we established an even closer link to the savings banks and customers. The increase in our economic result to €541m is affirmation that the Group's transformation is built on a sound basis.

A key element of our success was the targeted expansion of Savings Banks Sales. Our on-site presence in the savings banks was stepped up and, together with the support delivered in connection with the new investment and advisory process, its favourable impact has already been significant. Although volatile, the overall positive market environment provided advantageous conditions for halting the net funds outflows from mutual investment funds and also achieving a trend reversal in the business segment. Sales doubled in retail certificate business, a pleasing development which proves that we are able to achieve growth even in shrinking markets. With portfolios of €110bn each in retail and institutional business, total customer assets rose from €189bn to €220bn.

We made significant progress in terms of the quality of our products and services. Almost half of our funds achieved an above-average rating in the Feri ratings at year-end 2014. The development of the Deka-Vermögenskonzept (Deka Wealth Concept) was particularly encouraging. This innovative investment solution continues to provide us with a unique selling point in the German market, as it uses portfolio strategies that are individually tailored to customers' needs. The active take-up by investors of the optional hedging mechanisms, which can be activated or deactivated, confirmed the topicality of our solutions. The success of our institutional business continued, with significantly increased demand for additional services such as the Treasury Compass, strategy analysis and reviews to assess whether an institution's portfolio is aligned with the market. In our view, this reflects the fact that our securities expertise is highly valued.

In addition to exceeding our targets in the Securities business division, the business divisions Capital Markets, Real Estate and Financing also achieved results above target in financial year 2014. We see this as a confirmation that we have developed a strong business model. As planned, in 2014 we also succeeded in financing all investment needed as part of the Group's ongoing development and to meet increasingly stringent regulatory requirements from funds generated internally. By pooling similar functions and implementing sustainable cost management, we reduced expenditure by €36m compared with the previous year, whilst at the same time expanding sales support and despite incurring higher audit costs for the ECB's asset quality review (AQR). DekaBank achieved strong results in both the asset quality review, conducted under the auspices of the ECB, and the bank stress test. At year-end 2014, we further strengthened our core capital base with the issue of AT1 bonds.

Our ongoing development as a securities service provider to the savings banks is based on sound foundations, and we will continue to build rigorously upon these. In view of the ongoing stagnation in interest rates and the resulting impact for investors, we believe that promoting an investment culture in Germany in general, and securities-based saving in particular, is a vital duty for us. As a securities service provider to the savings banks, we are convinced of our ability to make a fundamental contribution to successful wealth creation in Germany and to its safeguarding. We intend to maintain the strong level of our economic result in 2015 and aim to further increase total customer assets as well as adding value within the alliance – we take on this responsibility in the interests of our shareholders, customers and employees.

Sincerely,

Michael Rüdiger

Dr. Matthias Danne

Martin K. Müller

Dr. Georg Stocker


500
500
500 EURO

Participate
or lose out

Everyone is happy when Germany's economy grows. However, most Germans shy away from contributing to this dynamic growth by investing in companies via shares. The culture of stocks and shares is underdeveloped in Germany. This is evident in what people do with their personal wealth as well as in the economy and society as a whole.

World leaders in exports, a strong SME sector and worldwide acceptance of valued products made in Germany – Germans are proud of their economy. They trust the power of big brands when they spend their money. This means trainers from Adidas and Puma or, as far as cars go, the famous star on the bonnet. However, brand appreciation is not limited to German companies. People will happily queue out the door for the latest Apple device.

Yet, when it comes to investing rather than spending, confidence in the economy and companies suddenly seems to be lacking. Many Germans simply cannot imagine investing in stocks and shares via equity funds. Although they are increasing the profits of Apple, Adidas and Daimler as consumers, they do not see that, by investing, they would be participating in these companies' profits. The fear of possibly making a loss on a securities investment appears to outweigh everything else.

The total shareholdings of the German public are low, and the trend is pointing downward. Only 13.8% of Germans (over 14 years of age) hold shares, either directly or via investment funds. In the UK and many other countries, the

"Saving is always worthwhile"

Georg Fahrenschon, President of the German Savings Banks and Giro Association (DSGV) on the importance of Germany's savings and securities culture

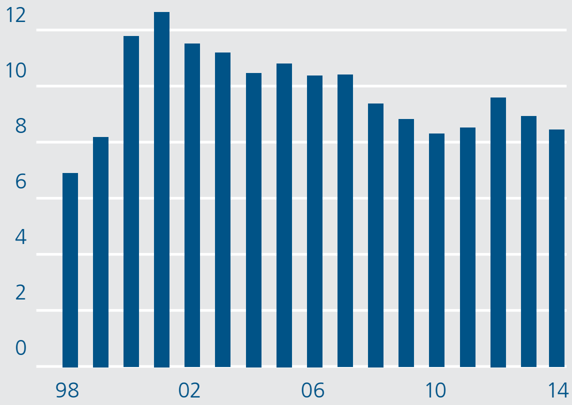
"At first glance, today's low interest rates make saving an unattractive proposition. However, this is a mistake. Saving is always worthwhile. Having a financial cushion makes it easier to deal with the challenges of the future, so Germany's strong culture of saving is now more important than ever.

Given the demographic transformation that is taking place, and if we want to give the broadest possible section of the population a share in companies' success, investing in sound, reputable and sustainable securities has an important part to play. This is why forms of saving that involve securities are an integral part of the savings banks' range of products.

I would like to see more of a sense of proportion when it comes to regulatory matters and consumer protection. Misunderstandings about consumer protection rules and excessive regulation should not prevent savings banks from providing their customers with personalised advice, no matter where those customers live. The intention behind regulations cannot be for big commercial banks to end up catering only to the needs of wealthy customers living in urban areas, while remote banking services provide no investment advice at all and the savings banks are left to bear the brunt of the regulatory burden."

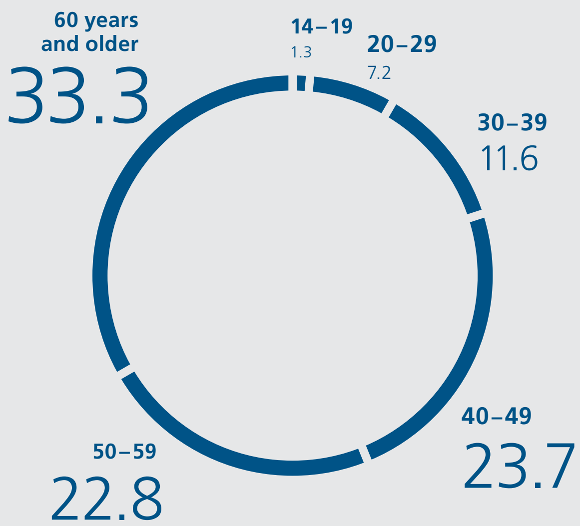
Watch the full interview in German with Georg Fahrenschon online

Number of shareholders and owners of equity funds
(1998-2014, millions)



Source: *Deutsches Aktieninstitut* 2015

Age structure of shareholders in Germany
(as percentage of all owners of shares and equity funds, 2014)



Source: *Deutsches Aktieninstitut* 2015

corresponding figure is significantly higher. In the Netherlands, for example, 30% of the population are shareholders.

Some may say that Germany is the country of savings books, direct access savings accounts and insurance, adding that this approach has served the country well over the past few decades. Although that much may be true, the marked scepticism in Germany when it comes to shares is nonetheless a problem. Traditional investment options now only yield a minimal return due to low interest rates.

Shares and young people

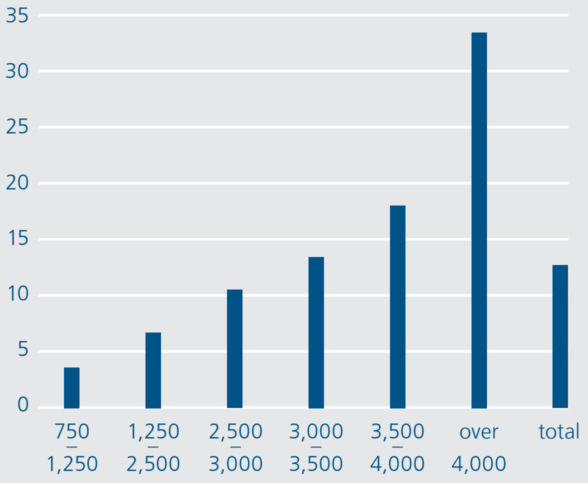
Most of those who do invest in securities start far too late in life. Yet the time factor is crucial when investing in shares. The longer shares are held, the greater the chance of compensating for short-term fluctuations and the lower the risk of losses. In other words, young people in particular should be investing more in shares. Germany's relatively small number of shareholders are above average age: more than half are over 50, with the age groups over 40 accounting for the highest number of investors in shares. Young people, by contrast, are steering clear of the stock markets. What makes this worse still is that young people are saving less overall because of low interest rates. The savings ratio of private households in Germany has fallen considerably: in 2014, it stood at 9.4%, some way down on the early 1990s (12.7%). Georg Fahrenschon, President of the German Savings Banks and Giro Association, has warned that "the savings culture is increasingly being eroded, especially in the younger age group of 14- to 29-year-olds." In view of the growing importance of private pension provisioning, this is a disastrous trend.

Shares and fairness

It is primarily more affluent groups of people in Germany who invest in shares. Households with a net income in excess of €4,000 per month invest 36.2% of their assets in shares, around three times higher than the average. By contrast, those with between €1,200 and €2,000 of net disposable income per month only put around 7% of their assets into shares. The breakdown by job category paints a similar picture. Executives, civil servants and the self-employed have a relatively high percentage of their assets invested in shares, whereas the figure is considerably lower for other types of employees and skilled workers. Blue-collar workers along

Securities culture is an extremely important issue for the entire economy. It is therefore only natural for Deka, as a member of the Sparkassen-Finanzgruppe, to be addressing it.

Shareholdings by net household income
(as percentage)



Source: *Deutsches Aktieninstitut* 2015

with trainees, apprentices and schoolchildren are at the bottom end of the scale.

This means that the people in the medium and low income brackets are left behind in Germany when it comes to participating in the country's dynamic economic growth.

Put another way, talking about investing in stocks and shares invariably means talking about issues of fairness too.

Shares and the economy

Of the around five million companies in Germany, fewer than 700 are listed on the stock exchange. In other countries for whom Germany is easily a match in economic terms, the stock market is considerably bigger. Japan has almost 3,500 listed companies, while the UK has more than 2,000 and the USA over 4,000.

This difference is partly explained by the fact that Germany has an extensive sector of family-owned SMEs. However, this is only one element of the picture. It is well known that the US capital market is considered to be particularly attractive when it comes to financing companies and, especially, innovation. One of the reasons why Silicon Valley has evolved into a Mecca for innovative start-ups is easier access to equity via the stock exchange. The fact that private equity investors have acquired many German companies in recent years is due at least in part to Germans' sceptical attitude towards shares.

Private investors with a long-term focus help stabilise the capital structure of companies. At the same time, the amount of investment required to expand and maintain roads and railways in Germany between now and 2020 is estimated at approximately €15bn. The need for capital is also increasing as part of the national switch to renewable energy.

So there are some compelling reasons for promoting a securities culture in Germany. As an issue of great social and economic importance, it is only natural for Deka, as a member of the *Sparkassen-Finanzgruppe*, to be addressing it. We are tackling this matter of national importance together.

Secure a return – don't give it away

Interest rates in Europe are low and are set to remain so for the foreseeable future. This means that savers are losing money in real terms if they rely exclusively on a savings book or direct access savings account. As far as investments are concerned, such an approach is far riskier in the long term than fluctuations in share prices.

Most of us would think that someone who chooses to walk up the stairs to the 25th floor of a high-rise building rather than taking the lift for fear that it might get stuck on the way up has an exaggerated aversion to risk.

However, this image accurately reflects the attitude of many private investors in Germany when it comes to investing in securities. Interest on savings books and direct access savings accounts is low, which means that building up assets this way is extremely slow and requires substantial effort.

Waiting is not an option

Four facts about low interest rates and the options now available to savers

1. We are experiencing a low-for-long scenario
The European Central Bank (ECB) has reduced the key rate for the eurozone to an historic low. All market observers agree that interest rates are set to remain low for some time yet. The weak economies of many eurozone countries, comparatively low inflation and high national debt more or less make this the only possible conclusion.

2. Act now or lose out
The record low in interest rates is affecting all investment segments, ranging from one-off investments to regular savings and pension provisioning. Savers with fixed-income investments have been losing money in real terms since 2009, with this situation unlikely to change in the medium term. Anyone wishing to increase their assets needs to look for investment options that provide an opportunity for a higher long-term return.

3. Exploit (yield) opportunities
The attractive options are those which invest in the real economy, for example in the shares of listed companies and in property. Tangible assets of this kind offer opportunities and a chance to participate in the trend in the real economy. When paying into an investment fund which invests in these assets, an active management approach ensures that a portfolio remains in step with market developments at all times.

4. Diversification mitigates risk
A tried-and-tested method for exploiting opportunities while diversifying risk is to invest in a range of asset classes. This allows any losses incurred on one investment to be offset with profits made elsewhere.

It is difficult to achieve a good pension income without a return on investments

Someone in their mid-thirties today would need to save or invest this amount every month to secure a monthly pension of €1,000 for their retirement:

… assuming a 4% return: €240

… assuming a 1% return: €400

Source: DekaBank's own calculations

Returns on equity-fund-based savings plans in Germany
(as a percentage per year)

Source: BVI, cut-off date 30 June 2014 in each case

This is true of pensions in particular. To secure a monthly pension of €1,000, people in their mid-thirties would have to save more than €240 per month, assuming an annual return of 4%. At 1% interest, the required monthly amount goes up to almost €400, something that not many are able to afford.

Yet Germany's investors continue to rely on their savings books. Around 40% of the private financial assets of German savers, or more than 2 trillion euros, are being directly affected by the current low interest rates. Conversely, securities are viewed with great reservation. According to a survey conducted by the German Savings Banks and Giro Association in 2014, a total of 46% of Germans are "completely convinced" that shares, bonds, investment funds and certificates are all speculative investments. In another survey, more than half of all respondents indicated that, even if they had €100,000.00 to invest, they would not put anything at all into shares.

Risk diversification and making long investments

This is all the more astonishing since historical data proves that investors who hold shares have never record losses – provided that they follow two simple, basic rules. These are risk diversification and making a long-term investment. In fact, investors who have adopted this strategy in the past have, on average, achieved high returns.

From 2004 to 2014, for example, the DAX climbed by an average of 8.7% per year. Considering a time horizon of 20 years, the annual average return would be 8.0%, despite investors facing not one but two sharp falls in equity prices during this period. First, losses as a result of the dotcom bubble bursting had to be absorbed in the years following 2001 and then the consequences of the financial market crisis from 2007-2008 onwards had to be dealt with.

The DAI stock return triangle

Investors buying shares have fared well in the past, provided that they ensured sufficient diversification and made a long-term investment. The DAX stock return triangle, which is published by the Deutsches Aktieninstitut, illustrates stock performance. It reflects the annual average return of a share portfolio that mirrors the German DAX share index for the past 50 years.

Source: Deutsches Aktieninstitut (https://www.dai.de)

Fears of buying at the high point of the cycle and then facing losses if share prices subsequently fall are also unfounded in the case of diversified long-term investments. The DAX made up for the losses caused by the 2011 slump within just one year, while those triggered by the tech bubble bursting were recouped within four years.

Anyone making regular payments of a fixed amount into a securities savings plan automatically has a further integrated safety buffer. This is because fewer units are bought when prices are high, whereas a correspondingly higher number are purchased when prices are low. Ultimately, the result is an attractive yield subject to less fluctuation (see chart on page 14). In actual fact, investments of this kind are virtually identical to term life insurance. The only difference is that investors would not see any fluctuations in value on their annual life insurance statement. Although not being aware of these potential fluctuations may make savers feel safer, it can come at a price as they may lose out on potential yields.

No need to go for broke

In other words, there are plenty of options for exploiting capital market opportunities without having to be a risk-taker. It is important to raise awareness of this among investors in Germany and put an end to their unfounded fears. One way of achieving this is to provide better financial information to the public along with first-class investment advice.

Read more about how Deka and the German savings banks are working together to provide more comprehensive financial information (page 17) and excellent advice (page 21) about securities.

The low interest rates we are seeing at present are affecting around 40% of the personal assets of German savers.

Something for everyone

Simple, easy to understand and tailored to specific needs – this is the principle on which **Deka-BasisAnlage** (Deka Basic Investment) is based. It is a straightforward investment concept with integrated, effective hedging elements and can be adapted to suit each investor's requirements.

The capital invested is broadly diversified, with global investments in different sectors, regions and currencies as well as various asset classes, ranging from stocks and shares to bonds and liquidity. As part of an active management approach, Deka's financial experts continually track movements in the capital markets and gear Deka-BasisAnlage to these.

In October 2014, Deka launched a further product that can be used as the basis for systematic wealth creation. One is **Deka-BasisStrategie Flexibel** (Deka Basic Strategy – Flexible), an offensive managed mixed investment fund. Investors opting for this investment fund can utilise the pooled expertise of Deka's investment fund managers. The other, **Deka-BasisStrategie Aktien** (Deka Basic Strategy – Equities), makes broadly diversified worldwide investments in shares from developed markets. Active risk management enables more risk-averse investors to start investing in shares too.

The value of investment funds can change and your investment may go down. The key investor information, sales prospectuses and reports available in German from your savings bank or *Landesbank*, or from DekaBank Deutsche Girozentrale, 60625 Frankfurt and www.deka.de, represent the sole binding basis for acquiring Deka investment funds.

Knowledge beats ignorance

Most Germans describe themselves as ignorant when it comes to investments. This needs to change, because a lack of economic and financial knowledge impacts negatively on individuals as well as the economy and society as a whole. The German savings banks and Deka are committed to helping bring about this change.

Germans know too little about how the economy, financial markets and investing work, as they themselves will tell you. In a survey conducted by the Research Center for Financial Services at Steinbeis University Berlin with the support of DekaBank, a total of 56% of private investors questioned agreed to the statement that they "haven't a clue about the stock exchange". Less than one in three stated that they had "sound" or "excellent" general financial knowledge. The percentage increases with higher income and wealth.

This means that a lack of financial knowledge and the corresponding reluctance to invest are prevalent in the sections of society where this kind of knowledge and investment are particularly important in terms of pension provisioning and where efficient securities-based saving is therefore highly relevant. Instead, the image of stocks and shares as high-risk stubbornly persists among many people in this group.

A game breeds experts

In Markus Specht's case, playing the stock market simulation was what made him choose to become a stock trader. In 1990, the then 15-year-old took part in the game for the first time. The experience he and his four classmates gained by investing in SAP and Coca-Cola shares laid the foundations for his future career path. Today, the graduate banking specialist is responsible for all share buy or sell orders at Deka Investment GmbH.

Launched by the savings banks and supported by DekaBank in its capacity as sponsor, the stock market simulation is Germany's favourite financial learning game and among the most successful of its kind in Europe. More than 140,000 school and university students from Germany, France, Italy, Sweden and Luxembourg took part in the 32nd edition, which lasted from October to mid-December 2014. Participants use virtual starting capital, which they invest in a portfolio of shares. By playing the game, participants learn about finance and economics while practising how to manage money responsibly. Another aim of the game is education for sustainable development: in 2014, the simulation game focused on the topic of water with specific content and learning materials.

Travel opportunities await the winning teams, while schools are also rewarded by the German Savings Banks and Giro Association for their commitment. The schools of the simulation winners are given the chance of participating in a day of action on financial education worth €30,000. Winners of the university student competition receive financial support for their studies.

Experience counts

Interview with Dr. Christine Bortenlänger, Chief Executive of the Deutsches Aktieninstitut (DAI)

Dr. Bortenlänger, most investors with savings books and direct access savings accounts have been losing money in real terms for some time while share prices have been rising. Nevertheless, Germans are continuing to save rather than invest in securities. Why do you think that is?
In my opinion, people are insufficiently aware of the problem. When they look at their account statement, it is not immediately obvious that, because of interest rates, their assets have grown by less than the drop in their purchasing power due to inflation. Neither does the statement show that a more diversified investment would have generated a much higher return.

So lack of knowledge is not even the main problem?
Obviously, a basic understanding of the economy, finance and investment is essential. This is why we at the *Deutsches Aktieninstitut* are campaigning for economics to be part of the national curriculum. However, knowledge alone is not enough. Experience is also important. I like to use the following analogy: think of a hiker who is walking along a narrow ridge. He knows that, theoretically, he could fall and probably wouldn't survive. But past experience tells him that that's precisely what won't happen. In relation to shares, many German savers are hampered by their fear of a loss that is theoretically possible. What they lose sight of is that shares almost always earn money in the long term.

This kind of positive experience can only be gained by those who actually invest in shares. What should be done?
People's confidence in shares must be increased by highlighting the link between them and the companies behind them, making the subject more tangible for people. Which products does the company in question produce? How many people work for it? How has the company developed and, possibly, changed since it was established? Promoting employee shares is a good way of introducing people to investing in them.

So tell them a story, in other words?
As far as investment advice goes, recounting the history of a company certainly makes sense. In addition, teaching the history of economics more widely in schools would be a good thing. Look at a company like Linde. Almost 140 years ago, the company started out with a cooling system for a brewery. Today, it is the biggest supplier of industrial gases worldwide and has more than 60,000 employees. The company's history in getting there, with all the progress and change, is absolutely fascinating and would hardly have been possible if it hadn't gone public. By chronicling a corporate history such as Linde's, you also show that entrepreneurship and participating in it are worthwhile.

Cooperation between savings banks and schools dates back to the 18th century.

The key to solving this problem is better education and training in financial topics. This is a point on which experts with otherwise widely differing opinions agree. In the Steinbeis survey, however, more than 80% of respondents stated that they have had no lessons on investment at school.

Sparkassen-SchulService (savings banks in schools) promotes financial education

Many schools in Germany teach subjects where economy and finance are included in the curriculum – often in combination with subjects such as technology, law and social sciences. However, the amount of basic economic education provided in schools largely depends on individual teachers. In many cases, they themselves lack sufficient knowledge of the subject matter.

The *Sparkassen-SchulService* (savings banks in schools) aims to support schools in teaching finance. This service was introduced 40 years ago and builds on a long tradition of cooperation between schools and savings banks. In many places, it dates back as far as the eighteenth century, a time when many of the savings banks were being established.

With around 80 media content units on economics and finance, the *Sparkassen-SchulService* is specifically geared to the requirements of students, teachers and parents. All of the brochures, learning aids and charts are continually updated. It goes without saying that they are impartial and contain no advertising. Many local savings banks are also directly involved in financial education, with employees taking part in lessons as guest speakers on request, for instance.

The service has been criticised by some who fear an undue influence is being exerted on education by financial interests. Yet the question that needs to be asked is whether an advanced economy like Germany can afford to be in a situation where large parts of the population are financially illiterate. UNESCO expressly acknowledged the efforts of the German savings banks, presenting them with an award as part of the World Decade of Education for Sustainable Development, which ended in 2014.

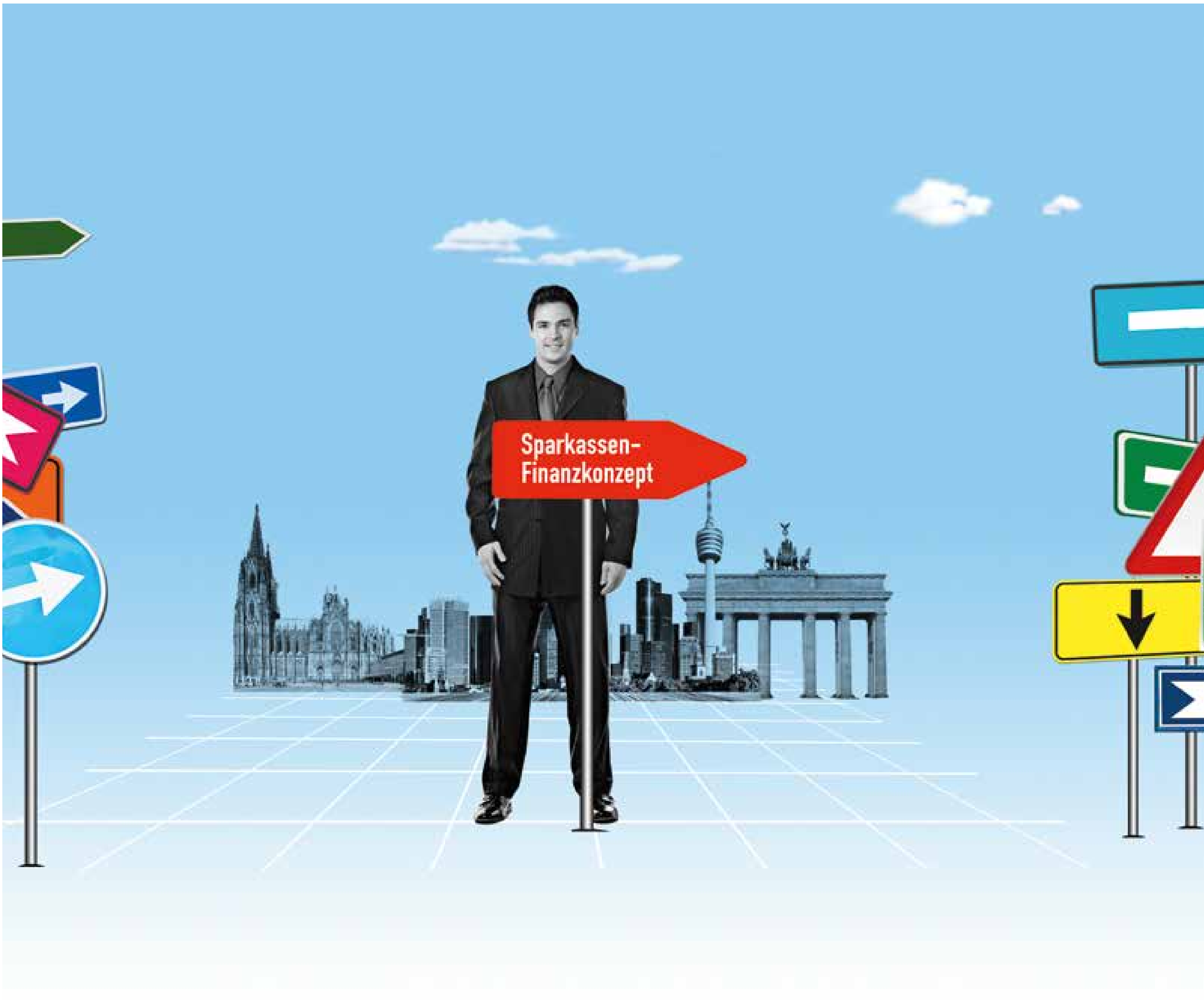
DekaBank's broad-based commitment

DekaBank makes a substantial contribution to the work done by the savings banks, whether this be through Deka employees giving talks at school events or via close cooperation on the stock exchange simulation, for instance. Reports and brochures by Deka Research explain the latest developments on capital markets and their impact in simple terms with illustrations. Along with Deka's educational films about basic investment principles and terminology, they have one main aim – to convey expertise in financial matters to as wide a cross-section of society as possible, enabling them to take informed investment decisions on their own and to consider any investment recommendations carefully before actually investing.

Sparkassen-SchulService

Sparkassen SchulService
Gut für die Schule. Gut fürs Leben.

Financial education in schools is all about improving children's skills in handling money and financial services. This includes spending money prudently, making appropriate use of different options to build up assets, and avoiding unplanned debt. For the past 40 years, the *Sparkassen-SchulService* has supported these aims with the provision of attractive materials ideal for use in lessons. They are free from any advertising, aligned with school curricula, of great practical relevance and available in a wide range of media.


Sparkassen-
Finanzkonzept

Supporting the savings banks

The many different investment options out there make it difficult to get a clear overview. This is what deters some potential investors from making certain types of investments. Consequently, good advice is all the more important. The key is to provide advice that is geared to customers' requirements and aims, which is exactly where Deka supports the savings banks and their advisers.

Ensuring access to financial products for a broad section of society is key to the public remit of the *Sparkassen-Finanzgruppe*. When the first German savings banks were established in the 18th century, their main principle was to make it possible for the less wealthy to start saving. Today, it is all about providing investors with an overview and helping them to find the approach that best suits their circumstances. This applies particularly in respect of people with no or average wealth, for whom the consequences of losing out on a return could be as serious as taking too many risks. It is a social duty to support this specific target group in making investment decisions by providing sound advice without focusing exclusively on certain products.

The German savings banks have implemented an advisory approach which meets the requirements of all groups of investors, whether they are seeking to invest a small or large amount. The approach takes the form of the *Sparkassen-Finanzkonzept* and a new investment and advisory procedure.

Close dialogue ensures appropriate support

What matters to the savings banks on the ground and what are their strategic and operating goals for the next few years? What is the current setup at the savings banks, for example with regard to the low interest rate environment?

The answers to these and other questions form the starting point for determining how DekaBank can best support the savings banks. For this reason, DekaBank's sales directors engage in an intensive dialogue with each savings bank.

The **strategy discussion** is aimed at finding out what issues the savings banks are facing on the ground, what their medium- to long-term goals are in their securities business, and how DekaBank can help them to achieve their individual medium-term earnings and volume targets in this business and promote their securities culture.

This initial discussion is followed by a **planning meeting**, which focuses on the supporting measures Deka can offer to enable each savings bank to achieve its specific targets. A schedule of measures is developed, including practical steps such as events and training. The local sales representative is responsible for implementing the agreed measures in close cooperation with the savings bank concerned.

By working with the savings banks, DekaBank is laying the foundations for sustainable improvements in quality when it comes to comprehensive, customer-focused advice on securities investments. This is also in the interests of the savings banks, because in the end, the only way to achieve stable earnings is to ensure that customers are always satisfied.

Together with the regular annual review and outlook meeting, these meetings ensure a continuous and comprehensive dialogue between each savings bank and DekaBank – the best environment for excellent cooperation.

»We want to offer the savings banks a comprehensive package.«

As a securities service provider of the German savings banks, DekaBank's remit involves delivering good products to the savings banks as well as everything they need to give their customers securities-based investment advice. This ranges from providing support with strategy and planning to product baskets based on the relevant strategy and in-house opinion of the savings banks, which form the framework required for advisers to select the most appropriate investment proposals. It also includes the relevant tailored information and promotional material and much more besides. Dirk Degenhardt, Divisional Manager Product and Market Management at DekaBank, explains: "We want to offer the

Precisely tailored and easy to understand

In response to DekaBank's question about the kind of information they need, the savings banks replied, in as many words, "quality not quantity – it should focus on key facts and be explained in a way that suits the target group." Accordingly, Deka has consistently geared its support to this requirement of the savings banks.

This holds true when it comes to research, for example. Dr. Ulrich Kater, Chief Economist at DekaBank, explains: "We select the studies and reports that match the relevant sales focus in each case and make them available to the savings bank advisers via the DekaNet." The key sales points encapsulate the in-house opinion and the savings banks' investment recommendation in a way that makes them easy for customers to understand.

DekaBank's 15-strong macro research team delivers regularly updated assessments on developments in the various capital market sectors, such as in the fixed income and bond markets, as well as on the situation and outlook for the economies in the different regions of the world.

Ulrich Kater and his team also visit the savings banks on a regular basis to give talks for customers or advisers. He reports, "We have considerably expanded this aspect of our offering in response to requests from the savings banks." In 2014, the team of experts was on hand at more than 400 events held by the savings banks, ranging from informal small group meetings to major events attended by several hundred customers.

A specific research service for approximately 400 different securities was launched in 2014 and is also tailored to the requirements of the savings banks.

The structure of all content and adapted information and documents is designed to make the work of local advisers as straightforward as possible. Information packages for specific product baskets, for example, ensure that advisers obtain the information they need rather than being swamped by information.

When compiling and preparing research documents for their customers, the savings banks have access to a specialised modular system that allows them to configure documents themselves.

DekaBank also supports the savings banks in their PR activities. The PLUS editing services comprise an extensive multi-channel offering with copy and charts for the regional press, customer magazines, newsletters and the social media. Everything is checked for MiFID compliance. In line with the "three channels – one message" motto, new topic packages are made available every month that facilitate an integrated approach to communicating securities and investment related information at regional level.

savings banks a comprehensive package." Providing advice on securities is no easy task for advisers at the savings banks. Customers often find the sheer variety of investment options confusing and ever more comprehensive information and documentation requirements have increased their fears of being held liable for any mistakes or failures to disclose an investment.

Focusing on what is essential

Sales support is therefore based on closer proximity, more on-site support and focusing on key aspects. A combination of sales directors and sales representatives act as facilitators. The 80 or so sales directors in DekaBank's six sales regions work closely together with the directors and sales team leaders at the savings banks. The sales representatives are the first point of contact for customer advisers in the savings banks. They are based at the savings banks themselves and support customer advisers when it comes to securities investments. Support and advice is primarily delivered through training and coaching sessions as well as specific information about Deka products. Customer advisers remain the direct link with customers.

The new structure and procedures have now been rolled out to around 200 savings banks to date. By the end of 2015, they will have been implemented at all savings banks. Frank Kalter, Head of Sales Management and Marketing explains, "We want to convince customer advisers of the advantages of investing in securities and ensure that they enjoy providing customers with the relevant information and advice. After all, the key to customers trusting us lies in how customer advisers in the savings banks perceive Deka and our products and pass on the relevant information."

Proven product quality

AA Deka Investment chose to be rated under the comprehensive Feri Asset Manager Rating for the first time in 2014. In its debut appearance, Deka Investment achieved the second best rating on a scale of twelve, AA (asset manager of outstanding quality). The Feri Asset Manager Rating represents an in-depth comprehensive rating of an asset manager's management quality. Deka Investment's excellent performance highlights the high standard of quality it has achieved across its entire investment fund management platform as well as in its various product lines.

See www.feri-fund-rating.com for more information.

AA+ Renowned analysts Scope prepares annual ratings of the quality of the open-ended mutual property funds and special property funds which are geared to our institutional investors. Management quality as a whole is also assessed. Deka achieved an excellent AA+ rating in 2014, with most property investment funds equalling or improving their previous ratings.

***** In February 2015, Deka once again achieved the highest possible rating of 5 stars in Capital magazine's 13th Capital Investment Fund Compass (issue 3/2015). This ranks Deka among the top ten investment fund companies in Germany. Product range, product quality, service and the management team are all assessed as part of the Fund Compass rating.

Help to shape a sustainable future

Deka's ambition is to be involved, seek dialogue and lead by example when it comes to sustainable securities investment tailored to the interests of investors.

In their principles on sustainability, the savings banks have defined their mission as follows: "We make finance understandable and ensure it serves people and the economy. We promote sustainable wealth." It is a principle which also applies to Deka as a securities service provider of the savings banks. Deka is committed to securities investments that are in the interests of investors but also take into account those of the economy, society and the environment.

Investment fund subsidiary Deka Investment GmbH has signed the United Nations Principles for Responsible Investment. These stipulate that sustainability aspects must be actively included in shareholder policy, for example in voting at annual general meetings. Deka Investment maintains an intensive dialogue with the management teams at companies whose shares and bonds are included in its investment funds. In addition to strategy, earnings and finance, good corporate governance is always an important aspect.

Deka firmly believes that exemplary corporate governance and a sustainable business model will increase a company's value in the long term and therefore be in the interests of investors. When selecting specific investments, Deka also bases its decision on sustainability considerations. As a basic principle, Deka's investment fund portfolios do not include any shares, bonds or other securities from companies which sell anti-personnel mines and cluster munitions. Neither do

Sustainable products

As early as 2009, the Deka Group introduced products specifically designed for private investors looking to invest sustainably. The Group is continually expanding this offering. Products meeting more stringent environmental and social sustainability requirements are also available to institutional investors.

Deka Investment has signed the **European Transparency Code for Sustainable Investment Funds of the European Sustainable and Responsible Investment Forum (Eurosif)** in respect of its Deka-Nachhaltigkeit Aktien, Renten and Balance (equities, bonds and balanced) investment funds as well as the Deka-Stiftungen Balance investment fund, which is also managed on a sustainable basis.

When selecting appropriate securities, Deka Investment works together with two renowned partners from the sustainable investment sector, the **Institut für Markt-Umwelt-Gesellschaft (imug)** and the **Ethical Investment Research Service (Eiris)**. Private investors prioritising ethical, environmental and social standards can also invest in the **DekaSelect: Nachhaltigkeit** fund of funds. An **investment fund advisory board** was set up to support the process of tailoring the Deka-Institutionell Stiftungen investment fund to the needs of potential investors. The board comprises representatives from charitable foundations, churches, Deka Investment GmbH and DekaBank.

The Deka Group has the right products for investors who want their investments to do more than just meet minimum standards.

any of Deka's products speculate on the price trend of basic foodstuffs.

For investors who want to exceed these minimum standards when investing their money, the Deka Group has been providing suitable products since as long ago as 2009. At the end of 2014, these particular investment funds accounted for a combined volume in excess of €6bn. To select the most appropriate securities for these investment funds, Deka Investment works together with renowned financial institutions active in the responsible investment sector.

Sustainability filter for all new investments

Since mid-2014, a sustainability filter has been applied to all new investments that Deka makes as part of its business for own account, worth around €20bn in total. The filter is based on exclusion criteria related to the environment, arms, human rights and corruption. If a company does not fulfil even just one of the criteria, Deka will not invest. This approach makes the Deka Group a pioneer among the major banks of systemic relevance in Europe. External rating agencies such as oekom research and sustainalytics have affirmed Deka's high sustainability standards.

In addition, Deka is a member of and actively involved in the Forum Nachhaltige Geldanlagen (FNG, industry association for sustainable investment) and the relevant working groups of the German Investment Funds Association (BVI), which aim to anchor sustainability aspects more firmly in the world of investments.

Deka's commitment in terms of working towards conditions which facilitate and promote investor-oriented securities advice is also aimed at making safe and responsible investments possible that yield a high return. After all, ever more comprehensive regulation in this sector, which is ultimately geared towards protecting investors and ensuring high quality, is actually threatening to do the opposite. With many banks no longer offering any advice about securities whatsoever and many others having significantly scaled back their advisory services, it is mainly customers who can only afford a low investment volume that are being denied access to the capital markets and the opportunities for generating returns that this brings.

For savings banks too, providing securities-related investment advice is becoming more difficult financially in view of the increased regulatory requirements. Together with the savings banks and the German Savings Banks and Giro Association (DSGV), DekaBank is seeking to establish a dialogue with political decision-makers and administrators in order to raise awareness of the impact of more stringent regulation.

Sustainability puts Deka in the prime segment

oekom research, one of the leading rating agencies for sustainable investments worldwide, has rated DekaBank as a particularly sustainable bank according to its criteria. As part of its corporate rating in late 2014, oekom research rated the Deka Group in its **prime** category for sustainability. oekom's analysts reviewed around 100 selected sector-specific sustainability criteria in the "social rating" and "environmental rating" sub-segments.

Group management report 2014. More sales support, more advisory services, more brand visibility: the Deka Group continues to press ahead with its transformation into the *Wertpapierhaus* and the success of this change is already apparent in the increase in net sales and total customer assets. Mainly thanks to growth in net commission income and active cost management, the Bank's economic result was up by almost 8%. Improvements in key financial and risk indicators also confirm the sound business model.

Group management report

At a glance

The Deka Group continued its transformation into the *Wertpapierhaus* (the Provider of Asset Management and Capital Market Solutions in the German Savings Banks Finance Group) in financial year 2014, with a particular emphasis on expanding its portfolio of sales- and product-related support services covering the entire value chain for the savings banks' securities business. Together with a brand relaunch in the retail business under the umbrella of Deka Investments, this made a significant contribution to increases in both net sales and total customer assets in the year under review. The Deka Group also expanded its consulting and service portfolio in the institutional business with a view to increasing the take-up of its services as a partner in the fields of asset, liquidity and risk management. The smooth integration of Landesbank Berlin's (LBB) customer-oriented capital market business and of the investment fund company Landesbank Berlin Investment GmbH (LBB-INVEST) strengthened the Deka Group's securities and capital market businesses and helped to expand its customer base. This gave renewed momentum to the transformation process that has led to the Deka Group taking on an increasingly wide-ranging profile as an end-to-end provider of solutions in the securities business.

At €541.1m, the economic result was 7.9% up on the previous year. On the income side, the Group's profit performance was boosted primarily by a rise in net commissions. Allocations to provisions for loan losses in the lending business fell again year-on-year. On the expenses side, an increase in personnel costs was more than offset by a decline in restructuring and other operating expenses.

Improvements in the Deka Group's financial and risk indicators over the past year underline the robust nature of its business model. With the Capital Requirements Directive IV (CRD IV) being applied for the first time, the Common Equity Tier 1 capital ratio without transitional provisions (fully loaded) stood at 11.8%. DekaBank comfortably passed the Asset Quality Review (AQR) conducted under the auspices of the European Central Bank (ECB) as well as the bank stress test, part of the EU-wide programme of comprehensive assessments of systemically important European banks. Based on the liquidation calculation method, utilisation of total risk-bearing capacity was down on the previous year. From an overall perspective, DekaBank is in an economically stable position and is well prepared to deal with any exceptional or critical situations that may arise. This is reflected in the good ratings that the bank still enjoys.

Provided that the economic situation remains largely stable, the Deka Group expects the economic result for 2015 to be roughly on a par with the encouraging level achieved in 2014.

Information about the Deka Group

Deka Group profile and strategy

DekaBank is the *Wertpapierhaus*. 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 other institutional customers 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 Savings Banks Finance Group (*Sparkassen-Finanzgruppe*), 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. Additions were made to the code during the reporting year, primarily to the integrity, compliance and sustainability sections. It forms the basis for a corporate culture within the Deka Group that complies with the law, is open and transparent, and seeks to add value.

DekaBank is jointly managed by the Board of Management, which comprised four members as at the reporting date 2014. Oliver Behrens, formerly Deputy CEO, stood down from the Board of Management on 24 November 2014 at his own request. His responsibilities have been shared amongst the remaining four members of the Board of Management for the time being. CEO Michael Rüdiger has temporarily assumed responsibility for institutional sales as well as the Securities and Capital Markets business divisions. At the same time, some of the CEO's responsibilities have been allocated to the other members of the Board of Management on an interim basis. Dr. Georg Stocker has taken over the role of Chief Risk Officer with responsibility for Risk Controlling, Credit Risk Office and Risk Controlling Capital Market Funds. Dr. Matthias Danne is now also responsible for the Legal Corporate Centre, while responsibility for the Compliance Corporate Centre and Custody Services operating unit has been transferred to Martin K. Müller.

As at 31 December 2014, therefore, the responsibilities of the Board of Management members were as follows:

- Michael Rüdiger is CEO and is in charge of Strategy, Communications, Institutional Customers, securities investments and Capital Markets,
- Dr. Matthias Danne is responsible for Real Estate, Lending, Finance and Legal,
- Martin K. Müller is in charge of for business operations, IT, Human Resources, Treasury and Compliance, and
- Dr. Georg Stocker has responsibility for Savings Banks Sales & Marketing and Risk.

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

The close cooperation between the Board of Management and Administrative Board is based on trust. The Administrative Board 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 Deka Group's business model primarily focuses on the requirements of its key clients in the German market – the savings banks and their customers.

The Deka Group's core business consists in making relevant securities and property investments available to retail and institutional investors as well as implementing transactions which support and complement asset management along the entire value chain.

The Deka Group focuses its activities in the retail business on the requirements of savings bank customers potentially interested in securities investments, who are divided into three segments of retail, individual and private banking customers, depending on their investment potential. Commercial and corporate customers of the savings banks are another increasingly significant target group. Institutional customers primarily include the savings banks as well as other entities such as insurance companies, pension funds and foundations.

The Deka Group provides tailor-made products for customers' investment requirements, such as mutual securities funds, open-ended mutual property funds and certificates as well as other services related to asset management solutions. These include, for example, transacting securities business, securities accounts, Master KVG activities and custodian bank services. Savings banks can also make use of DekaBank's infrastructure and its comprehensive range of advisory and other services for asset management purposes. Among these are the bank's role as a liquidity platform, its securities lending offering and support with settlement and administration of securities and financial derivatives, or in regulatory matters.

The Deka Group primarily earns commission income from management and transaction fees in its activities involving securities funds and real estate funds, 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 – mainly front-end loads, sales commission and sales performance compensation. Additional commission income is generated from banking transactions and capital market activities. The Deka Group's interest income is mainly derived from real estate, transport and infrastructure financing, as well as refinancing of the savings banks and treasury activities.

Deka Group strategy

Strategic objectives

As the *Wertpapierhaus*, Deka Group's strategy is geared to strengthening the *Sparkassen-Finanzgruppe* in both German and European competitive environments 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 closely on the requirements of the savings banks and their customers.

In the retail business, the Deka Group aims to increase gradually its share of securities in end customers' financial assets, working closely with the savings banks and the DSGV. Customers will be given the opportunity to participate in market developments and to generate appropriate returns on their investments, particularly against a backdrop of the sustained low interest rates. Drawing on a wide range of customer-focused services, products and solutions, the intention is to increase gradually the share of Deka products in the savings banks' securities business and to gain market share.

Expanding the range of products and solutions allows various different customer groups to be targeted in a nuanced way. In this regard, the objective of Deka Group is to introduce more people to the world of securities and thus to foster a securities culture in Germany as a whole.

The strategic focus in institutional activities is primarily on securing additional sales and earnings potential for the savings banks and other customers. In this context, the aim is to further strengthen the role Deka Group plays as a platform for liquidity, risk and securities collateral. With regard to the savings banks' own investments, the Deka Group intends to secure its leading position by expanding its advisory and solution offering. In particular, it aims to tap into extra market potential in institutional business by adding new master fund activities, in structured products and with credit-based investment products.

As the *Wertpapierhaus*, the Deka Group wants to continue to generate significant added value for its shareholders and 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 essential to DekaBank's business model.

The objectives of the business divisions are derived from the Deka Group's strategic targets.

Strategic measures

The D18 transformation programme combines all key strategic measures to promote the continued expansion of DekaBank as the *Wertpapierhaus*. This ensures that all units draw on their skills and abilities to provide the best possible service to shareholders, sales partners and customers in terms of product and service quality, cost efficiency and earnings potential.

Support for the savings banks in the investment and advisory process

The fundamental realignment of Deka's sales units in the retail business, which was launched in 2013, continued in 2014. The new sales structure enables a greater orientation towards requirements and solutions and allows distribution to be more focused on the investment and advisory process.

The range of support services in the savings banks' securities business has been expanded. For instance, a significantly larger research offering, including extensive capital market and product information, has been made available to the sales units since April 2014. This is supplemented by training courses for the savings banks' advisers. Overall, this enables support tailored to individual requirements to be provided throughout all phases of the investment and advisory process. The certificate information platform launched in autumn 2014 also helps improve provision of information to advisers at savings banks.

As at the end of the year, the number of sales representatives employed by the Deka Group had been increased to 152. Sales representatives act as local contacts, particularly for advisers, and provide support throughout the whole advisory process. This strategy is designed to secure and enhance the high quality of securities advice given as part of a comprehensive advisory approach in collaboration with the savings banks. The aim is to increase the number of sales representatives to over 200 by the end of 2015.

This range of support services is complemented by the sales directors, who have been assisting the savings banks in all phases of the investment process for many years.

The savings banks' securities activities are also supported by extensive marketing activities. Investment funds, certificates and pension and asset management products have been marketed since January 2014 under the new umbrella brand of Deka Investments. The campaign launched to mark this combines DekaBank's securities expertise and the trust placed in the savings banks with specific product solutions. It is designed to provide "new perspectives" on investment in a climate of historically low interest rates. As well as individual mixed, equity, bond and real estate funds targeting different types of customer, the focus is on the *Deka-BasisAnlage* (Deka Basic Investment) and *Deka-Vermögenskonzept* (Deka Wealth Concept) products. The new image has led to appreciable further improvements in brand awareness, brand appeal and the perception of DekaBank as an expert provider.

Further development of the range of solutions in the retail business

Managing the product portfolio, maintaining the quality of Deka's products and – where the competitive environment demands it – making lasting improvements to those products are ongoing tasks for asset management. In addition to special funds, the acquisition of LBB-INVEST served to expand the range of mutual securities funds in 2014. The product solutions being promoted by sales activities, which make up much of the net sales generated in the retail business, performed considerably better in 2014 than in the previous year. The overall complexity of the offering was further reduced in terms of products that were not the focus of sales activities, although specific solutions for individual sales partners are still included.

Innovative products also made it possible in 2014 for investors to pursue an outperformance strategy in an environment characterised by low returns. For instance, two aggressive funds joined the successful *Deka-BasisStrategie*

(Deka Basic Strategy) range, while a fund for risk-oriented equity investment was added in the form of *Deka-StrategieInvest* (Deka Strategy Invest).

Due to a very high level of product penetration in the retail and individual customer segment, there will be an increased focus in future on private banking customers. Continued development of the range of private banking services plays a key role in further consolidating relationships with the savings banks in this segment. Savings banks that have previously not offered private banking or that are looking to expand their range are able to receive extensive support from DekaBank with launching or developing their service.

The focus for retail certificates, which have been offered since 2013, remains firmly on issuing simple, transparent products with established structures that are suitable for selling on a broad scale. The range was expanded during the reporting year with the integration of LBB's customer-oriented capital market business. DekaBank strengthened its market position in the retail certificate market, underpinned by its sound credit rating and many years' experience as an issuer.

In 2014 the Deka Group again won some major awards thanks to its continuous improvements to product, advisory and service quality. DekaBank once more received the highest possible 5-star rating in the *Capital-Fonds-Kompass 2014* (Capital Fund Compass). A significantly higher place in the rankings meant that DekaBank moved ahead of its major German competitors. Deka Investment entered the Feri Asset Manager Rating for the first time, claiming the second-best score of AA (excellent quality) on a twelve-mark scale. In the Euro Fund Awards, DekaBank's securities funds achieved strong positions. The Real Estate business division was once again accorded a very good AA+ rating by Scope Analysis for the quality of its management. The individual funds received high quality scores. Focus Money magazine awarded DekaBank a silver seal in its 2014 *Kundenliebling* (Customer Favourite) study, scoring it highly for quality and pricing in particular.

Further development of the range of solutions in the institutional business

Expertise in solutions for institutional customers is combined under the *Deka Institutionell* brand. The product range and customer base were expanded through the integration of LBB's customer-oriented capital market business and the Deka Group's market position was strengthened, most notably in structured issues and certificates and in bond trading. The intention is to step up activities involving institutional fund solutions and structured products and to expand its range of credit-based investment products. Given the challenging market conditions at present, volume in short-term business can be generated primarily by extending DekaBank's role as a liquidity platform.

A primary focus in addition to product solutions is on bringing in new added-value services. Key to this is the development of the Master KVG offering into a central administration and reporting platform. The Bank's leading market position in terms of the savings banks' own deposits (Depot A securities account) is to be reinforced by, among other things, offering advisory and other services, for instance in balance sheet management. One example of this is the Deka Treasury Compass, an advisory module that gives the savings banks strong guidance on investment solutions and their impact on the relevant balance sheet and performance ratios, for instance by simulating capital market scenarios.

In view of new regulatory requirements, DekaBank devises solutions for the entire finance group. As a Clearing Member at LCH.Clearnet (formerly the London Clearing House – LCH), it has enabled the savings banks and other companies in the alliance of guarantors to clear OTC derivatives, a mandatory step under European Market Infrastructure Regulation (EMIR), via DekaBank in its capacity as clearing broker.

Sustainable business policy

The Deka Group expanded its philosophy in 2013 on the basis of the strategic guidelines laid down by its owners. This business policy objective is supplemented by a commitment to sustainable corporate governance, which is based on the current approaches and latest decisions of the *Sparkassen-Finanzgruppe* ("*Dresdner Thesen*" from the 2013 German Savings Banks Conference). DekaBank has adopted this framework from its owners and has further developed sustainable corporate governance, making it a key pillar of its business strategy and meaning that, since 2014, it has chosen not to have a separate sustainability strategy.

The companies in the Deka Group respect the regulatory and social environment when implementing any measure that promotes a sustainable business policy, 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.

In operational terms, this commitment to a sustainable business policy is also borne out by DekaBank's accession in 2011 to the UN Global Compact and its compliance with the Equator Principles and the German Sustainability Code.

DekaBank's code of ethics was fundamentally revised in mid-2014. It provides binding guidelines for the actions of employees 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.

The introduction in mid-2014 of a sustainability filter for new investments in DekaBank's Treasury banking book marks a further milestone. As attested by sustainability rating agency Institut für Markt-Umwelt-Gesellschaft (imug), DekaBank is a pioneer in this area amongst Europe's systemically important banks. The filter for own investments operationalises exclusion criteria relating to the environment, armaments, human rights and corruption.

DekaBank's sound sustainability position was confirmed in December 2014 by oekom-Research AG, one of the world's leading rating agencies for sustainability issues. oekom awarded the Bank a "Prime" rating – a significant improvement on past assessments – and named DekaBank one of the top institutions within its peer group of 85 banks worldwide.

Organisational structure and locations

The Deka Group has arranged its activities in four business divisions. These work closely together with one another and with the Savings Banks Sales & Marketing head office unit and the 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. With the integration of LBB-INVEST from early 2014 onwards, the offering was expanded for both groups of customers.

The product range comprises

- 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-linked asset management, including *Deka-Vermögenskonzept* (Deka Wealth Concept), asset management funds (funds of funds) such as *Deka-BasisAnlage* (Deka Basic Investment) and fund-linked pension products,
- special funds, advisory/management mandates and master KVG services for institutional customers, and
- passively managed exchange-traded index funds (ETFs).

In addition, the Securities business division provides customer-oriented services. These comprise all aspects of the investment custody business, including portfolio management as well as contract and order processing. Fund accounting and some areas of fund administration are pooled in Dealis Fund Operations GmbH, a joint venture with Allianz Global Investors.

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; the business division, underpinned by its high quality standards, intends to be amongst the best securities service providers for the long term.

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 which are also relevant to investment fund business. The focus is on the property segments of offices, shopping, hotels and logistics. Broad-based access to the market and investors means that property financing consolidates the expertise and business basis of the Real Estate division. A combined presence in investment fund and lending business represents a significant 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. In this, the business division pursues a two-brand strategy with Deka Immobilien Investment and WestInvest.

The product range includes open-ended mutual property funds, special funds with a closed investor structure and individual property funds for institutional customers – primarily the savings banks. In addition, the business division manages credit funds of Deka Investors Investment AG with sub-funds that invest in property, infrastructure or transport asset financing. 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 investment management companies, Deka Immobilien Investment GmbH and WestInvest Gesellschaft für Investmentfonds mbH, focus on active portfolio and investment fund management.

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 one of the top ten 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 market 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 Market Business division acts as a liquidity and risk platform as well as the central securities and collateral platform within the association. The business division enables, via its trading platforms, 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 (CCP) 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 equities, bonds and stock exchange traded derivatives on behalf of customers within and outside the Group. It primarily carries out activities on behalf of the Asset Management units of the Deka Group.
- The Trading & Structuring unit is the 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 and 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).

- The Money Market/Foreign Exchange & Repo/Lending unit pools all of DekaBank's short-term capital market activities plus refinancing and liquidity management for terms of up to and including two years. As a liquidity platform, the unit is responsible for liquidity supply and management as well as for repo/lending business.

Financing business division

Alongside funding the savings banks, the Financing business division focuses on financing infrastructure, transport assets and export trades backed by export credit agencies (ECA). Outside of savings bank finance, new business activities centre on loans eligible to tap the capital markets, some of which can 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 in all maturity bands. Infrastructure financing predominantly focuses on energy, grid, utilities, transport and social infrastructure in Germany and abroad. Transport and export financing is geared to financing aircraft and ships as well as ECA-covered export finance.

Sales

Savings Banks Sales and Marketing

All of the business divisions are closely integrated with Savings Banks Sales and Marketing. Savings Banks Sales and Marketing focuses on comprehensive sales support for the savings banks in retail business. It therefore represents an important link between the Deka Group and customer advisers in 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 ensure ongoing market-oriented and customer-centred dialogue with the savings banks and savings bank associations. At the same time, Deka sales representatives and other employees assist the savings banks with marketing and sales activities and provide on-site help for advisers.

Institutional Customer Sales

The Institutional Customer Sales unit essentially supports savings banks and their corporate customers as well as the Deka Group's own institutional clients in Germany and abroad. In organisational terms, the unit is assigned to the Securities business division but has sales responsibility for all business divisions.

The customer advisers adopt a comprehensive approach which includes all products, services and solutions offered by the Deka Group. Customer advisers are supported by the Strategic Analysis Team, which develops methods and applications for asset and liquidity management, and loan and risk management relating to institutional clients, as well as providing advisory services to this target group.

In the savings bank sector, Institutional Customer Sales provides the individual savings banks with comprehensive analyses of their earnings and risk situation and, on this basis, immediately viable solutions for their own activities and institutional customer business.

Corporate Centres

Treasury

The Treasury Corporate Centre acts as resource manager for the Deka Group, managing liquid banking books, market price and credit 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 buffers 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 with services designed to help them meet targets. Treasury also 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.

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, Legal, Corporate Development, Cost Management & In-house Advisory, Audit, Compliance, Human Resources & Organisation, Risk Controlling, Credit Risk Office, IT, Transaction & Custodian Services, Risk Controlling Capital Market Funds and Finance.

The Risk Controlling Capital Market Funds Corporate Centre, set up at the start of 2014, is responsible for controlling the risk incurred by special funds of the KVG subsidiaries, which are integrated into the Securities business division in functional terms.

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, structured capital market products and financing of regional and local authorities that is not eligible for *Pfandbrief*-based funding. The relevant portfolios are reduced while safeguarding assets.

To this end, potential appreciation in value, default risk and expected net interest income are analysed regularly 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 investment management companies are also located there. WestInvest Gesellschaft für Investmentfonds mbH is based in Düsseldorf.

DekaBank Deutsche Girozentrale Luxembourg S.A. in Luxembourg is the most important international subsidiary. The Deka Group also maintains companies or representative offices in Amsterdam, Brussels, London, Milan, New York, Paris, Tokyo, Vienna and Zurich.

Together with the public sector insurance companies, DekaBank offers products and consultancy services relating to company pension schemes via its associated insurance company S Pensions-Management 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: 49.9%). S Broker AG & Co. KG in Wiesbaden (shareholding: 30.6%) is an online broker.

With effect from 1 January 2014, DekaBank acquired all the shares in LBB-INVEST. Based in Berlin, the company 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. The Securities business division's market positioning has been strengthened by the addition of a portfolio of fund products under the LBB-INVEST brand.

Zurich-based subsidiary ExFin AG i. L. (formerly Deka(Swiss) Finanz AG) relinquished its status as a bank in September 2014. The company has ceased trading and is currently in liquidation.

Gesellschaft für Mittelstandskreditfonds der Sparkassen-Finanzgruppe mbH discontinued business operations with effect from 30 September 2014. The remaining fund is managed by Deka Immobilien Investment GmbH, which has also taken over the activities of Gesellschaft für Mittelstandskreditfonds.

Markets and influencing factors

With a focus on investments and portfolio and wealth management as well as 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 capital market environment, sales environment for the *Sparkassen-Finanzgruppe* and product quality strongly influence the 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 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). Typically, 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 of the industry 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 (according to the German Association for Investment and Asset Management, *Bundesverband Investment und Asset Management* – BVI, as at December 2014) of around €104.9bn, the Securities business division is Germany's second largest provider of mutual securities funds.
- The Real Estate business division has fund assets (according to BVI, as at December 2014) totalling roughly €23.2bn, 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 the IFRS accounting standards. In addition to net income before tax, it 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. 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 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 valuation adjustment (CVA) risk. Risk-weighted assets are managed in line with the Deka Group's strategy, balance sheet structure and the capital market environment. The regulatory capital requirements became more stringent for financial institutions with the introduction of the EU's Capital Requirements Regulation (CRR) and the German act to implement the EU Capital Requirements Directive (CRD IV) at the start of 2014. The capital ratios are now reported both applying the transitional provisions (phase in) and disregarding the transitional provisions (fully loaded). The previous year's values have not been restated in line with the new regulations.

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 which have an impact on profit or loss (see risk report). 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.

As part of the expansion of the product range, the Deka Group's non-financial performance indicators were revised during the reporting year and the previous year's figures restated accordingly.

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 – since 2014 – certificates. Sales generated through proprietary investment activities are not taken into account.

One of the management indicators used up to the end of 2013, "assets under management", was replaced with the indicator "total customer assets" with effect from the beginning of the year under review. Essentially, this figure also includes certificates and third party managed master funds. Other key elements of total customer assets include 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. 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 central 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

There were marked fluctuations on the securities markets in the financial year 2014 and a further fall in the interest paid on deposit products in Germany. It was also influenced by geopolitical tensions, which sparked uncertainty amongst consumers and companies. The market environment for retail certificates also weakened further. Securities thus continued to make up only a small proportion of German households' efforts to build up assets.

Trends in money and capital markets were mainly driven by the highly expansionary policies pursued by the central banks of the major industrialised countries. In the eurozone, the ECB's move to cut the key interest rate yet again and to supply extensive liquidity meant that the returns on bonds and money market products remained low. Persistently low interest rates also curbed the Bank's, and funds', income from invested liquidity, while a virtually limitless availability of liquidity reduced demand in the short-term capital market business.

On the other hand, the Deka Group benefited once again in financial year 2014 from tightening market spreads, which produced positive valuation effects on both bond portfolios and capital market credit products, primarily in non-core business. However, these valuation effects were less marked than in the previous year, partly as a result of the ongoing measures to wind down this business.

Overall economic conditions

Following an upward trend in the first half of 2014, global economic growth slowed again as the year progressed. By the end of the year, growth was only moderate, being driven primarily by the USA.

In Germany, following a hopeful start to the year the impetus provided by the economy tailed off. This was due to geopolitical risks, muted prospects for the eurozone economy, economic policy decisions in Germany and concerns over the potential onset of deflation. Nevertheless, the German economy remained a driving force in the eurozone. In fundamental terms, households and companies were still in good shape at the end of 2014.

Economic recovery in the eurozone was sluggish, due not least to geopolitical trouble spots and a continuing urgent need for reform. Looking at countries individually paints an uneven picture: whilst Italy remained in recession and the French economy posted modest growth, peripheral countries such as Greece, Spain, Portugal and Ireland addressed their need for reform and brought their economies back on track for growth. Companies and consumers in Europe tended to shy away from investments and consumption as the foundations are still lacking for a more competitive, faster-growing monetary union. In addition, geographical proximity to the Ukraine and the tit-for-tat sanctions between Russia and the West unnerved investors and companies.

Following a weak start to the year, the US economy returned to growth from the second quarter onwards. With private households on a sound footing and the mood in the economy lifting, gross domestic product (GDP) increased in the second half of the year. The labour market also performed surprisingly well. In view of this upturn, the US central bank (the Federal Reserve, or Fed) brought an end to its bond-buying programme at the end of October, as expected.

In emerging markets growth was much less pronounced than in the previous years. The South American countries lagged well behind the levels seen last year, while China just missed its target for GDP growth.

Overall, DekaBank believes that, given geopolitical tensions, the global economy is sufficiently robust at present. Although the violent conflicts in the Ukraine and the Middle East and economic tensions with Russia remain unresolved, there was no reason as at the end of 2014 to see any significant threat to the world economy.

Inflation remained low in the industrialised countries in light of moderate economic growth, low raw material prices and minimal wage increases. Monetary policy across the world focused on staving off deflation and the economic risks posed by geopolitical developments. The Fed and the ECB are now going their separate ways in this respect. Now that the Fed has ended its bond-buying programme, it is likely to start raising key interest rates during 2015, whilst the ECB announced plans in the autumn to buy up more asset-backed securities and covered bonds, including *Pfandbriefe*. This is intended to stimulate banks' issuing activities and ultimately boost the supply of loans to the real economy. After cutting its deposit rate to below zero per cent, in September the ECB reduced its key interest rate to a mere 0.05%, thus setting the stage for an environment of persistently low interest rates in the eurozone. Even with inflation at its current low, this means that money held in savings accounts or invested in fixed-income investments is losing value in real terms.

Sector-related conditions

Trends in capital markets

Stock markets sent out positive signals during 2014, influenced by the central bank's continued expansionary policy. However, concerns over the state of the economy and speculation over higher US key interest rates dampened the mood. The DAX, which passed the 10,000-point mark in June for the first time, underwent a significant correction in the autumn in light of weak economic data and geopolitical tensions but recovered to 9,805 points by the end of the year. German companies were boosted by the slump in raw material prices and the fall in the euro's external value.

On the capital markets, the ECB's first Targeted Longer-Term Refinancing Operations (TLTROs) did not achieve the result that had been hoped for, with take-up of funds well below the central bank's expectations. Interest in the second tender, held in December, was not much greater. In anticipation of additional measures from the ECB, in particular a major programme to buy up government bonds, there was a further fall in the yields on German government bonds and an even sharper one on government bonds issued by the European peripherals.

Corporate bonds remained an attractive option in view of the extensive support from the ECB and in the hope of an economic recovery in the eurozone in the near future. Accordingly, investors once again demonstrated an increased appetite for risk, pushing yields on corporate bonds down further. Surprisingly good results posted by European companies in the third quarter provided some positive impetus. There was also relief at the results of the stress tests, which conveyed confidence to the markets. In particular, the fact that the banks with major capital shortfalls were able to close these gaps prior to the results being published buoyed purchases of financial institution bonds.

Since the ECB announced its programmes to buy up covered bonds, spreads on these bonds have narrowed significantly. Many covered bonds are therefore often being traded far below swap rates with a similar term, some with lower yields than bonds issued by German federal states. In some cases, covered bonds from European peripheral countries offered significantly lower yields than government bonds from the same country.

Trends in property markets

Persistently low interest rates constrained investors on Europe's property markets in 2014 as well, with net initial returns remaining low.

Most of the transaction volume involving European commercial real estate went to the UK, Germany and France. With core properties in short supply, investors have increasingly been targeting secondary and regional locations. Although peak rents have fallen there too, they are still mostly above levels seen on top markets.

Office rental markets in the eurozone were affected by the impact of high unemployment in some places and the slow pace of the economic recovery. While peak rents increased only slightly across Europe, they rose more sharply in top locations in Germany as well as in London and Stockholm.

Total income in the eurozone in 2014 was up on the previous year. In London especially, as well as in the major Spanish cities of Barcelona and Madrid, a fall in initial yields resulted in marked increases in income.

Accelerating economic growth and rising employment in the USA did have an impact during the course of the reporting year. Demand for class A office space continued to rise, while vacancy rates fell sharply, particularly in high-tech locations. Greater momentum in the rental market coupled with steady moderate growth in supply caused vacancy rates to fall once again.

Trends in Asian office property markets from the beginning of the year were significantly better than in the previous year, with higher demand pushing vacancy rates down. The sharpest growth in rents was in Tokyo and Singapore. On the Australian office market, only Sydney and Melbourne experienced a continued increase in demand, underpinned by modest growth in employment and falling vacancy rates.

Investor attitudes

As a result of the sluggish economy and the geopolitical risks, German private investors were again reluctant to buy securities as part of their investment strategy. This meant that the DAX's performance in 2014 was once again influenced more by institutional than private investors.

There was a sharp increase in sales of mutual securities funds. According to BVI data (as at December 2014), net funds inflows rose by 98.5% to €30.2bn (excluding open-ended property funds) during the reporting year. Bond funds, which increased by €8.1bn, thus enjoyed the highest growth, while mixed funds were also well up year on year. Accounting for 35.3% of the overall mutual fund volume, equity funds are nonetheless still the largest asset class.

As in the previous year, the sector environment for open-ended mutual property funds was adversely affected by the fact that some crisis funds have still not been wound up. In addition, investors began to lose interest because of falling returns due to market conditions and the changes to the regulatory framework introduced in the previous year. The net funds inflow of €2.2bn was therefore lower than the figure at the end of 2013 (€3.4bn).

Net funds inflows into special funds for institutional investors increased by 18.8% to €91.0bn in 2014.

Regulatory environment

Changes to regulations once again had a significant impact on the Deka Group during the reporting year. As well as direct costs incurred in implementing individual measures, this also related to work done in preparation for complying with increasingly extensive capital and liquidity requirements.

Regulatory topics

The more stringent regulatory requirements associated with the Basel III package of reforms came into force on 1 January 2014 in the form of the EU's Capital Requirements Regulation (CRR) and Capital Requirements Directive (CRD IV). The CRR's rules governing the composition of own funds, capital requirements, major loans, the leverage ratio, liquidity levels and disclosure are now applicable across the whole of the EU. With effect from the start of 2014, DekaBank brought the methodology it uses to calculate ratios under supervisory law into line with the new requirements, and on 31 March 2014 it submitted its first report under the new regulatory requirements.

The introduction of a binding liquidity coverage ratio (LCR) is scheduled for the fourth quarter of 2015. This ratio sets holdings of high-quality liquid assets against total net cash outflows over the following 30 days. By way of a transitional ruling, the LCR must initially be at least 60%. This figure will be 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.

The reporting year also saw the first step taken towards a European banking union: 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. Previously, the ECB had subjected relevant banks to a comprehensive audit of their balance sheets, which focused mainly on the quality and valuation of their substantial assets as well as the valuation of the banks' loan collateral and provisions for loan losses. Another element was a forward-looking stress test, the results of which were published on 26 October 2014.

In an EU Regulation published on 30 July 2014, the European Commission issued recommendations for a Single Resolution Mechanism (SRM) and a Single Resolution Fund (SRF). The SRM represents the second pillar of the banking union. The aim of the new regulations is that shareholders, bondholders and other lenders 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 a new EU institution – 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. The implementing regulation for the SRM was published in mid-January 2015 and comes into force on 1 January 2016.

The Separate Banks Act (*Trennbankengesetz*) enshrined in Section 3 of the German Banking Act (*Kreditwesengesetz* – KWG) came into force on 31 January 2014. The Act obliges banks to discontinue specific proprietary transactions or hive them off into subsidiaries that are legally independent of deposit-taking business. Relevant transactions must be discontinued or hived off by July 2016. The regulations still need to be substantiated in more detail. In addition, German legislation deviates from the EU's current draft regulation on bank separation in a number of areas. If regulatory requirements were to force the Bank to separate its securities business from its capital market activities, this would have serious implications for the Deka Group, as the interlinked nature of its business divisions is a key factor in the success and stability of its integrated business model. The implications of the Act have not yet been factored into the Deka Group's planning process.

The EU's new Deposit Guarantee Schemes Directive entered into force on 2 July 2014, replacing the previous version from 1994 and introducing many new features. Member states have until 3 July 2015 to transpose the relevant regulations into national law. One of the three pillars of the European banking union, deposit protection requires every member state to set up and give official backing to one or more deposit guarantee schemes. A financial institution may not accept any deposits if it is not a member of such a government-backed deposit guarantee scheme. Each government-backed scheme must fulfil all requirements in terms of depositor compensation. In other words, it must have the financial and organisational means to compensate its 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 within the next ten years. DekaBank is part of the institutional guarantee scheme and alliance of guarantors of the *Sparkassen-Finanzgruppe*. The EU Directive allows existing institutional guarantee schemes to remain in place provided that they also meet the requirements made of a deposit guarantee scheme. In light of this, the current system is being further developed under the overall leadership of the DSGV and will be implemented by 3 July 2015.

Product and performance-related regulatory proposals

The German Fee-Based Investment Advice Act (*Honoraranlageberatungsgesetz* – HAnlBerG) entered into force on 1 August 2014. It provides the first legal definition of the concept of fee-based investment advice. Among other things, it also tightens up the rules on commission-based advice to the extent that banks and savings banks will in future be required to separate fee- and commission-based investment advice from each other strictly in organisational and personnel terms if they offer both forms of investment advice.

At European level, the Markets in Financial Instruments Directive (MiFID II) entered into force in July 2014. It is a revision of its predecessor MiFID I and must be transposed into national law by 3 July 2016. The institutions concerned will then have to apply the new regulations definitively from 3 January 2017 onwards. The Markets in Financial Instruments Regulation (MiFIR), which was approved at the same time, will also enter into force on this date. Its main elements are regulations governing the permissibility of sales commission and other requirements for strengthening investor protection. Developments affecting the capital markets include an obligation to transact standardised OTC derivatives via regulated trading venues and added regulations on systematic internalisation. Details of how the individual requirements are to be implemented are still being discussed at EU level.

The text of MiFID II has retained the existing requirements regarding the granting and receipt of so-called benefits or commission fees. These must continue to contribute to improvements in the quality of securities services. However, in December 2014, the European Securities and Markets Authority (ESMA) put forward its final recommendations to the European Commission on the steps to be taken to implement the main investor protection provisions under MiFID II. As part of these recommendations, ESMA proposed a stricter interpretation of the concept of improved quality in securities services. To achieve this, it laid down criteria which, if fulfilled, would in principle prohibit the payment of commission. At the same time, however, it also set out a range of circumstances under which it would be permissible to pay commission. ESMA's final recommendations are therefore much more closely aligned with market requirements than in the previous draft.

In Germany, the product intervention powers of supervisory authorities provided for in MiFIR are already enshrined in the German Retail Investors Protection Act (*Kleinanlegerschutzgesetz*), which will predominantly come into force in summer 2015. This allows 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. BaFin can also place a limit or ban on specific forms of "financial activity or financial practice". However, there are no indications as yet as to whether products like those offered by the Deka Group are to be targeted.

The Retail Investors Protection Act also lays down new rules on the sale of investment products on the "grey" capital market, relating for instance to transparency obligations and advertising restrictions. It does not appear, however, that the Deka Group offers any products that would be deemed "investment products" within the meaning of the Retail Investors Protection Act.

Contrary to the initial plan, the obligation to specify target markets when designing, offering and selling financial instruments, which is also stipulated in the Retail Investors Protection Act and which originally derives from MiFID II, will not enter into force until 3 January 2017, at the same time as MiFID II and MiFIR. This obligation relates to the need to nominate target groups of investors, taking into account factors such as the end customer's investment horizon and ability to bear losses. All relevant risks inherent in the instrument, such as risk of loss, default and fluctuation in value, must also be evaluated. The requirement to specify target markets has a direct impact on DekaBank as an issuer of certificates. Furthermore, the Deka Group's investment management companies are also likely to be affected, as the regulations are expected to stipulate that the institutions selling the instruments in question are required to force all issuers to specify target markets accordingly.

Another regulatory project that may impact the financial sector and DekaBank's business activities is the planned introduction of a financial transaction tax (FTT) in ten EU member states, including Germany. The intention is to phase in the financial transaction tax gradually, initially applying it to shares and certain derivatives. The first regulations are to come into force no later than 1 January 2016, according to current plans. Taxation of the buying and selling of the Deka Group's investment funds would negatively impact on the Group's earnings and make long-term pension products, for example, less attractive. However, such regulations would also affect competitor investment products and the competitive marketplace as a whole.

DekaBank implemented the new regulations set out in the Alternative Investment Fund Managers Directive (AIFMD) by the deadline. Among other things, this Directive regulates the licensing obligations, activities and organisational requirements of the managers of alternative investment funds (AIFs) within the EU. Being licensed as an alternative investment fund manager means that fund managers are subject to the EU's financial market supervision, which includes, amongst other things, more stringent risk and liquidity management requirements, new reporting and disclosure obligations and clear rules on marketing and communication. German legislative bodies transposed AIFMD into German law on 22 July 2013 in the form of the German Investment Code (*Kapitalanlagegesetzbuch* – KAGB), while at the same time establishing a uniform set of regulations governing open-end and closed-end funds. Within the Deka Group, all relevant investment management companies and all fund prospectuses have been revised in line with the new regulations. For instance, all custodian and outsourcing agreements in Germany and Luxembourg have been amended. Deka Investment, Deka Immobilien Investment, WestInvest and Deka International were licensed as alternative investment fund managers in May and July 2014. DekaBank also received the necessary conversion and distribution approval for all affected products.

Business development and profit performance in the Deka Group

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

In 2014, the Deka Group was once again able to generate solid results. At €541.1m, the economic result was up 7.9% on the previous year's figure of €501.5m. The value-added contribution for the savings banks, which in addition to the economic result also includes payments to the alliance partners, rose to €1.4bn (previous year: €1.3bn). This also reflects improved sales in asset management compared to the prior year.

Net sales increased by 76.9% to €13.2bn (previous year: €7.4bn), with a notable improvement in the retail business.

Net sales Deka Group *(Fig. 1)*

€m	2014	2013
Net sales Deka Group	**13,169**	**7,444**
by customer segment		
Retail customers	5,204	–102
Institutional customers	7,965	7,546
by product category		
Mutual funds and fund-based asset management	3,204	–555
Special funds and mandates	6,351	5,033
Certificates	3,452	2,637
ETFs	161	280
Others	0	48

Although net sales in the property funds business fell slightly in response to market conditions, this was more than offset by a substantial increase in securities funds. The upswing was particularly prominent in the case of equity and bond funds. With regard to certificates, net sales were also up by a significant margin compared with the previous year, in spite of an overall market decline. This allowed DekaBank to improve its market position further.

Total customer assets rose by €31.6bn to €220.4bn. This sharp increase was mainly driven by organic growth with roughly equal contributions from cash inflows and from substantial asset appreciation, especially with regard to securities funds. LBB-INVEST, which was consolidated for the first time, contributed around €10bn to the total figure.

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

€m	31 Dec 2014	31 Dec 2013	Change	
Total customer assets Deka Group	**220,356**	**188,725**	31,631	16.8%
by customer segment				
Retail customers	110,322	98,249	12,073	12.3%
Institutional customers	110,034	90,475	19,558	21.6%
by product category				
Mutual funds and fund-based asset management	114,768	104,789	9,979	9.5%
Special funds and mandates	90,654	73,443	17,211	23.4%
Certificates	8,503	4,969	3,534	71.1%
ETFs	6,431	5,456	975	17.9%
Others	0	67	–67	–100.0%

The task of integrating the parts of LBB acquired by the Deka Group at the end of 2013/beginning of 2014 was carried out on schedule and was in fact largely completed by the end of 2014. The transformation programme designed to strengthen the Deka Group's role as the *Wertpapierhaus* was given renewed impetus by the expansion of its solutions portfolio and customer base.

The Deka Group's financial and risk position in the year under review improved further. Utilisation of total risk-bearing capacity at the end of 2014, based on the liquidation calculation method, was 39.3% compared with the figure of 47.8% at the end of 2013. The Deka Group's liquidity position was almost unchanged from the 2013 year-end and remained 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 2014 it stood at 11.8%, while the total capital ratio is shown as 15.8%. As expected, the new regulations produced lower capital ratios as a result of higher risk-weighted assets and a change in the method of calculating capital under the stricter rules. The strain on capital was partially offset by reinvesting profits from 2013. As a result, the Deka Group has now almost reached the target level of 12%. In light of foreseeable regulatory tightening, however, further reinvestment of profits will be necessary in order to maintain a consistently stable target level up to 2017.

The Deka Group's capital ratios are well above minimum supervisory requirements. As part of its Supervisory Review and Evaluation Process (SREP) in December 2014, the ECB announced its intention to introduce higher minimum requirements for individual banks. Although the ECB has not yet made a final decision on precise ratios, on the basis of currently available information the Deka Group's capital ratios will exceed the anticipated figures by a substantial margin.

DekaBank comfortably passed the Asset Quality Review (AQR), conducted under the auspices of the European Central Bank (ECB), as well as the bank stress test. After a minor AQR adjustment of just 0.14 percentage points, the Group's Common Equity Tier 1 capital ratio at the end of 2013 stood at 14.03% (previously 14.17%). This figure was used as the starting point for the actual stress test. In the basic scenario, DekaBank achieved a Common Equity Tier 1 capital ratio of 12.26% compared with the minimum figure specified by the ECB of 8.0%. In the stress scenario, DekaBank's Common Equity Tier 1 capital ratio was 8.01% compared with the minimum requirement of 5.5%. The results achieved show that DekaBank is in an economically stable position and is also well prepared to deal with any exceptional or critical situations that may arise. The AQR tests did not identify any material factors that might lead to a change in the Group's balance sheet figures.

Comparison of forecast and actual growth

Expectations regarding Deka Group's results in 2014 as set out in the forecast report of the 2013 Group management report were largely confirmed or exceeded.

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

		31 Dec 2013	Forecast report 2013	Half-year report 2014	31 Dec 2014	Change	
Economic result	€m	501.5	Largely unchanged	(No adjustment)	541.1	39.6	7.9%
Total customer assets[1]	€bn	188.7	Moderate increase[1]	(No adjustment)	220.4	31.6	16.8%
Net sales	€bn	7.4	Substantial increase	Increase	13.2	5.7	76.9%
Common Equity Tier 1 capital ratio[2]	%	13.1	Below 12% (fully loaded)	(No adjustment)	11.8	−1.3%-points	
Utilisation of total risk-bearing capacity	%	47.8	Non-critical level, increase possible	(No adjustment)	39.3	−8.5%-points	

[1] Target forecast for 2013 was based on assets under management (up to 31 December 2013).
[2] Based on method applied up to 2013 (CRD III).

Ratings

Strong ratings are essential to the smooth implementation of the Deka Group's business model. They have a major impact on the terms at which the *Wertpapierhaus* obtains funding on the capital markets and its ability to perform its role as a liquidity platform.

The rating agencies reviewed their rating methods following the adoption of the EU Bank Recovery and Resolution Directive (BRRD) and the Single Resolution Mechanism (SRM). In May 2014, Moody's downgraded its outlook for 82 banks from stable to negative. This was mainly because state support for banks is deemed to be less likely and less feasible under the new framework. This downgrade affected twelve German banks, including DekaBank.

Moody's did not change its long-term A1 rating for DekaBank or its financial strength rating of C-. However, the long-term rating was assigned a negative outlook due to the new EU rules, while the financial strength rating remains unchanged. The short-term rating of P-1 also remains unchanged.

During the year under review, Standard & Poor's (S&P) confirmed its ratings of A (long-term) and A-1 (short-term). Compared with the sector as a whole, DekaBank's ratings remain strong.

Profit performance of the Deka Group

The Deka Group's economic result in 2014 was €541.1m, an increase of 7.9% compared with the previous year's total of €501.5m.

At €1,440.2m, total income was up slightly on the figure for the previous year (€1,436.2m). On the income side, net interest income was down on the previous year as expected, while total net financial income remained just below the high level of the previous year. By contrast, an increase in net commission income in particular, as well as a further year-on-year decline in loan loss risk provisions, had a positive impact on results. On the expenses side, an increase in personnel costs was offset by a substantial decline in other operating expenses. In addition, restructuring expenses were down compared with the previous year.

At 61.3%, the cost/income ratio was almost unchanged from the previous year (61.2%). Return on equity (before tax) was slightly higher at 14.4% (previous year: 14.1%).

Net interest income declined to €325.8m as a result of the current market situation (previous year: €375.5m). One of the main factors in this decline was a reduction in financing volume due to strict management of risk assets and the steps taken to reduce portfolios in non-core business while safeguarding assets. Other factors included a small decline in margins on existing business and significantly lower new business margins in the Real Estate Financing business division due to market conditions. By contrast, new business margins in the Financing business division were higher than in the previous year. Treasury's contribution to earnings was close to the level of the previous year.

With net allocations of €–22.4m, total risk provisions were roughly on a par with the figure for the previous year (€–21.0m). Lending business accounted for €–4.1m (previous year: €–26.9m). Specific provisions were required for some ship, project and property financing transactions. However, the total amount was again well down on the previous year's level. Risk provisions for securities in the loans and receivables (lar) and held to maturity (htm) categories amounted to €–18.3m. The previous year's positive figure of €5.9m was largely due to the reversal of provisions that were no longer required.

At €1,010.4m, net commission income was 7.8% up on the previous year (€937.1m). The main factors behind this increase of more than €70m were greater income from banking transactions – mainly the lending and commission business – and 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 reached €242.2m, 21.6% down on the previous year's figure of €309.0m. 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 €279.6m, net financial income from trading book portfolios was 14.2% higher compared with the previous year (€244.9m). In spite of difficult market conditions, the contribution from money and currency transactions as well as repo/lending activities was on a par with the figure for 2013 and thus accounted for over half of the total result. The Structuring & Deka Issuing Activities business unit was able to generate a substantial increase in its contribution compared with the previous year thanks to growing demand for structured securities. Financial income from derivatives trading was down slightly on 2013, although this was offset by an increased contribution from bond trading.

Net financial income from banking book portfolios was €–19.1m. This was €77.3m lower compared with the figure of €58.2m for 2013. The total figure reflected positive valuation effects in Treasury and in non-core business as a result of tightening spreads. The negative contribution to income was mainly due to additions of €–45.0m to the general provision to cover risks that could crystallise in the coming months. This is reflected in the economic result outside of the IFRS profit or loss and without specific allocation to business divisions. The prior year figure included an overall negative effect of €–12.6m on net financial income from a general provision set up to cover potential risks.

At €–134.1m, other operating income remained in negative territory (previous year: €–158.5m). In the year under review, the figure was mainly impacted by charges of €–121.0m linked to actuarial losses from pension provisions. These are not included in the IFRS profit or loss as they are posted directly in equity (revaluation reserve). However, they were reported in the economic result as a loss for the period. The corresponding total for 2013 was primarily made up of provisions for legal risks and costs related to the acquisition of LBB's customer-oriented capital market business.

Personnel expenses rose by 6.7% to €451.1m (previous year: €422.6m). Apart from adjustments to pay scales, one of the main factors here was an increase in the number of employees to 3,678 (previous year: 3,538), largely due to the partial acquisition of LBB but also to the expansion of sales support.

However, this increase was more than offset by a reduction in operating expenses. At €382.1m (excluding the bank levy and depreciation/amortisation), operating expenses were down 9.4% on the figure for 2013 (€421.8m). Higher expenses (e.g. increased sales support and audit fees for the Asset Quality Review) were outweighed by savings in the area of consultancy expenses. Fees and subscriptions were down substantially compared with the previous year, when the total included a one-off payment into the security reserve operated by the *Landesbanken* and *Girozentralen*. The bank levy was almost unchanged on the previous year at €26.9m.

Total depreciation and amortisation was €24.6m, roughly on a par with 2013, and mainly related to intangible assets.

Restructuring expenses incurred in relation to implementing the transformation process came to €14.4m in the period under review. The corresponding figure for 2013 included restructuring expenses of €39.3m.

Profit performance Deka Group *(Fig. 4)*

€m	2014	2013	Change	
Net interest income	325.8	375.5	−49.7	−13.2%
Provisions for loan losses	−4.1	−26.9	22.8	84.8%
Net commission income	1,010.4	937.1	73.3	7.8%
Net financial income[1]	242.2	309.0	−66.8	−21.6%
Other operating income	−134.1	−158.5	24.4	15.4%
Total income	**1,440.2**	**1,436.2**	4.0	0.3%
Administrative expenses (including depreciation)	884.7	895.4	−10.7	−1.2%
Restructuring expenses	14.4	39.3	−24.9	−63.4%
Total expenses	**899.1**	**934.7**	−35.6	−3.8%
Economic result	**541.1**	**501.5**	39.6	7.9%

[1] Net financial income includes risk provisions for securities in the lar and htm categories of approximately €–18.3m (previous year €5.9m).

Business development and profit performance in the business divisions and Treasury

Business development and profit performance in the Securities business division

The economic result in the Securities business division rose by 15.6% year-on-year. Predominant factors were net sales performance, market effects and the first-time consolidation of LBB-INVEST, all of which led to a significant increase in total customer assets.

Net sales performance and total customer assets

Net sales in the Securities business division totalled €8.2bn, more than double the figure for 2013 (€3.1bn). After a hesitant start, net sales rose substantially in the second half of 2014. This was partly driven by more intensive sales support in the savings banks.

Mutual securities funds and fund-based asset management together generated net sales of €2.3bn, moving back into positive territory after the previous year's negative total of €–1.9bn. Direct sales of mutual funds totalled €1.7bn (previous year: €–1.4bn). The most striking improvement in this category came from bond funds, which just managed to break even after a negative result in 2013. Although net sales of equity funds and capital protected funds remained in negative territory, the figure was still a substantial improvement on the previous year. Mixed funds had another successful year. Net sales were markedly positive, albeit slightly down on the high level achieved in 2013. Net sales in the area of fund-based asset management rose from €–0.5bn in 2013 to €0.6bn in the year under review.

ETF equity and bond funds achieved combined net sales of €0.2bn, putting them roughly at the same level as in the previous year.

Net sales of special securities funds, master funds and mandates for institutional investors (advisory/management mandates) were up from €4.7bn in 2013 to €5.8bn, with special securities funds achieving encouraging growth.

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

€m	2014	2013
Net sales Securities business division	**8,244**	**3,125**
by customer segment		
Retail customers	2,289	–2,169
Institutional customers	5,956	5,294
by product category		
Mutual funds and fund-based asset management	2,319	–1,854
ETFs	161	280
Special funds and mandates	5,764	4,699

The business division's total customer assets rose by 17.0% to €184.0bn (end of 2013: €157.2bn). The figure was boosted in 2014 by the first-time consolidation of LBB-INVEST (around €10bn), improved net sales and a good level of appreciation, especially in equity and bond funds, as well as special and master funds on the institutional side. At the end of 2014, 45.5% of all equity funds exceeded their respective benchmarks (end of 2013: 79.4%). For bond funds, the figure was 71.4% (end of 2013: 78.4%). The proportion of funds receiving an above-average rating (Morningstar) rose from 34.7% at the end of 2013 to 39.0%.

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

€m	31 Dec 2014	31 Dec 2013	Change	
Total customers assets Securities business division	**184,024**	**157,219**	26,805	17.0%
by customer segment				
Retail customers	85,547	76,361	9,186	12.0%
Institutional customers	98,477	80,858	17,619	21.8%
by product category				
Mutual funds and fund-based asset management	91,529	82,320	9,209	11.2%
thereof equity funds	22,217	19,452	2,765	14.2%
thereof bond funds	33,033	32,334	699	2.2%
thereof mixed funds	15,623	13,225	2,398	18.1%
ETFs	6,431	5,456	975	17.9%
Special funds and mandates	86,064	69,442	16,622	23.9%

Profit performance in the Securities business division

The division's economic result showed a year-on-year increase from €254.3m in 2013 to €294.0m. In 2014, it was again the largest contributor to the Deka Group's economic result. Net income rose to €745.1m (previous year: €678.2m), boosted primarily by an increase in portfolio commissions.

Administrative expenses increased to €439.3m in the year under review (previous year: €404.6m). The main factors were higher personnel and other operating expenses due to the first-time consolidation of LBB-INVEST, and higher sales and marketing expenses. By contrast, project expenses ended the year lower, primarily as a result of the decline in IT consulting expenses. Restructuring expenses were also down on the previous year.

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

€m	2014	2013	Change	
Net commission income	700.3	663.4	36.9	5.6%
Other income	44.8	14.8	30.0	202.7%
Total income	**745.1**	**678.2**	66.9	9.9%
Administrative expenses (including depreciation)	439.3	404.6	34.7	8.6%
Restructuring expenses	11.8	19.3	–7.5	–38.9%
Total expenses	**451.1**	**423.9**	27.2	6.4%
Economic result	**294.0**	**254.3**	39.7	15.6%

Business development and profit performance in the Real Estate business division

Results in the Real Estate business division were once again above average. Net sales were positive in spite of the detrimental impact of regulation and market factors. Although sales of open-ended mutual property funds were down on the previous year, institutional sales increased. The economic result exceeded the excellent figure already achieved in 2013 and also ended the year well above the forecast level.

During the year under review, the division's two capital management companies both successfully completed the process of converting to the requirements of the German Investment Code (*Kapitalanlagegesetzbuch* – KAGB) and received authorisation from Germany's Federal Financial Supervisory Authority (BaFin).

Net sales performance and total customer assets

Sales of open-ended mutual property funds were roughly 70% of the quotas stipulated at the beginning of the year. At €0.9bn, net sales were lower compared with the above-average total for 2013 (€1.3bn). Of this total, €0.7bn (previous year: €1.2bn) was attributable to retail funds, of which over 60% was generated by Deka-Immobilien-Europa.

Between them, special funds and individual property funds contributed net sales of €0.6bn. The substantial increase of €0.3bn compared with 2013 is partly attributable to credit funds. In this context, it should also be noted that the figure for net sales performance already reflects outflows linked to the planned scaling back of portfolio mandates. It was not possible to meet strong demand for property funds fully due to the limits currently imposed on investments options by the Group's focus on core segment property with an acceptable yield profile.

Net sales Real Estate business division *(Fig. 8)*

€m	2014	2013
Net sales Real Estate business division	**1,472**	**1,634**
by customer segment		
Retail customers	804	1,174
Institutional customers	668	460
by product category		
Mutual property funds	885	1,300
Special funds and individual property funds	587	334

At €27.8bn, total customer assets in the Real Estate business division were up 5.1% against the year-end figure for 2013 (€26.5bn). The main contributory factors here were positive net sales and solid fund appreciation.

Total customer assets Real Estate business division *(Fig. 9)*

€m	31 Dec 2014	31 Dec 2013	Change	
Total customer assets Real Estate business division	**27,829**	**26,470**	1,359	5.1%
by customer segment				
Retail customers	21,672	20,997	675	3.2%
Institutional customers	6,157	5,473	684	12.5%
by product category				
Mutual property funds	23,239	22,469	770	3.4%
Special funds and individual property funds	4,590	4,001	589	14.7%

With total customer assets rising to €23.2bn (end of 2013: €22.5bn), mutual property funds generated an average annualised volume-weighted yield of 2.1% during the year under review (previous year: 1.9%) in line with the wider market. As such, they continued to offer an attractive return compared to other investment products with a similar risk profile. As measured by the mutual funds' assets according to BVI (as at December 2014), the Real Estate business division increased its market share over the year from 27.6% to 28.6%. It therefore retained its position as one of Germany's biggest providers of mutual property funds.

In the present low-interest rate environment, this solid performance was achieved by a further reduction in the average liquidity ratio to below 20%, a consistently high average annual occupancy rate (according to BVI) of 92.6% and targeted investment in modernisation of the portfolio.

In the area of special funds and individual property funds, total customer assets also grew by a solid margin from €4.0bn in 2013 to €4.6bn in the year under review. Credit funds increased their loan volume from €672m at the end of 2013 to €882m. In 2014, they acquired a total of 29 new loans with a volume of €365m in the financing categories property, infrastructure and transport.

The Group's purchasing and sales policy made a significant contribution to the increase in total customer assets. The total transaction volume for property purchases and sales rose to €3.4bn (previous year: €2.8bn). Around

63% of this figure was attributable to purchases of a total of 25 properties with contracts secured by Deka Immobilien. The Deka Group's position as one of the world's biggest property investors was reinforced by further internationalisation of the business, including property purchases for the first time in Norway and New Zealand.

The growing international profile of the fund business was accompanied by expansion of the Group's global property financing activities. The volume of new business arranged rose substantially from €1.8bn in 2013 to €2.6bn in the year under review. This figure includes extensions totalling €0.5bn. The volume of external placements stood at €1.0bn, slightly down on the previous year's figure of €1.2bn. As in the previous year, more than half of the loans placed with third parties were with members of the *Sparkassen-Finanzgruppe*.

Despite a good level of new business, the loan portfolio was largely unchanged on the previous year with a gross loan volume of €6.0bn, partly as a result of unscheduled reductions. The average rating for the loan portfolio according to the DSGV master scale improved from 6 to 4 during the year under review. 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 also improved by two grades to A+, which is equivalent to a rating of A on the S&P rating scale.

Out of the total portfolio, €4.8bn (end of 2013: €4.8bn) was attributable to commercial property financing; €1.0bn (end of 2013: €1.0bn) to open-ended property fund financing; and €0.2bn (end of 2013: €0.3bn) 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 €160.6m, a further increase on the excellent result obtained in 2013 (€141.6m). Total net income was also up on the previous year. The downturn in net interest income from €76.5m to €65.7m reflected in particular a decline in the new business margin owing to market conditions and a lower average annual credit volume. At €10.5m (previous year: €–1.6m), total risk provisions were again well below forecast as a result of risks that failed to materialise. The rise in net commission income was jointly driven by the fund business and lending activities and also contributed to the increase in the economic result.

There was little change in terms of expenses, which ended the year at €136.4m (previous year: €137.2m). Higher personnel costs resulting from expansion of the Real Estate business division were offset by reductions in other items such as project and other operating expenses.

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

€m	2014	2013	Change	
Net interest income	65.7	76.5	–10.8	–14.1%
Provisions for loan losses	10.5	–1.6	12.1	(>300%)
Net commission income	218.0	203.6	14.4	7.1%
Net financial income	–0.6	–1.7	1.1	64.7%
Other operating income	3.4	2.0	1.4	70.0%
Total income	**297.0**	**278.8**	18.2	6.5%
Administrative expenses (including depreciation)	134.8	135.6	–0.8	–0.6%
Restructuring expenses	1.6	1.6	0.0	0.0%
Total expenses	**136.4**	**137.2**	–0.8	–0.6%
Economic result	**160.6**	**141.6**	19.0	13.4%

Business development and profit performance in the Capital Markets business division

Results in the Capital Markets business division in 2014 were encouraging in spite of a difficult market environment. Net income in the division's short-term business exceeded the previous year. The business division also achieved an overall year-on-year increase in its economic result.

Business development in the Capital Markets business division

Net income from repo/lending transactions was even higher than in 2013. This success was due to the introduction of new customer-oriented products and services that complement DekaBank's role as a hub for the savings banks. A system of integrated liquidity, risk and collateral management is employed in order to optimise margins for the savings banks.

Despite a challenging market situation, buoyant customer business in the Trading & Structuring department helped to generate a year-on-year increase in net income. This particularly highlighted the strengths of the department's internal value chain, which encompasses new issues, bonds and derivatives. The contribution made by new issues included both private and institutional business. On the retail side, the focus on simple, easy-to-understand products led to strong end-customer demand and a corresponding rise in net income. Volumes in the certificates business reached €8.5bn (end of 2013: €5.0bn).

Net commission income also increased significantly year-on-year. This reflected greater customer activity in response to market volatility.

Profit performance in the Capital Markets business division

The division achieved an economic result of €204.8m in 2014 (previous year: €112.1m). The main driver on the income side was an increase in net financial income. Net commission income also rose, while net interest income fell slightly as a result of market conditions.

The previous year's economic result included one-off factors totalling €–69.9m. These were mainly related to potential legal risks. By contrast, the corresponding figure for one-off factors in 2014 was €–20.9m. As well as integration costs linked to the acquisition of LBB's customer-oriented capital market business, this included other charges against income in relation to legal risks, although they were well below the level of the previous year. A final settlement was reached on this matter in 2014. After adjusting for these one-off factors, the business division achieved an economic result of €225.7m (previous year: €182.0m). This was equivalent to an increase in net income of 24.0%.

At €181.0m, expenses (including one-off factors) were roughly on a par with the previous year. A year-on-year decline in project expenses (still dominated in 2013 by higher IT costs and expansion of the Deka Group's in-house issuance business) was offset by new expenses linked to the integration of LBB's customer-oriented capital markets business.

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

€m	2014	2013	Change	
Net interest income	25.1	27.7	–2.6	–9.4%
Provisions for loan losses	–0.1	0.0	–0.1	n/a
Net commission income	88.3	71.9	16.4	22.8%
Net financial income	277.5	257.7	19.8	7.7%
Other operating income	6.0	1.2	4.8	(>300%)
Total income (excluding one-off factors)	**396.8**	**358.5**	38.3	10.7%
Administrative expenses (including depreciation)	170.6	174.4	–3.8	–2.2%
Restructuring expenses	0.5	2.1	–1.6	–76.2%
Total expenses (excluding one-off factors)	**171.1**	**176.5**	–5.4	–3.1%
Economic result (excluding one-off factors)	**225.7**	**182.0**	43.7	24.0%
One-off factors[1]	–20.9	–69.9	49.0	70.1%
Economic result (including one-off factors)	**204.8**	**112.1**	92.7	82.7%

[1] Mainly provisions, integration expenses in relation to the partial acquisition of LBB and a general risk provision.

Business development and profit performance in the Financing business division

Results in the Financing business division in the year under review improved compared to the previous year. The total loan portfolio was around €2.5bn below the level of the previous year, reflecting an increase in external placements and repayments. The division achieved a further reduction in its risk assets by maintaining a clear focus on new loans that can be placed externally and by means of a substantial increase in the volume of syndicated loans. Net income was also boosted by a significant reduction in loan loss risk provisions in response to modest rating improvements.

Business development in the Financing business division

At €3.5bn, the volume of new business arranged was slightly up on the figure for 2013 (€3.3bn). As in previous years, savings bank refinancing was still the biggest contributor, accounting for 65% of the total, although this was down from 88% in 2013. By contrast, the volume of transport and infrastructure loans increased. The total volume of externally placed loans rose significantly to €0.8bn (previous year: €0.3bn). Around 21% related to credit funds.

The division's gross loan volume decreased from €20.4bn at the end of 2013 to €17.9bn. Of this, infrastructure loans accounted for €2.2bn (previous year: €2.8bn), while transport and export loans accounted for €4.1bn (previous year: €4.4bn), including ship financing of €1.3bn (previous year: €1.3bn) and aircraft financing of €2.0bn (previous year: €2.0bn). Savings bank loans accounted for approximately 65% of the total gross credit volume.

According to the DSGV master scale, the average rating for the loan portfolio rose to 4, corresponding to BBB– on S&P's rating scale.

Profit performance in the Financing business division

The Financing business division's economic result rose by €12.6m year-on-year to reach €35.5m. Reflecting a significant reduction in the loan portfolio, net interest income was down on 2013. By contrast, net commission income was significantly higher, partly as a result of income from new business. Total risk provisions also showed a considerable improvement compared with the previous year. The division's expenses were on a par with 2013.

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

€m	2014	2013	Change	
Net interest income	81.2	96.6	–15.4	–15.9%
Provisions for loan losses	–22.9	–46.3	23.4	50.5%
Net commission income	7.9	2.5	5.4	216.0%
Net financial income	–3.6	–1.4	–2.2	–157.1%
Other operating income	0.4	0.3	0.1	33.3%
Total income	**63.0**	**51.7**	11.3	21.9%
Administrative expenses (including depreciation)	27.3	28.8	–1.5	–5.2%
Restructuring expenses	0.2	0.0	0.2	n/a
Total expenses	**27.5**	**28.8**	–1.3	–4.5%
Economic result	**35.5**	**22.9**	12.6	55.0%

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. Momentum was even greater than in previous years due to revaluations – primarily down to further tightening of market spreads – and large-scale disposals of receivables. The gross loan volume of lending business and credit substitute transactions that are not part of the core business fell from €2.8bn at the end of 2013 to just €1.8bn at the end of 2014. The loan portfolio fell by nearly a half to €0.9bn (end of 2013: €1.7bn). The volume of capital market credit products was scaled back from €1.2bn to €0.9bn. The main factors here were selective disposals and the final maturity of individual positions. The rating on the DSGV master scale remains unchanged at 5.

At €53.2m, the economic result was, as expected, below the figure for 2013 (€87.1m). This was mainly due to lower valuation results for capital market credit products, caused in turn by a further scaling back of the total volume and a corresponding loss of potential asset appreciation. Net interest income, which is mainly derived from the lending business, was down by a substantial margin on the previous year following a reduction in the total volume of loans (mainly due to disposals of receivables). Risk provisions showed a large improvement as a result of rating changes as well as the reversal of some specific provisions. At just €3.1m (previous year: €4.1m), expenses were relatively insignificant.

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

€m	2014	2013	Change	
Net interest income	17.7	34.7	–17.0	–49.0%
Provisions for loan losses	8.4	1.8	6.6	(>300%)
Net commission income	0.0	–0.1	0.1	100.0%
Net financial income	30.2	54.8	–24.6	–44.9%
Other operating income	0.0	0.0	0.0	n/a
Total income	**56.3**	**91.2**	–34.9	–38.3%
Administrative expenses (including depreciation)	3.1	4.1	–1.0	–24.4%
Restructuring expenses	0.0	0.0	0.0	n/a
Total expenses	**3.1**	**4.1**	–1.0	–24.4%
Economic result	**53.2**	**87.1**	–33.9	–38.9%

Profit performance in Treasury

Treasury achieved an economic result of €50.4m in the year under review, exceeding the result of €45.6m in 2013. Net income was roughly on a par with the previous year.

Although net interest income was down slightly, this was matched by a modest improvement in net financial income.

Both gross and net lending volumes were up on the figures for 2013. This was attributable to various factors, including a deliberate policy of expanding the securities portfolio in anticipation of the maturity of several major loans in 2015.

At €30.4m, the corporate centre's total expenses were down on the previous year's figure of €35.7m, primarily as a result of lower project expenses.

Profit performance Treasury *(Fig. 14)*

€m	2014	2013	Change	
Net interest income	92.9	94.5	–1.6	–1.7%
Net commission income	–4.4	–4.4	0.0	0.0%
Net financial income	–7.7	–9.4	1.7	18.1%
Other operating income	0.0	0.6	–0.6	–100.0%
Total income	**80.8**	**81.3**	–0.5	–0.6%
Administrative expenses (including depreciation)	30.4	35.4	–5.0	–14.1%
Restructuring expenses	0.0	0.3	–0.3	–100.0%
Total expenses	**30.4**	**35.7**	–5.3	–14.8%
Economic result	**50.4**	**45.6**	4.8	10.5%

Financial position and assets and liabilities of the Deka Group

Financial management principles and objectives

DekaBank is the liquidity provider for funds held by individual capital management companies and for the *Sparkassen-Finanzgruppe* as a whole. It actively manages its surplus liquidity to perform this function in an economically viable manner.

The Treasury Corporate Centre manages the securities in the strategic liquidity reserve, taking into account the liquidity and credit risk strategy and working within the parameters set by the Management Committee Assets/ Liabilities (*Managementkomitee Aktiv-Passiv* – MKAP).

The ability to generate liquidity at short notice and to ensure the Bank's solvency in stress situations is of the highest priority. For many years, DekaBank has held 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.

Treasury also seeks to diversify investments as widely as possible by region, sector and counterparty, within predefined limits. 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.

A third objective is to manage the liquidity investments as economically as possible. By setting transfer prices Group-wide, Treasury plays a significant role in managing the balance sheet structure. As well as ensuring that regulatory requirements are observed, it has also defined and implemented stricter internal basic principles and clear responsibility structures. Important aspects of the liquidity and collateral management system include, amongst other issues, completeness of all relevant transactions at a granular level and Group-wide standardised pricing.

For refinancing, the Deka Group uses standard and structured issues, European Medium Term Note (EMTN) and Commercial Paper (CP) programmes as well as issues of public-sector and mortgage *Pfandbriefe*. It also has recourse to national and international money and capital markets.

The aim of the Deka Group's equity management activities is to ensure adequate capital and reserves to carry out the business strategy. A target of 12% has been set for the Common Equity Tier 1 capital ratio without the transitional provisions (fully loaded).

Derivative financial instruments are used for trading purposes and to hedge interest rate risks, currency risks and other price risks. DekaBank does not enter into open currency positions to any significant extent. 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 2.5%, or €2.9bn, to €113.2bn. Reasons for this include a fall in holdings in the Financing business division due to increased external placements and repayments as well as a greater than anticipated reduction in the non-core business portfolio. The total amount due from banks and customers equated to around 42% of total assets and fell by €9.6bn in the reporting period to €48.1bn. The decline is due to a reduction in money market transactions and lower receivables arising from loans and promissory note loans. Financial assets recognised at fair value through profit or loss increased to €59.5bn (previous year: €53.1bn) and corresponded to around 53% of total assets.

On the liabilities side, amounts due to banks and customers decreased by a total of €5.6bn to €54.4bn and accounted for 48% of total assets. Here as well this fall was due in particular to a smaller volume of money market transactions. Financial liabilities reported at fair value rose by €1.6bn to €27.1bn. At year-end 2014, balance sheet equity was up on the previous year at €4.6bn.

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

€m	31 Dec 2014	31 Dec 2013	Change	
Balance sheet total	**113,175**	**116,073**	−2,898	−2.5%
Selected items on the assets side				
Due from banks and customers	48,059	57,673	−9,614	−16.7%
Financial assets at fair value	59,470	53,064	6,406	12.1%
Financial investments	3,498	3,820	−322	−8.4%
Selected items on the liabilities side				
Due to banks and customers	54,366	60,001	−5,635	−9.4%
Securitised liabilities	24,122	23,717	405	1.7%
Financial liabilities at fair value	27,128	25,559	1,569	6.1%

Change in regulatory capital (own funds)

Capital adequacy is determined in accordance with the CRR/CRD IV. As well as credit risk, market risk and operational risk, for the first time the CVA risk was also considered in the reporting year. 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 15.8% at year-end 2014. The ratio calculated under the method applicable up to 2013 (CRD III), was 17.0% on the 2013 reporting date.

Regulatory capital Deka Group *(Fig. 16)*

	31 Dec 2014		31 Dec 2013
€m	CRR/CRD IV (without transitional provisions)	CRR/CRD IV (with transitional provisions)	CRD III
Common Equity Tier 1 capital	3,295	3,768	2,943[1)]
Additional Common Equity Tier 1 capital	474	196	552[2)]
Tier 1 capital	**3,768**	**3,964**	**3,495**
Tier 2 capital	663	556	329
Own funds	**4,431**	**4,520**	**3,824**
Credit risk	14,179	14,179	13,850
Market risk	10,378	10,378	6,813
Operational risk	2,006	2,006	1,799
CVA risk	1,458	1,458	–
Risk-weighted assets (total risk exposure amount)	**28,022**	**28,022**	**22,462**
%			
Common Equity Tier 1 capital ratio	**11.8**	**13.4**	**13.1[1)]**
Tier 1 capital ratio	**13.4**	**14.1**	**15.6**
Total capital ratio	**15.8**	**16.1**	**17.0**

1) Without silent capital contributions.
2) Other capital under section 10 paragraph 2a sentence 1 no. 10 of the version of the KWG valid until 31 December 2013.

Liquidity and refinancing

The quantitative liquidity management requirements set out under MaRisk (Minimum Requirements for Risk Management) were once again comfortably exceeded during the reporting year. The regulatory requirements of the German Liquidity Regulation (*Liquiditätsverordnung*) were likewise exceeded throughout the reporting period. More detailed information regarding the Deka Group's liquidity situation can be found in the risk report.

Refinancing is carried out using conventional money market and capital market instruments, including the issuance of public sector *Pfandbriefe*, short-term bearer bonds based on the CP Programme, and medium to long-term bearer bonds based on the EMTN Programme. DekaBank also uses the repo and lending markets, overnight deposits and time deposits to raise and invest liquidity.

In the period from December 2013 to January 2014, DekaBank strengthened its equity ratio and at the same time its risk cover potential by placing subordinated capital with a volume of €500m. This first placement of subordinated capital in around ten years was very positively received by market participants. The issues were predominantly placed with institutional investors as well as savings banks and other banks.

DekaBank strengthened its Tier 1 capital base in December 2014 by issuing Additional Tier 1 (AT1) bonds in the amount of €474m. The AT1 bonds that have been issued are fully eligible as Tier 1 capital and thus help improve the leverage ratio. Part of the issue involved converting a typical silent capital contribution held by DSGV ö.K. at DekaBank, which under supervisory law in future will no longer count as capital backing. The remainder was primarily placed with savings banks. The sum total of the silent capital contributions converted and redeemed equals the total of newly raised AT1 capital.

Human resources report

The total number of employees rose to 4,183 (end of 2013: 4,035). The main reason for the increase was the inclusion for the first time of the 114 staff at LBB-INVEST, who were transferred at the start of the year. In accordance with the provisions of Section 613a of the German Civil Code (*Bürgerliches Gesetzbuch* – BGB) on transfers of business, the contracts of employment of LBB-INVEST employees were transferred to the Deka Group with all rights and obligations. This was also the case for employees who joined the Deka Group at the end of 2013 from LBB's customer-oriented capital market business. 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. In addition, Savings Banks Sales had taken on a further 83 staff by the end of the year.

On average over the year, 82.4% (previous year: 82.9%) of the staff employed were in full-time posts. The size of the workforce with a bearing on the income statement increased by almost 4% to 3,678 during the reporting year (end of 2013: 3,538). The number includes part-time employees actively involved in work processes in the Deka Group calculated as full-time equivalents. The average employee age was 45.3 years (previous year: 44.9 years).

The termination of business operations at ExFin AG i. L. (formerly Deka (Swiss) Finanz AG), on the other hand, led to a reduction in the workforce. As at 31 December 2014, a total of 27 employment contracts had been terminated during the year.

Post balance sheet events

In February 2015, the Administrative Board of DekaBank appointed Manuela Better as an additional member of the Board of Management. Manuela Better will take on the role of Chief Risk Officer. She is scheduled to start her term of office no later than 1 June 2015. The final decision is subject to approval by the ECB Council. When Manuela Better takes up office, a new Risk department will be created. Following Manuela Better's appointment, DekaBank's Board of Management will comprise Michael Rüdiger, Manuela Better, Dr. Matthias Danne, Martin K. Müller and Dr. Georg Stocker.

No other major events of particular significance occurred after the 2014 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 2015 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 2015 financial year. Conversely, opportunities may result in expectations being exceeded.

Expected macroeconomic trends

DekaBank expects the global economy to continue its modest growth in 2015 despite geopolitical tensions. Industrialised countries in particular will remain hampered by structural cleanup efforts as debt reduction in the public and private sectors harms the economy. Nevertheless, an improving US economy and positive signals from the emerging markets should give the world economy the boost it needs. In the eurozone, extremely low interest rates, cheaper oil and a weaker euro offer a fundamentally sound platform upon which to build.

Modest growth of 1.2% is expected in the euro area in 2015, with reforms in crisis-hit countries slow to bear fruit. As a result of structural problems, weaker demand from emerging markets and macroeconomic imbalances in some core countries, the economy has been slow to gain momentum. The situation is being exacerbated by low inflation coupled with uncertainty amongst consumers and companies sparked by geopolitical risks. The Swiss economy will suffer as it becomes less competitive in pricing terms following the abolition of the Swiss franc's minimum exchange rate against the euro. Although the deflationary trend will increase slightly, a deflationary spiral is unlikely.

Against this backdrop, Germany remains the driving force of eurozone growth with GDP expected to rise by 1.4%. Europe's largest economy is enjoying the fruits of previous reforms and a robust labour market. However, growth will be somewhat curbed by economic policy measures such as pension reform and the minimum wage.

The US economy has emerged from the crisis and is currently enjoying an upturn, which is set to continue in 2015 with growth expected to reach 3.3%. One factor underpinning this trend is encouraging labour market figures.

With growth estimated at 4.4%, the emerging economies will regain some momentum. Nevertheless, many countries are battling structural problems which are likely to slow down their economy, while the modest level of growth in the industrialised countries is hitting their exports. China's economic growth looks set to remain high in line with government targets, although it will gradually decelerate. Russia is experiencing an ever-deepening recession in the wake of economic sanctions due to the Ukraine crisis and nose-diving oil prices. An escalation of these sanctions or of military conflict in Eastern Europe poses a serious threat to the European economy, although this scenario is considered highly unlikely.

Expected trends in the capital markets

Despite the efforts of many countries to push through reforms, progress in overcoming the debt crisis has been slow at best. Between now and the end of 2016, the ECB will further loosen its monetary policy significantly to the tune of at least €1,140bn in a bid to stave off deflation, boost lending and bolster a sluggish economy. The ECB's plans to buy up €60bn every month will take its total assets above the level of over €3tn previously announced. DekaBank expects the eurozone's key interest rate to remain unchanged until at least late 2018. The situation in the USA could hardly be more different. On the back of a robust economy, the Fed is expected to raise key interest rates for the first time in the first half of 2015.

In view of persistently low interest rates, investors will have to cope for some time yet with the fact that returns are extremely low and will rise only slowly. Savers are also experiencing negative interest rates in real terms on their safe, fixed-income investments despite moderate rates of inflation. The period of low interest rates has hitherto had only a marginal impact on the use of investment funds as a means to build up assets.

Significant surplus liquidity on the money market as a result of low interest rates and the buying-up of government bonds will also affect the yield curve for Bunds on the bond market. Returns will stay extremely low throughout the full spectrum of maturity bands. Whilst the returns on two- and five-year Bunds will remain negative for a long time yet, the longer end of the market is seeing the opposite effect. Programmes by the ECB and national central banks to buy up securities are likely to gradually calm fears of deflation. DekaBank believes that it will be late 2015 at the earliest before returns on five- to ten-year German government bonds begin tentatively to increase. This development will be boosted by the prospect of upcoming rises in the US key interest rates. They will increase upward pressure on returns on US Treasuries, particularly those with two-year maturities.

DekaBank believes that the German equity market offers modest upside potential. Muted expectations for the global economy and the performance of companies tied to the economic cycle may lead to temporary corrections. The corporate earnings trend is so far satisfactory and is being boosted by sharp falls in raw material prices and the euro’s weaker external value. The DAX has already returned to well above the 10,000-point mark during the first quarter of 2015. Equity markets outside Germany are likely to benefit from the ECB‘s low interest rate policy, rising corporate earnings and investor attempts to flee low interest rates.

Expected trends in the property markets

Consolidation in Europe’s office markets looks set to continue as the economy slowly recovers. Madrid, Barcelona, Amsterdam, Paris and the City of London in particular should enjoy above-average prospects in the forecast period to 2019. As far as Europe as a whole is concerned, however, DekaBank is only anticipating stronger annual rent growth above 2% from 2016, when the economic upswing should translate into lower unemployment and falling vacancy rates.

DekaBank is expecting satisfactory growth in rents of 3.5% in Germany. In the longer term, a rise in the number of completed construction projects and the fact that peak rents are already at a high level could curb growth. DekaBank is forecasting an average total return of some 8% for Germany’s main office market locations.

The high prices that office properties are attracting could increase further given the minimal interest being paid on alternative investments, which in turn is due to record low returns on government bonds. Asian, UK and US investors look set to benefit from the growing interest rate spread caused by the weak euro. Sizeable falls in returns are expected primarily on office markets in the Iberian peninsula and in Amsterdam, which is relatively cheap compared to the rest of Europe.

Demand for US office space will increase further in 2015 on the back of the economic upswing and higher employment figures. Growing momentum on the rental market coupled with modest yet steady growth in supply looks set to push vacancy rates down further. Net present values have now risen so high that the trend for the next few years is expected to be on the weak side. DekaBank is anticipating a slow but steady increase in initial yields, putting pressure on total returns from 2015 onwards. The rise in peak rents is likely to flatten out significantly from 2017, with relatively modest growth in rents boosting total income.

Growth in rents in major Asian cities should continue as vacancy rates fall, with Singapore and Tokyo, followed by Hong Kong and Shanghai, set to remain at the forefront of this trend. The expected recovery in the Australian labour market suggests that Sydney and Melbourne should lead to growth in rents, while demand looks set to fall in Brisbane and Perth, two locations heavily dependent on the raw materials sector. DekaBank is anticipating further falls in yields for Sydney, Melbourne and Tokyo but slight increases in Singapore and Hong Kong.

Overall assessment of the economic trends

All in all, the significant increase in surplus liquidity on the money market pursued by the ECB and persistently low interest rates and yields will create some relatively challenging conditions for the Deka Group in the 2015 financial year. Persuading more investors to invest in securities could, however, further boost the growth being targeted by asset management.

Expected business development and profit performance

The Deka Group will continue its transformation process in 2015. Measures to be implemented in all business divisions will contribute to an even more precise definition of its role as a comprehensive solution provider in the securities business, closely aligned with customers' expectations and regulatory requirements.

Following the extra recruitment to Savings Banks Sales and the integration of the business taken over from LBB, both of which are largely complete, asset management activities and its supporting sales units will concentrate more strongly on a nuanced approach to targeting the various customer segments and on continued quality improvements to the range of products and solutions. As well as even greater integration with the savings banks via nationwide support services, the main focus in the private customer business will be on further developing its private banking offering. The Deka Group will continue to hone its profile as a solution provider and partner to its institutional target group, helping institutional customers manage their proprietary transactions. This is to be complemented by the development of tailored products and services.

In 2015 the Deka Group is once again expecting an overall stable trend in its financial position. Given the assumptions made with regard to economic conditions, the aim is to achieve an economic result roughly as good as the previous year. This will ensure that DekaBank remains able to distribute profits and to make the reinvestments required to strengthen its capital ratios.

A moderate increase in net sales and total customer assets is anticipated, underpinned by ongoing sales- and product- related measures.

The Securities business division expects a further increase in net sales in 2015, with the newly created extra capacity in Savings Banks Sales set to propel the desired improvements in retail sales figures. It also aims to increase sustainably the proportion of securities products in the savings banks' offerings. The plans envisage the successful *Deka-Vermögenskonzept* (Deka Wealth Concept) and *Deka-BasisAnlage* (Deka Basic Investment) products remaining a focus of sales activities in 2015. An increase in net sales performance is a target in the institutional business, underpinned by the expansion of advisory services in Institutional Sales.

The main market risks consist of a continued sharp downturn in the economy and the interest rate situation. 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. At the same time, risks arising from regulatory intervention could hamper securities activities.

The Real Estate business division plans to improve further its market position as an asset manager in the European and global markets in 2015. As demand for property fund products is expected to be stable, net sales performance should be positive, at around the same level as the previous year, while total customer assets should increase slightly. With market volatility likely to increase and yields set to fall further in the core European countries, the business division will exploit its opportunities for purchases and sales and in doing so increase its investments outside the eurozone, thus making consistent use of the benefits offered by an integrated investment fund business and real estate lending model. On the other hand, investment opportunities in the core segment, which remains a focus, are still regarded as limited due to high prices. The business division's position as Germany's leading provider of high-quality credit-based investment products is to be strengthened further in 2015.

Expected regulatory intervention measures, which may curb fund sales and quality and potentially result in adjustments to the fee model, pose a risk to future performance. Further risks might arise if the deflationary trends in the eurozone were to increase and an economic downturn were to affect the property markets significantly. However, the ECB would take a rigorous approach to tackling developments of this nature.

Given the interest rate and liquidity environment, the Capital Markets business division is once again anticipating tougher conditions for short-term products in 2015. Nevertheless, the continued strengthening of the business division's role as a liquidity, risk management and securities platform for savings banks and funds is aimed at achieving a solid result. This is to be underpinned by an expansion of the infrastructure services that allow savings banks and institutional customers to implement increasingly demanding regulatory requirements in an efficient way. To this end, the business division will continue to focus on developing suitable structured products and solutions as well as on its issuance business. Building on a robust value chain in the retail segment and a high level of customer penetration, it is planning to buck the expected market trend and further increase its volume of retail certificates. It is also intending to expand significantly its business selling structured products to its institutional target group.

Regulatory and market-driven risks, most notably a deterioration in the interest rate situation, could hit the customer business and curb profitability in 2015 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 to tap the capital market in the fields of infrastructure and transport financing. The volume placed externally is expected to remain at a high level.

Expected financial and risk position

The Deka Group is anticipating a generally stable financial position in 2015. The intention is to keep levels of total assets as stable as possible in view of the move to limit volumes in financing activities and the continued reduction in non-core business. The Group's liquidity position will remain adequate in comparison with the reporting date 2014. It has been aware of major maturities on both sides of the balance sheet for a long time and has kept these under control. A satisfactory fully loaded Common Equity Tier 1 capital ratio is expected for 2015, which should remain more or less in line with the 2014 level assuming no further tightening of regulations occurs. Potential tightening of regulatory requirements that may affect this key ratio has been factored into the forecast insofar as it can be discerned.

Utilisation of total risk-bearing capacity is set to remain moderate in 2015 but will increase slightly compared with 2014.

Development of the key performance indicators of the Deka Group *(Fig. 17)*

€m		31 Dec 2014	Forecast 2015
Economic result	€m	541.1	Roughly at the previous year's level
Total customer assets	€bn	220.4	Moderate increase
Net sales	€bn	13.2	Moderate increase
Common Equity Tier 1 capital ratio	%	11.8	At around the previous year's level
Utilisation of total risk-bearing capacity	%	39.3	Slight 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 programme on the transformation to 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 as well as on strict cost management. These are likewise to be seen in the context of the transformation to become 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.

For instance, the euro's fall against the US dollar, which has accelerated following the decoupling of the Swiss franc from the single currency, could give a bigger boost to exports and thus to economic growth in Germany and the eurozone. At the same time, economic growth in the USA and the emerging markets could be even stronger than anticipated, allowing eurozone countries to benefit as well. 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 put up, 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. The Deka Group is anticipating that most private investors will remain reluctant to include sizeable securities holdings in their investment activities, despite persistently low market interest rates. If, however, the popularity of funds and certificates should increase, due not least to more securities-related advice given 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 continued implementation of the transformation programme. The resulting effects are already incorporated in the forecasts for 2015. 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

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 the advantages arising from the interconnection of its activities in the areas of investment funds and real estate, and from its lending and capital market businesses, to implement successfully 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 fundamentally 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 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 and 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. The business model is geared primarily towards meeting the needs of the *Sparkassen-Finanzgruppe*, including refinancing and providing liquidity for the savings banks. As such, the business model is inevitably linked with the management of substantial treasury (banking book) and trading book portfolios. This results in counterparty risks and, in particular, credit spread risks.

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 corporate strategy and 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 takes any 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, Deka Bank 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.

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				●			
Financing business division	- Conducts transactions in line with strategic guidelines		●	●		●		●
	- Identifies, measures and manages operational risks on a decentralised basis				●			
Treasury (Corporate Centre)	- Conducts transactions in line with strategic guidelines	●	●	●		●		
	- Makes decisions within the guidelines proposed by the MKAP and established by the Board of Management and sets limits within the Corporate Centre - Manages market price risks in the banking book, manages the liquidity and refinancing of the Deka Group	●	●					
	- Identifies, measures and manages operational risks on a decentralised basis				●			
Risk Controlling (Corporate Centre)	- Development/update system to quantify, analyse and monitor risks - Reports to Board of Management and Administrative Board - Determines/monitors risk-bearing capacity - Monitors approved limits	●	●	●	●	●	●	●
Stress Testing Committee	- Assesses and appraises stress scenarios and stress test results - Specifies stress testing processes - Reports and makes recommendations for action to the Board of Management	●	●	●	●	●	●	●

		Market price risk	Liquidity risk	Counterparty risk	Operational risk	Business risk	Property risk/ property fund risk	Shareholding risk
Credit Risk Office (Corporate Centre)	- Administrative office for early risk identification - Market independent second recommendation - Reviews and/or approves ratings - Checks certain collateral - Monitors management of non-performing and troubled loans			●				
	- Identifies, measures and manages operational risks on a decentralised basis				●			
Country Risk Committee	- Assesses country risks			●				
Monitoring Committee	- Monitors and manages exposure at risk of default			●				
Rating Committee	- Enhances and maintains internal rating procedures			●				
Shareholdings (Corporate Centre Corporate Development)	- Manages equity investment portfolio							●
	- Identifies, measures and manages operational risks on a decentralised basis				●			
Compliance (Corporate Centre)	- Works towards the implementation of effective procedures to comply with legal regulations and requirements as well as appropriate controls - Monitors compliance with rules of conduct under capital market law and consumer protection in securities business				●			
Corporate Security Management (Corporate Centre IT)	- Ensures IT security and is responsible for business continuity management				●			
Other Corporate Centres	- Identifies, measures and manages operational risks on a decentralised basis				●			
Audit (Corporate Centre)	- Audits and evaluates all activities/processes (especially risk management system)	●	●	●	●	●	●	●

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.

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.

The Compliance corporate centre, which was separated from the Legal corporate centre in 2013, is the unit where the compliance function in accordance with MaRisk resides. This unit is responsible for working to implement appropriate and effective procedures and controls to ensure compliance with legal regulations and requirements. In doing so, the Compliance corporate centre has an integrated compliance responsibility that covers the functions pursuant to Article 4.4.2 of MaRisk/Section 25a of the German Banking Act (*Kreditwesengesetz* – KWG), Section 33 of the German Securities Trading Act/Minimum Requirements for Compliance (*Wertpapierhandelsgesetz* – WpHG/*Mindestanforderungen Compliance* – MaComp), the Risk Management Requirements for Investment Companies (*Risikomanagement für Investmentgesellschaften* – InvMaRisk) and the German Money Laundering Act (*Geldwäschegesetz* – GwG)/Section 25h of the KWG.

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, and evaluating the results of the stress tests. In this way it supports the Board of Management with an overall assessment of the risk situation. 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).

Implementation of new regulatory provisions and further developments in risk management

The methodology used in the risk models was also developed further during the year under review, in order to reflect the current regulatory environment and any expected changes to it. This included considerations relating to operational risk and business risk.

With regard to operational risk, the advanced measurement approach (AMA) – an approach which is recognised by the regulatory authorities – was subjected to a fundamentally reworked validation process, leading to significant improvements in the model. Firstly, the definition of operational risk was extended to include additional elements of legal risk, and the importance placed on any expected mitigation of losses was significantly reduced. Secondly, the process produced changes to the model in relation to the way internal and external loss data is combined and the way the distribution of loss levels is determined. Once the revised model has been independently verified by Internal Audit, we expect to receive approval from the regulator to use the new model to determine the level of regulatory capital and reserves cover in 2015. One result of the validation process is that we expect there to be a significant increase in value-at-risk (VaR) for operational risks, albeit at a level which is not critical to maintaining risk-bearing capacity.

The results of the validation process for business risk broadly confirmed that the system used to date to quantify risks remains appropriate. However, we intend to make a number of modifications both to the risk drivers used in the approach to commission and to overall business risk. We plan to introduce these changes in 2015 and expect that they will have the effect of reducing risk.

The Deka Group also made further progress with the initiative it launched in 2013 to enhance its internal models for determining the (partial) capital charges for market risk positions, and implemented these changes accordingly. An application for regulatory recognition of these models was made in the fourth quarter of 2014. Once regulatory approval has been granted, the model – so far only used for the purposes of economic management (Pillar 2) – could then also be applied to determine the capital and reserves required to cover partial capital charges for market risk positions in accordance with CRR (Pillar 1).

In terms of risk reporting, the biggest change was to expand significantly the presentation of risk concentrations, specifically counterparty risks. In this regard, the underlying data for the credit risk report was also aligned more closely with the key indicators used for internal limit-setting. In order to improve comparability, this change was also applied to the figures reported at the end of 2013. As part of the internal reporting process, the redistribution is now also reported using the expected shortfall, which is more strongly influenced by concentration risk.

Additionally, aspects of the counterparty risk model have been developed further so as to take account of the wider Deka Group business model. Hence, because of the higher volumes of transactions settled through central counterparties, the process for determining the market values of derivatives includes variation margins. Furthermore, liquidation risks covering counterparties that have already defaulted, or counterparties against which specific provisions have been made, are also taken into account as part of counterparty risk.

Overall risk position of DekaBank

Risk types and definitions

The individual risk types for the purposes of risk monitoring and risk management are derived from the annual risk inventory. The 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 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.

Currency risks reflect changes in exchange rates.

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 is 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 and advance performance risk. Position risk comprises borrower and issuer risk, as well as replacement risk and open position risk. Borrower risk is the danger that outstanding payment obligations to the Deka Group are not paid or 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 results if a delay occurs when a business partner performs a contractually agreed obligation (performance disruption). 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.

Operational risk

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

Operational risks also include 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 risk. 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

Liquidity risk is the danger of insolvency and the risks resulting from imbalances in the maturity structure of assets and liabilities. 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 of the risks described above, 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 to potential losses arising from errors in the design, implementation or use of models. It is not considered to be a separate type of risk. Model risks arising from errors during the implementation, use or application of valuation or risk models, or from incorrectly assessing the appropriateness of a particular model, are treated as a sub-category of operational risk. They 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 risks in the narrower sense mean the risk that financial losses may arise, or that insufficient equity cover is made available as a result of the deliberate selection, specification, parameterisation or calibration of models.

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 and which can 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 both in terms of tools looking at specific types of risk and 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 the brands of other Deka Group products. 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 leads to concentrations with individual business partners and counterparties. However, these concentrations are 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 creates market price risks, particularly in the form of 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 Treasury corporate centre's various functions (central resource management, management of liquid investments in the banking book and the associated market price and counterparty risk, asset/liability management and the provision of long-term liquidity for the Deka Group) give rise to counterparty risk, particularly with regard to Germany and the public sector. As a result, this leads 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.

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 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 forecasted 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 is determined by adding together all significant types of risk with an impact on the income statement. 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 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 is referred to as the 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 corresponding 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 9.0% 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 twenty 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

Stress tests and scenario analyses are performed based on the liquidation approach across all types of risk for all key market parameters 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.

Extraordinary but plausible scenarios are examined, covering both historical scenarios, such as the crisis on the financial markets, and hypothetical stress situations, such as the default of important individual counterparties. 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. Reputational risks are also systematically included in the stress tests.

When needed, the scenarios are supplemented with relevant ad-hoc analyses. The effects of these stress scenarios 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 across 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.

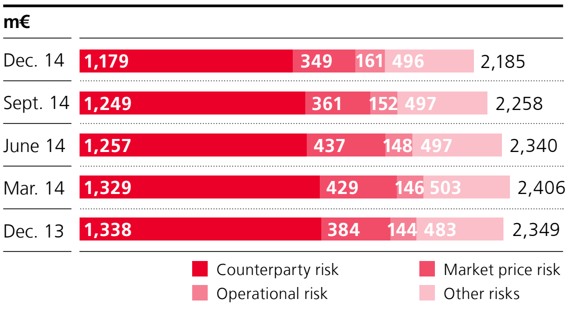
The annual review of the stress scenarios as prescribed by regulators has shown that the existing scenarios continue to be useful and appropriate. The scenario parameters were updated to take into account the current market environment.

Overall risk position in the 2014 financial year

Deka Group's risk models once again appropriately reflected market and business developments during the 2014 financial year. The markets were calmer and less volatile than in the previous year, which had a positive effect on overall risk. On the other hand, there were also a number of factors that increased risk, including the ongoing expansion of liquidity reserves, growth in certificates business and the inclusion of LBB-INVEST in the assessment for the first time. The net effect on overall risk was therefore only a moderate reduction. Since risk cover potential rose at the same time, partly as a result of the reinvestment of profits, utilisation ratios once again fell sharply in comparison with the previous year, finishing at their lowest levels for a number of years.

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 €2,185m as at the end of 2014 (end of 2013: €2,349m). The level of counterparty risk fell considerably during the year under review, partly due to the decline in volumes and improvements in specific ratings. Market price risk also continued to fall, primarily as a consequence of falling risk premiums and low volatility. Although this had the effect of reducing risk, it was offset by a number of factors, such as an increase in operational risk, in particular following the expansion of the definition of operational risk vis-à-vis legal risks. While property fund risk increased slightly, 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 the core business declined to €2,048m (end of 2013: €2,075m). A significant drop in VaR for non-core business, to €170m (end of 2013: €333m), was the result of a substantial reduction in the portfolio and low volatility.

Although overall risk fell slightly, total risk-bearing capacity ended the year at €5,562m – substantially higher than it was at the end of 2013 (€4,913m). The main reason for this was an increase in retained earnings arising from reinvestment of profits in the previous year. The result from the current year also had a beneficial effect, as did an increased volume of subordinated capital components available for offsetting. Utilisation of overall risk-bearing capacity decreased considerably compared with year-end 2013 (47.8%), ending the year at 39.3%. It remained at a non-critical level throughout the whole of the year under review.

Primary risk cover potential at the end of 2014 totalled €4,265m, and was therefore substantially higher than at the end of 2013 (€3,628m). The level of utilisation thus fell over the course of the year, from 64.7% to 51.2%. The increase in primary risk cover potential is mainly due to reinvestment of profits and the inclusion of the result for 2014. However, subordinated capital (including AT1 capital and perpetuals) is not included.

The macro-economic stress scenarios that are run on a regular basis also confirmed that total risk-bearing capacity was assured throughout the whole of the year under review. As at 31 December 2014, the forecast utilisation of total risk-bearing capacity at a measurement date twelve months into the future exceeded the early warning threshold of 80% in two scenarios. The regular annual reviews of the macro-economic scenarios were carried out in the third quarter of 2014. As a result, some changes were made to the parameters, and the assumptions involved in the scenario dealing with the failure of systemically important banks were tightened up.

Under the going concern approach, which is applied as a supplementary test, utilisation remained virtually unchanged when compared with the end of 2013. With a Common Equity Tier 1 capital ratio of 10.5%, utilisation of the remaining risk cover potential (with a confidence level of 95%) was only 39.3% at the end of 2014 (end of 2013: 39.2%), and therefore remained at a non-critical level. Profit performance had a positive effect on available risk cover potential. However, this was overshadowed by the first-time application of CRR, which meant that a considerably higher deduction had to be posted in respect of the regulatory tied capital to be maintained. The net effect was an increase in the free risk cover potential under the going concern approach (with a ratio of 10.5%) of €33m.

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, and for the Treasury corporate centre and the Capital Markets and Securities business divisions. The allocation of limits reflects both organisational structure and the distinction between the trading and the banking book. The respective division head is responsible, in consultation with the head of Risk Control, for defining the underlying limits or reallocating them between existing limits.

The MKAP makes recommendations on 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-related products and equities. 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.

As part of the Group's function as a liquidity platform, the Capital Markets business division enters into open positions in a predefined amount in particularly liquid securities with high credit ratings. The primary risks that result from these activities are credit spread risks, as well as interest rate, equity, option and currency risks. Whenever economically justified, risks are covered using hedging instruments. The 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 securities with a focus on interest rates 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 result if an investment management company provides products 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.

Value-at-risk

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%. This level was increased from 95% during the year under review. In view of this, the operating management and capital limits for the Capital Markets business division and the Treasury corporate centre have been adjusted slightly. 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%. The comparative figures for year-end 2013 have been adjusted accordingly.

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

Sensitivity-based management metrics

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.

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 segmented or name-specific credit spread curves.

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.

Scenario analyses and stress tests

The limit system is supplemented with regular market-specific stress tests. Using these tests, the sensitivity of the portfolio is constantly tested with regard to a wide variety of trends in the various risk factors. Once again, the focus here 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 in 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 forecasted value-at-risk figures for the previous day. Dirty backtesting (i.e. backtesting that takes business 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.

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 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

Market Risk Control 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 the Board of Management. The Administrative Board is informed on a quarterly basis.

Current risk situation

Market price risk continued to fall at Group level during the reporting year. This is mainly due to a calm market environment, with falling risk premiums and low volatility leading to a decline in credit spread risk. Positive factors considerably outweighed the additional risk associated with the expansion of liquidity reserves and growth in the certificates business.

During the year under review the VaR of market price risk for Treasury, the Capital Markets business division and non-core business (with a confidence level of 99% and a risk horizon of ten days) fell from €56.1m to €48.6m. Utilisation of the operating management limit for Treasury and capital markets business totalled 46% at the end of 2014 (end of 2013: 53%) and therefore remained at a non-critical level.

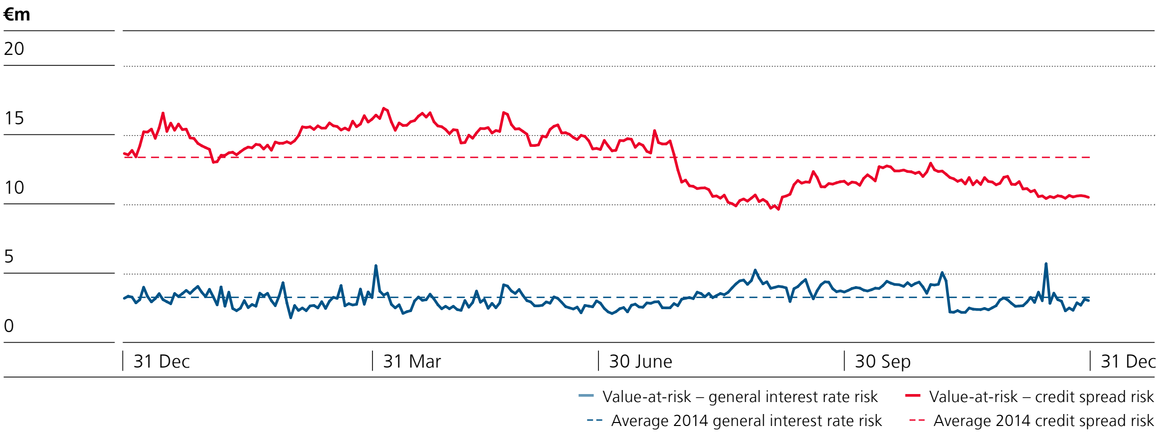
Value-at-risk for Treasury, Capital Markets business division and non-core business[1] (Confidence level 99%, holding period 10 days) *(Fig. 21)*

€m	31 Dec 2014			31 Dec 2013			
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	45.3	8.2	48.5	52.3	12.0	56.5	–14.2%
Interest rate – general	9.1	2.1	9.5	8.5	2.6	6.9	37.7%
Spread	45.1	8.4	47.9	52.3	11.4	55.5	–13.7%
Share price risk	1.6	0.0	1.6	3.8	0.0	3.8	–57.9%
Currency risk	1.6	1.0	2.7	0.7	0.9	0.5	440.0%
Total risk	**45.4**	**8.3**	**48.6**	**52.3**	**12.0**	**56.1**	–13.4%

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

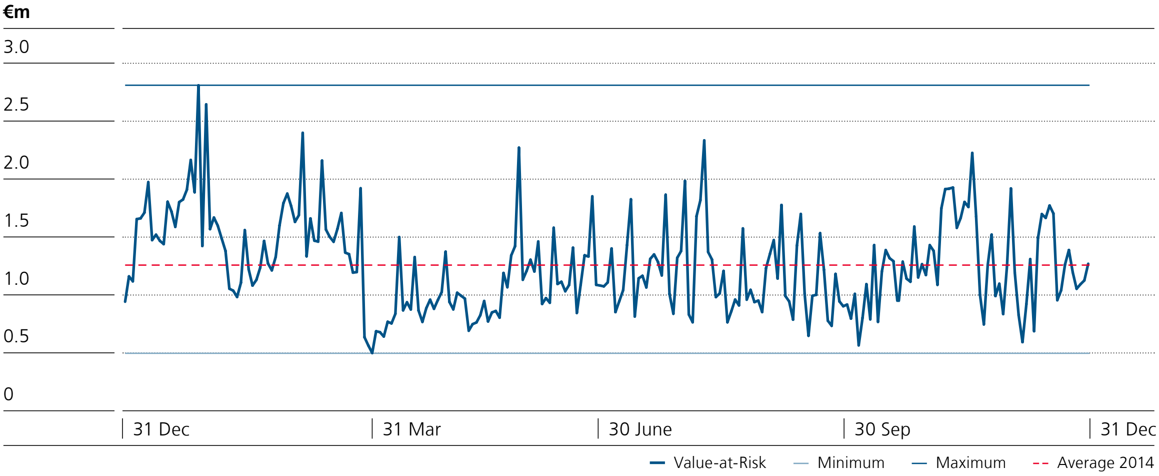
At the end of 2014, the VaR for credit spread risk totalled €47.9m, which was lower than the adjusted prior-year value of €55.5m. As in the previous year, the major factor affecting this VaR was credit spread risk arising from Treasury activities. Although an increase in liquidity reserves and the build-up of positions in the Treasury banking book increased risk, this was more than offset by a reduction in credit spreads and the associated fall in volatility. The contribution made by capital market business to credit spread risk was also somewhat lower than in the previous year, as a result of market conditions and reductions in the trading portfolio. Credit spread risk in the Capital Markets trading book totalled €10.5m (2013: €13.8m). The VaR for general interest rate risk was €9.5m as at 31 December 2014. The increase relative to the end of 2013 (€6.9m) is attributable to work undertaken to refine the range of yield curves, which had the effect of increasing risk. The build-up of positions in the Treasury portfolio in the first half of the year and the sharp increase in interest rate volatility in the second half of the year also played a part. The beneficial effects of further falls in interest rates during the year and the reduction in the non-core business portfolio were not enough to compensate for the increase in risk. General interest rate risk in the Capital Markets business division trading book stood at €3.0m (2013: €3.6m).

Value-at-risk – General interest rate risk and credit spread risk in the Capital Markets trading book over the course of the year 2014 *(Fig. 22)*



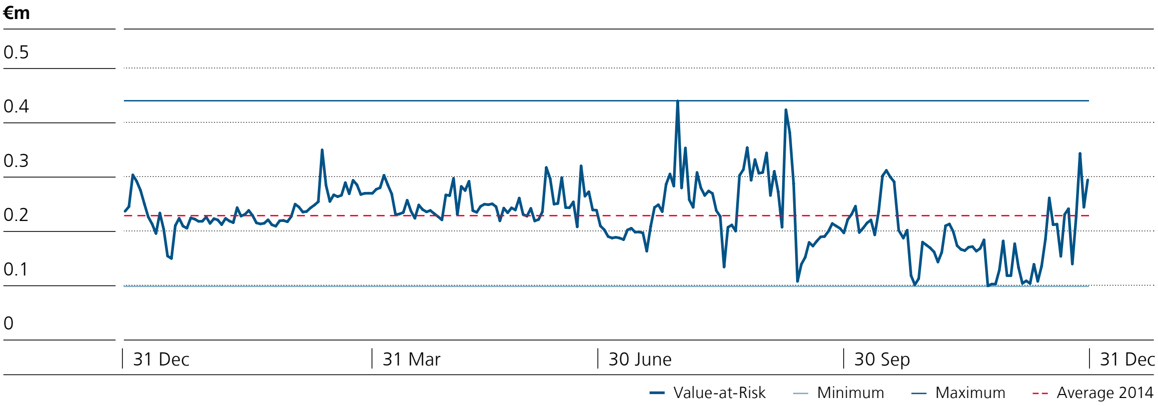
The VaR for share price risk was €1.6m (end of 2013: €3.8m) and was therefore once again insignificant. Risk positions in the Treasury banking book were disposed of in full in the fourth quarter. Share price risk in the Capital Markets business division trading book totalled €1.3m (2013: €1.0m).

Value-at-risk – Share price risk in the Capital Markets trading book over the course of the year 2014 *(Fig. 23)*



Currency risk increased during the year under review as a result of the positions held and the ongoing development of the market risk model referred to above, rising from €0.5m to €2.7m. At this level, it remains insignificant. As at 31 December 2014, the currency position related mainly to US dollars. The currency position in Swiss francs was negligible. At the end of 2014, currency risks in the Capital Markets business division trading book totalled €0.3m (end of 2013: €0.5m).

Value-at-risk – Currency risk in the Capital Markets trading book over the course of the year 2014 *(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(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 to define 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 risk classification procedures, and for establishing, reviewing and monitoring those procedures is 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 net gross limit or gross amount. The approval of the Board of Management and the additional consent of the Credit Committee are necessary, depending on the amount and the rating limits.

Initial introduction of new rating 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 include the heads of the Risk Control and Credit Risk Office corporate centres, and the department heads of Overall Bank Risk & Reporting, and General and Corporate Lending Functions.

The Board of Management has assigned operational responsibility for monitoring and managing troubled exposures 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 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. Among others, this 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. 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. In transport financing, the creditworthiness of the economic beneficiary during the financing term, as well as the performance of the assets being financed, are the primary risk drivers for counterparty risk. This risk is mitigated by obtaining senior collateral for the transport being financed and/or via guarantees from export credit agencies (ECA). Counterparty risks from export financing are only entered into if the financing is covered by guarantees from public ECAs or ECAs acting on behalf of public authorities. 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 savings bank association lead to a sector concentration in financial institutions.

In the Real Estate Financing subdivision loans are granted against the provision of collateral security over the property that generates the cash flows. This limits the counterparty risk 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, risk concentrations are not material.

In the Securities business division, counterparty risks for the Deka Group arise predominantly from contractually binding commitments made in connection with guarantee 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 in the portfolio model 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. The allocation is quantified based on the Deka Group's credit portfolio model and is used to determine the portfolio's risk of loss in the form of a credit value at risk (CVaR) metric for a one-year holding period and at a confidence level of 99.9%, in line with DekaBank's target rating. Risk concentrations are taken into account directly through this model: portfolios that have a strong concentration on individual groups of counterparties, regions or sectors involve a higher 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. 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. In addition, 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.

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 further 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 – were also brought much more closely into line with the metrics used for limit-setting during the year under review, namely adjusted gross position and overall net position. The gross and net loan volumes referred to below relate to the adjusted figures. The prior-period amount was also adjusted for the purposes of comparability.

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, 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.

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 capital in structuring 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 Group and business-division level are appropriately monitored based on a redistribution of the CVaR to individual transactions and a renewed aggregation to the business divisions.

Counterparty risk positions are managed using a volume-based limitation of the net positions 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 and advance performance 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 incorporates large exposures in further precautionary procedures 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 based on a centralised limit-monitoring system at both the borrower-unit 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. From a portfolio perspective, 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. The Capital Markets Credit Risk Management unit acts as the central administrative office for country limits. An analysis from a portfolio perspective of the most significant countries or regions is also carried out, 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 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 collateral, and 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 and summarised in a quarterly 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

Non-performing items are receivables that meet one of the impairment criteria described in detail in the notes to the consolidated financial statements (note [15]). These also include receivables that are in arrears for more than 90 days.

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 monitoring the effect of these measures.

Loan receivables are reviewed individually for impairment when establishing loan-loss provisions. 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. 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 [15]). 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. 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. Provisions are created to take account of creditworthiness risks in off-balance sheet lending business.

Current risk situation

Counterparty risk decreased further in the 2014 financial year and utilisation levels are moderate across the board. Alongside the calm state of the markets, which was accompanied by lower migration risks, selective reduction of the portfolio and shorter residual maturities played a part in this.

Overall, the effects of ongoing changes in methodology on the risk position were of only minor relevance. In connection with transactions conducted via central counterparties (CCPs), the inclusion of variation margins in the process for determining the market values of derivatives had the effect of reducing risk. However, the progress made in incorporating liquidation risks into the modelling process resulted in a small increase in risk.

The counterparty risk determined using credit value at risk, or CVaR (confidence level of 99.9% and a risk horizon of one year) stood at €1,179m as at 31 December 2014 (end of 2013: €1,338m). Beneficial effects from ratings and reductions in the portfolio both contributed to the lower risk. The impact of the reduction in the portfolio was particularly marked in non-core business. This resulted from a combination of maturities, unscheduled repayments and strategic disposals of individual positions. Some of the decline in risk is also attributable to shorter residual maturities. On the other hand there were a number of isolated rating downgrades, which had the effect of increasing risk, as did the partial reversal of some risk provisions. The risk position of the cluster portfolio is assessed using a redistribution based on expected shortfall and this also resulted in a decline in CVaR during the year under review, as the overall effect on risk contributed by counterparty clusters fell.

There was a moderate increase in gross loan volume when compared with the position at the end of 2013 (€138.7bn), rising by just under €1.6bn to €140.3bn. However, the loan volume attributable to financial institutions fell slightly relative to the end of 2013, remaining lower than the position at 30 June 2014. An ample supply of liquidity on the markets meant that the volume of repo/lending transactions fell during the second half of the year. In the corporates risk segment, higher underlying positions from certificates business and cash equities trades, in conjunction with the effects of changes in methodology, led to an increase in gross loan volume. In contrast, volumes in the savings banks risk segment fell slightly, although demand for short-term liquidity among savings banks did revive slightly in the second half of the year. The decline in the funds risk segment was mainly due to lower securities lending positions. In the public sector international risk segment bond positions were built up, in particular with the aim of strengthening liquidity reserves. Changes in volumes in the remaining risk segments were relatively insignificant. The ongoing reduction in positions in non-core business contributed €1.1bn to the reduction in gross loan volume.

Gross loan volume *(Fig. 25)*

€m	31 Dec 2014	31 Dec 2013
Financial institutions	63,649	64,864
Public sector Germany	19,198	18,282
Corporates	13,527	10,130
Savings banks	13,446	14,220
Funds (transactions and units)	12,016	13,939
Property risk	6,261	6,279
Transport and export finance	4,060	4,354
Energy and utility infrastructure	1,523	1,910
Other	6,584	4,712
Total	**140,264**	**138,691**

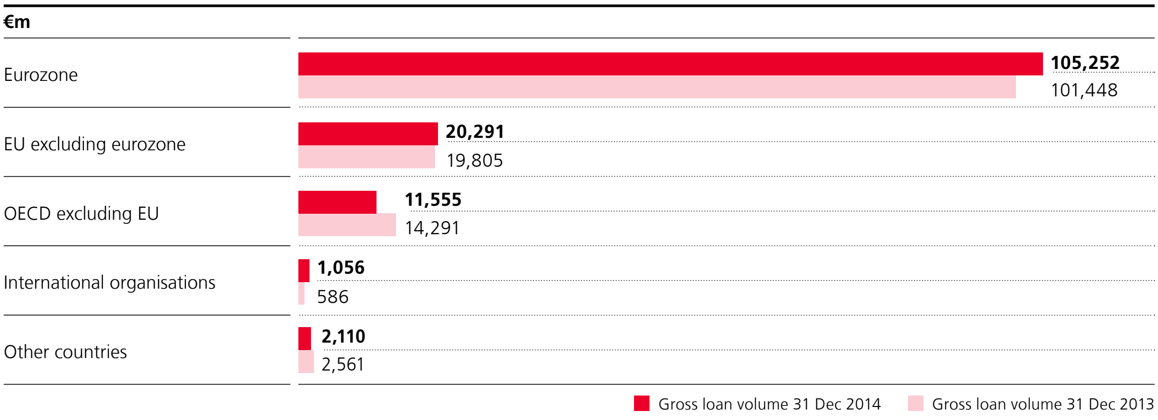
Because of the extensive collateral involved, the change in net loan volume was less pronounced than the change in the gross figure. As at 31 December 2014 it totalled €54.6bn, compared to €53.5bn at the end of 2013. Although the level of collateralisation meant that the change in gross volumes in the financial institutions, corporates and funds risk segments was comparatively small, the growing demand for liquidity among savings banks was also reflected in the net figure. The net figure for the public sector international risk segment also rose, as a result of an increase in the number of bond positions. Overall net loan volume in the remaining risk segments fell slightly.

Net loan volume *(Fig. 26)*

€m	31 Dec 2014	31 Dec 2013
Financial institutions	17,923	18,329
Public sector Germany	3,972	4,783
Corporates	7,127	6,851
Savings banks	10,897	9,890
Funds (transactions and units)	6,267	6,313
Property risk	1,469	1,564
Transport and export finance	564	650
Energy and utility infrastructure	1,483	1,824
Other	4,895	3,253
Total	**54,596**	**53,458**

The credit portfolio remained heavily focused on the eurozone during the reporting period. It increased slightly as a proportion of gross loan volume, to 75.0% (end of 2013: 73.1%). This was mainly due to an increase in business with financial institutions in the eurozone. Counterparties in Germany accounted for just under half of the total gross loan volume. Great Britain, France and Luxembourg also accounted for substantial volumes, with a particular increase in the first two.

Gross loan volume by region *(Fig. 27)*



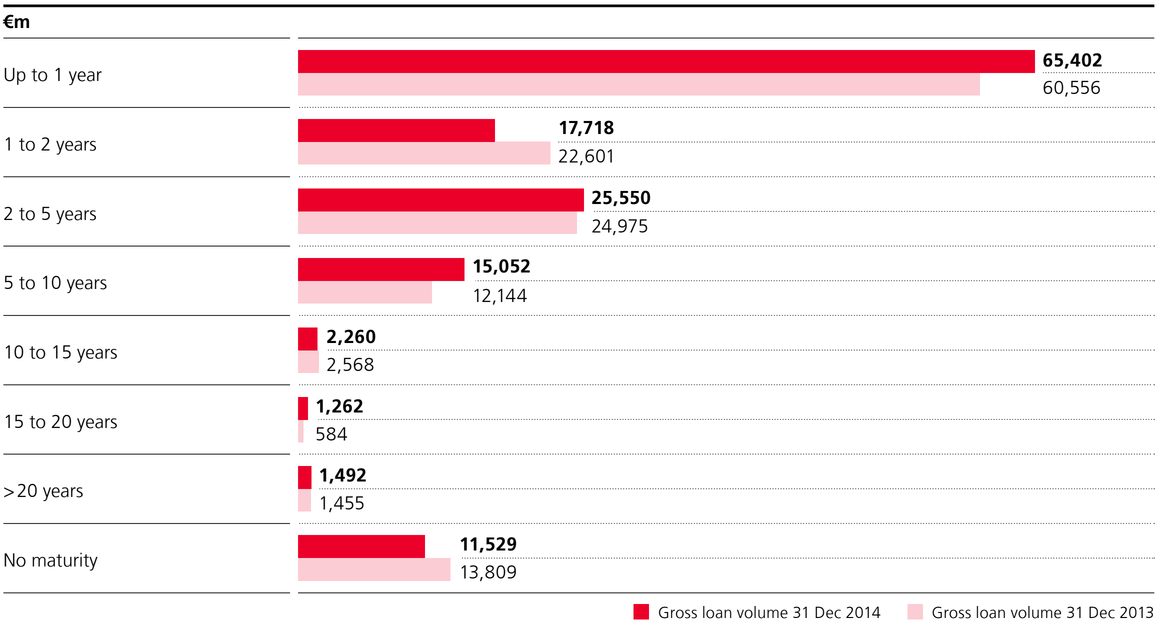
The loan volume relating to borrowers in Italy, Spain, Ireland and Portugal fell to €3.6bn compared with the figure of €4.0bn at the end of 2013. This corresponds to a 2.6% share (end of 2013: 2.9%) of overall gross loan volume. As was already the case at the end of 2013, there was no loan volume relating to borrowers classified under Greek country risk at the end of 2014. The gross loan volume attributable to counterparties in Russia fell by just under €0.1bn, standing at €0.6bn as at 31 December 2014. DekaBank has no exposure in Ukraine.

Gross loan volume by PIIGS countries and sector as at 31 December 2014 *(Fig. 28)*

€m	Greece	Ireland	Spain	Italy	Portugal	Total
Central government	0	33	131	314	9	487
Public sector	0	0	2	0	0	2
Banks	0	0	1,254	532	4	1,790
Corporates	0	274	310	515	56	1,155
Other	0	0	104	99	0	203
Total	**0**	**306**	**1,801**	**1,460**	**70**	**3,637**
Change vs. previous year						
Central government	0	33	82	115	0	231
Public sector	0	0	–62	0	0	–62
Banks	0	–5	–212	–186	–46	–449
Corporates	0	–67	–38	8	12	–85
Other	0	–13	–1	–3	0	–17
Total	**0**	**–53**	**–229**	**–66**	**–34**	**–382**

In terms of residual maturities, DekaBank's loan portfolio migrated slightly more towards the shorter term. As at 31 December 2014, 46.6% of gross loan volume (end of 2013: 43.7%) related to business with a residual term of under one year. This is also affected by other factors, such as the high share of repo/lending business. In contrast, the share of maturities of ten years or more accounts for as little as 3%. The average legal residual term of gross loan volume remained almost constant, standing at 2.7 years (+0.1 years).

Gross loan volume by remaining maturity *(Fig. 29)*



As at 31 December 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). Since the vast majority of this is collateralised, and given the creditworthiness of these counterparties, the current level of risk concentration is deemed to be reasonable and appropriate.

The gross volume of counterparties with a size category of €2.5bn and above increased slightly, last but not least owing to the increasing number of transactions with central counterparties. In addition, these positions are mainly made up of 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 this extensive level of collateralisation, the remaining net loan volume is considerably lower.

Over the past year, the average rating for the gross loan volume improved from 3 to 2 on the DSGV master scale. The average probability of default decreased slightly, from 15 bps to just under 12 bps. Viewed from a net perspective, the rating improved year-on-year from 3 to 2, and the average probability of default also fell to 11 bps (end of 2013: 17 bps). Overall, this means that DekaBank achieved its target rating for lending business. Within the groupings determined by rating class, the rating of around 87% of net loan volume did not change relative to the end of 2013. The majority of rating changes for the remainder were upgrades. Overall, ratings for financial institutions improved from 2 to A–, while savings banks continued to receive the best possible rating of AAA.

Net loan volume by risk segment and rating *(Fig. 30)*

€m	Average PD in bps	Average rating 31 Dec 2014	31 Dec 2014	Average PD in bps	Average rating 31 Dec 2013	31 Dec 2013
Financial institutions	9	A-	17,923	11	2	18,329
Savings banks	1	AAA	10,897	1	AAA	9,890
Corporates	14	2	7,127	21	4	6,851
Public sector international	4	AA-	3,863	6	A	1,958
Public sector Germany	1	AAA	3,972	1	AAA	4,783
Public infrastructure	60	6	665	81	7	913
Transport and export finance	97	7	564	174	9	650
Energy and utility infrastructure	80	7	1,483	139	8	1,824
Property risk	25	4	1,469	43	5	1,564
Retail portfolio	11	2	282	15	3	292
Funds (transaction and units)	15	3	6,267	14	2	6,313
Equity investments	39	5	85	121	8	90
Total	**11**	**2**	**54,596**	**17**	**3**	**53,458**

Provisions for loan losses reported on the balance sheet declined from €227.4m to €207.0m during the year under review, above all as a result of the reversal and utilisation of specific provisions. This was offset by a higher level of general portfolio provisions for country and creditworthiness risks.

Provisions for loan losses by risk segment *(Fig. 31)*

€m	Financial institutions	Funds	Transport and export finance	Energy and utility infrastructure	Property risk	Public infrastructure	Corporates	Other	31 Dec 2014	31 Dec 2013
Impaired gross loan volume[1]	**0.0**	**0.0**	**369.3**	**7.3**	**38.4**	**107.5**	**0.0**	**1.0**	**523.5**	**632.2**
Collateral at fair value	**0.0**	**0.0**	**143.8**	**0.0**	**19.3**	**0.0**	**0.0**	**0.0**	**163.1**	**212.3**
Impaired net loan volume[1]	**0.0**	**0.0**	**225.5**	**7.3**	**19.1**	**107.5**	**0.0**	**1.0**	**360.4**	**419.9**
Provisions for loan losses[2]	**26.2**	**0.5**	**109.5**	**13.4**	**27.8**	**26.4**	**2.4**	**0.8**	**207.0**	**227.4**
Specific valuation allowances	0.0	0.0	96.6	0.0	24.9	25.1	0.0	0.1	146.7	179.2
Provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.4	3.3
Portfolio valuation allowances for country risks	0.0	0.0	2.2	2.0	0.0	0.0	0.0	0.0	4.2	1.3
Portfolio valuation allowances for creditworthiness risk	26.2	0.5	10.7	11.4	2.9	1.3	2.4	0.3	55.7	43.6

[1] Gross and net loan volumes impaired by specific and country valuation allowances.
[2] Provisions for loan losses in balance sheet exceed the net loan volume as portfolio valuation allowances and specific provisions have been recognised.

For real estate, risk charges on property were for the most part taken into account as collateral for individual impaired exposures, while in the transport and export finance risk segment mortgages on aircraft and ships were taken into account. Guarantees were considered when determining general portfolio provisions for country risks. When determining specific and general portfolio provisions, collateral of sustainable value was taken into account. Assets recognised on the balance sheet resulting from the utilisation of collateral held for security during the year under review total €4.1m.

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 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 & OR Control unit is responsible for key components of OR control in the Deka Group. It is particularly 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.

When fulfilling its responsibilities, 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 Fraud Prevention Forum with information on loss events and identified fraud scenarios, and incorporates the assessments developed by 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 & BCM 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 adequately to 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.

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 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 flow into the assessment of scenarios. These factors therefore increase the sensitivity of the scenarios to risk and help to identify developments and derive management-related courses of action 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. As well as providing a description of the loss, these data include 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 an allowable posting 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.

A comprehensive validation exercise was carried out during the year under review in order to assess the procedures in place for including internal and external loss data and to determine the distribution functions. It will only be possible to put the resulting changes to the model fully into effect in 2015, after the regulator has accepted the revised model. When this happens, it is expected that capital charges for operational risks will increase considerably, although this is nonetheless not a critical factor for total risk-bearing capacity. However, the effects of the expanded definition of operational risk vis-à-vis legal risks, and of the changes in the way loss-mitigating factors are treated, have for the most part already been recognised at the balance-sheet date.

Reporting

The Risk-Bearing Capacity & OR 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.

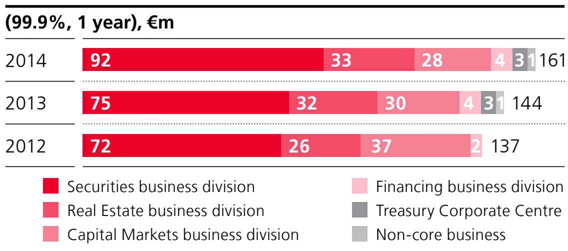
Risk Control also prepares monthly reports that explain the relationship between changes in the loss potential of the events in the scenario analyses and the trends of risk indicators incorporated into these analyses. In this way it helps to ensure that targeted risk management measures are established 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, stood at €161m as at 31 December 2014 (end of 2013: €144m). The rise is primarily due to the number and size of internal loss events reported during the year under review. The biggest factors contributing to the increase in risk were loss events covered by the expanded definition of operational risks vis-à-vis legal risks, and the more restrictive approach to expected mitigation of losses. The inclusion for the first time of loss events and scenarios relating to LBB-INVEST also had the effect of increasing risk, as did adjustments made to the way existing scenarios are assessed.

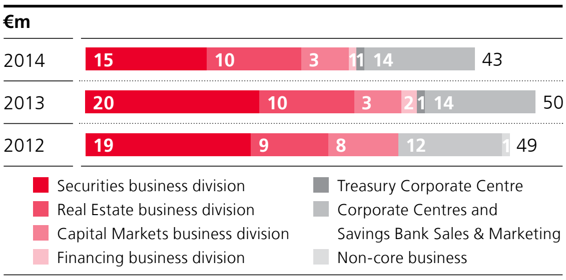
Value-at-risk *(Fig. 32)*



The level of risk and utilisation of allocated risk capital remain non-critical. The Securities business division was given a higher weighting as part of the process of allocating VaR to the business divisions and operating units, which is important for internal management purposes. The main reasons for this were the loss events that had occurred and the inclusion of LBB-INVEST.

The OR loss potential identified in the Group-wide risk inventory fell to €43.3m (end of 2013: €49.7m). This is primarily due to the fundamental changes made in the way scenarios in the Securities business division are evaluated, as well as to updates made in the assessment of a number of individual scenarios in the Financing business division and in Savings Bank Sales & Marketing. 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. 33)*



Compliance

In accordance with the minimum requirements for the compliance function and the additional conduct, organisational and transparency duties as per Section 31 et seq. of the German Securities Trading Act (WpHG) for securities trading companies/the Minimum Requirements for Compliance (MaComp), the Deka Group has a separate Compliance unit geared to ensuring that the requirements for a durable, effective and independent compliance function are fulfilled.

By providing a "Central Office" within the Bank, the Compliance unit also fulfils the requirements under the German Money Laundering Act (GwG) and the corresponding provisions of the German Banking Act (KWG), including the duties under Section 25h Para. 1 of the KWG. It is particularly responsible for the prevention of money laundering, terrorism financing and other criminal offences. It also ensures compliance requirements and regulations relating to capital market and real estate activities are adhered to, along with EU financial sanctions and embargoes. 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 the Minimum Requirements for Risk Management (Article 4.4.2 of MaRisk, Compliance Function). 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 compliance with significant legal regulations and requirements. As part of this process, the Compliance unit carries out a risk analysis and assesses the procedures and controls implemented 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 transparent 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 posting, 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 on the basis of 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 are also used. 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 concepts is regularly monitored by Internal Audit.

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

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.

The Money Market/Foreign Exchange & Repo/Lending unit in the Capital Markets business division performs operational management of short-term liquidity up to a maturity of two years. To that end, this unit conducts 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 is responsible for management of the operating liquidity reserve.

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

Liquidity status

DekaBank's current liquidity status in the short term (up to two years) is determined on a daily basis by the Money Market/Foreign Exchange & Repo/Lending unit and is used to manage day-to-day short-term liquidity.

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 reproduces 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 ratio under the Liquidity Regulation

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.

In order to ensure timely and adequate management of the liquidity coverage ratio (LCR), which is the key regulatory liquidity ratio to be met from 2015 onwards, the LCR has been determined on a regular basis since 2012.

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 ratio pursuant to the Liquidity Regulation is monitored daily in the reporting system of the Finance corporate centre.

Current risk situation

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. For these reasons, the Deka Group continued to have access to an ample supply of liquidity. 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. Once again, the liquidity balances were higher in the later maturity bands. There were no limit overruns at any time during the whole year under review.

As at 31 December 2014, 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 €6.0bn (end of 2013: €6.3bn). In the maturity band of up to one month, the liquidity surplus totalled €9.3bn (end of 2013: €9.5bn), and in the medium to long-term range (three months) it was €16.9bn (end of 2013: €13.6bn).

Combined stress scenario funding matrix of Deka Group as at 31 December 2014 *(Fig. 34)*

€m	D1	>D1–1M	>1M–12M	>12M–5Y	>5Y–20Y	>20Y
Liquidity potential (accumulated)	19,808	30,041	3,791	–65	–64	–27
Net cash flows from derivatives (accumulated)[1]	–41	2,330	4,234	3,318	2,090	2,088
Net cash flows from other products (accumulated)	–13,447	–23,046	2,150	12,911	3,926	–3,160
Liquidity balance (accumulated)	**6,320**	**9,326**	**10,175**	**16,164**	**5,952**	**–1,099**
For information purposes:						
Net cash flows from derivatives by legal maturity (accumulated)[1]	–41	–76	–329	–2,310	–2,880	2,089
Net cash flows from other products by legal maturity (accumulated)	–8,857	–26,406	–33,868	–5,507	–2,880	–4,024
Net cash flows by legal maturity (accumulated)	**–8,898**	**–26,481**	**–34,197**	**–7,818**	**–5,760**	**–1,935**

[1] Including lending substitute transactions and issued CLNs.

As at 31 December 2014 around 62.2% 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 37.8% of refinancing related to capital market products, 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. 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 exceeded throughout the whole year under review. The average liquidity ratio during the period under review for the first maturity band, determined on a daily basis, was 1.49 (previous year: 1.32). It fluctuated within a range of 1.32 to 1.75. As at 31 December 2014, the ratio stood at 1.62 (end of 2013: 1.41).

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.

During the year under review, business risk remained largely unchanged at €423m (end of 2013: €421m). The decline in overall business risk largely offset the increase in net fee and commission income – which has an impact on business risk – in the Securities and Real Estate business divisions.

The model used to determine business risk underwent a thorough validation process during the year under review. The changes to the model resulting from this process will be implemented in 2015 and are likely to lead to a reduction in business risk, particularly as a result of new risk drivers included in the approach to commission and changes in the overall approach.

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 danger 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 2014, the VaR related to shareholding risk totalled €37m (end of 2013: €38m).

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.

With a VaR of €5m, property risk was only of minor importance, as was the case in the previous year (€6m).

Property fund risk

Property fund risk results from property fund units held in the Bank's own portfolio. With a VaR of just €31m (end of 2013: €19m), property fund risk remains an immaterial risk for the Deka Group. The increase is primarily attributable to increased volumes in the Group'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 as strategic since 2009 and is therefore 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. Due to maturities and repayments, the net nominal value as at 31 December 2014 was only €0.7bn (end of 2013: €1.0bn).

As at 31 December 2014, 93.4% of the portfolio (end of 2013: 88.0%) was rated as investment grade, with more rating upgrades than downgrades. As before, the remaining portfolio is focused on western Europe. As at the end of 2014, 82.3% 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 end of 2018.

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 €5.6m (end of 2013: €8.3m).

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 2014, 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. The Administrative Board approved the medium-term plan for the years 2015 to 2017 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 2013 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 implementation of DekaBank's transformation programme to become the securities service provider for the savings banks.

During its meetings, the Administrative Board also received reports on the European Central Bank's (ECB) comprehensive assessment, the findings of which were published on 25 October 2014. The ECB has been the supervisory authority responsible for DekaBank since 4 November 2014.

Other key issues included passing resolutions on matters relating to the Board of Management, as well as recommending a resolution to be passed at the Shareholders' Meeting in order to cancel typical silent capital contributions from 2002 and upgrade them to Additional Tier 1 capital.

During the 2014 financial year the Administrative Board held a full-day training event to learn about the activities of the Securities business division and the environment in which it operates.

Administrative Board committees

The structure and duties of the Administrative Board Committees were revised with effect from 1 January 2014, in line with the new requirements under the German Banking Act (*Kreditwesengesetz* – KWG). 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 eleven 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 received timely reports on the findings of the ECB's comprehensive assessment.

The Remuneration Supervision Committee met four times in 2014. It discussed the remuneration report and the remuneration supervision report for 2013, 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 2014. 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, reporting on the Deutsche Bundesbank's audit of procedures for ascertaining and ensuring risk-bearing capacity at Group level, reporting on the asset quality review that formed part of the ECB's comprehensive assessment and discussing the updated recovery plan required under 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 decision-making process for two loans because of a potential conflict of interest. The Credit Committee also held discussions with the Board of Management covering the business strategy for lending business, the credit risk strategy and, with regard to the loan portfolio, the findings of the asset quality review that formed part of the ECB's comprehensive assessment. The Committee also recommended an amendment to the authorisation guidelines in Deka-Bank's lending process, which was subsequently approved by the Administrative Board.

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 2014 financial statements and consolidated financial statements

At the DekaBank's Shareholders' Meeting, KPMG AG Wirtschaftsprüfungsgesellschaft (KPMG) was appointed as auditor for the 2014 financial year. KPMG audited DekaBank's 2014 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 2014 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

Oliver Behrens elected to stand down from the Board of Management on 24 November 2014. The Administrative Board would like to thank Mr Behrens for the work he has performed for DekaBank during almost nine years of service. Mr Rüdiger has provisionally taken over his duties as Board Member responsible for the Capital Markets and Securities business divisions. Responsibilities within the Board of Management were also reallocated on an interim basis. At the end of 2014 the Administrative Board began the process of appointing two new members to the Board of Management. On 20 February 2014 the Administrative Board appointed Ms Manuela Better to the Board of Management. Ms Better will take up her post no later than 1 June 2015 and is expected to take on the duties of Chief Risk Officer.

During the course of, or at the end of, 2014, Reinhard Boll, Volker Goldmann, Walter Kleine, Johannes Werner and Theo Zellner stepped down as members of the Administrative Board. Rainer Burghardt, Chairman of the Management Board of Kreissparkasse Herzogtum Lauenburg, Hans-Heinrich Hahne, Chairman of the Management Board of Sparkasse Schaumburg, Dr. Christoph Krämer, Chairman of the Management Board of Sparkasse Iserlohn and Dr. Ulrich Netzer, President of the Savings Banks Association of Bavaria, were elected as new members of the Administrative Board.

The Administrative Board would like to thank those members that have left the Board for their valuable contributions and the constructive support they have given to the company and the Board of Management.

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 2014.

DekaBank performed well in the 2014 financial year in a persistently difficult market environment. This reflects the valuable work performed by DekaBank's employees and Board of Management. The Administrative Board would like to thank them for their achievements and considerable personal commitment.

Frankfurt am Main, 25 March 2015

The Administrative Board

Georg Fahrenschon
Chairman of the Administrative Board

Consolidated financial statements 2014. DekaBank's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). The economic result is a central management indicator for the Bank, and represents key segment information that is reported externally. In addition to net income before tax, it includes changes to the revaluation reserve before taxes as well as the interest rate and currency related valuation result from original lending and issuance business. The economic result also takes into account potential future charges if it is deemed possible that these might occur in the future, but they must not yet be recorded in IFRS reporting at the present time because accurate details are not available. The economic result therefore takes into account all income components that are relevant for assessing the earnings position.

Consolidated financial statements

Statement of profit or loss and other comprehensive income for the period from 1 January to 31 December 2014

€m	Notes	2014	2013[1]	Change	
Interest and similar income		1,544.7	2,094.4	−549.7	−26.2%
Interest expenses		1,250.2	1,791.7	−541.5	−30.2%
Net interest income	[30]	**294.5**	**302.7**	−8.2	−2.7%
Provisions for loan losses	[15], [31], [43]	**−4.2**	**−26.7**	22.5	84.3%
Net interest income after provisions for loan losses		**290.3**	**276.0**	14.3	5.2%
Commission income		1,802.0	1,659.4	142.6	8.6%
Commission expenses		793.6	724.3	69.3	9.6%
Net commission income	[32]	**1,008.4**	**935.1**	73.3	7.8%
Trading profit or loss	[33]	**247.8**	**235.2**	12.6	5.4%
Profit or loss on financial instruments designated at fair value	[34]	**271.2**	**151.7**	119.5	78.8%
Profit or loss from fair value hedges in accordance with IAS 39	[35]	**3.4**	**5.2**	−1.8	−34.6%
Profit or loss on financial investments	[36]	**−17.7**	**10.2**	−27.9	−273.5%
Administrative expenses	[37]	**884.7**	**895.4**	−10.7	−1.2%
Other operating income	[38]	**−47.0**	**−200.4**	153.4	76.5%
Net income before tax		**871.7**	**517.6**	354.1	68.4%
Income taxes	[39]	**265.5**	**173.6**	91.9	52.9%
Interest expenses for atypical silent capital contributions	[28], [61]	**50.9**	**48.1**	2.8	5.8%
Net income		**555.3**	**295.9**	259.4	87.7%
Of which:					
Attributable to non-controlling interests		0.0	0.0	0.0	n/a
Attributable to the shareholders of DekaBank		555.3	295.9	259.4	87.7%
Changes not recognised in income					
Items reclassified into profit or loss					
Financial instruments valuation reserve Available for sale	[62]	−0.6	−0.6	0.0	0.0%
Cash flow hedges valuation reserve	[62]	−41.7	25.4	−67.1	−264.2%
Currency translation reserve	[11], [62]	0.3	−1.1	1.4	127.3%
Deferred taxes on items reclassified into profit or loss	[58]	13.4	−7.9	21.3	269.6%
Items not reclassified into profit or loss					
Revaluation gains/losses on defined benefit pension obligations	[56], [62]	−120.9	−6.2	−114.7	(<−300%)
Deferred taxes on items not reclassified into profit or loss	[49], [58]	34.4	2.0	32.4	(>300%)
Other comprehensive income		**−115.1**	**11.6**	−126.7	(<−300%)
Net income for the period under IFRS		**440.2**	**307.5**	132.7	43.2%
Of which:					
Attributable to non-controlling interests		0.0	0.0	0.0	n/a
Attributable to the shareholders of DekaBank		440.2	307.5	132.7	43.2%

[1] Previous year’s figures adjusted, see note [32].

Balance sheet as at 31 December 2014

€m	Notes	31 Dec 2014	31 Dec 2013[1]	Change	
Assets					
Cash reserves	[40]	**778.4**	**527.3**	251.1	47.6%
Due from banks	[14], [41]	**24,670.1**	**30,222.4**	–5,552.3	–18.4%
(net after provisions for loan losses amounting to)	[15], [43]	(2.5)	(3.5)	–1.0	–28.6%
Due from customers	[14], [42]	**23,388.7**	**27,451.0**	–4,062.3	–14.8%
(net after provisions for loan losses amounting to)	[15], [43]	(178.1)	(211.3)	–33.2	–15.7%
Financial assets at fair value	[16], [44]	**59,470.0**	**53,063.6**	6,406.4	12.1%
(of which deposited as collateral)	[73]	(10,596.4)	(8,634.3)	1,962.1	22.7%
Positive market values from derivative hedging instruments	[9], [17], [45]	**328.0**	**234.6**	93.4	39.8%
Financial investments	[18], [46]	**3,498.3**	**3,819.7**	–321.4	–8.4%
(net after provisions for loan losses amounting to)	[18]	(24.2)	(5.9)	18.3	(>300%)
(of which deposited as collateral)	[73]	(607.5)	(547.5)	60.0	11.0%
Intangible assets	[19], [47]	**203.7**	**89.4**	114.3	127.9%
Property, plant and equipment	[20], [48]	**30.0**	**30.8**	–0.8	–2.6%
Current income tax assets	[22], [49]	**165.1**	**180.9**	–15.8	–8.7%
Deferred income tax	[22], [49]	**137.5**	**151.3**	–13.8	–9.1%
Other assets	[21], [50]	**504.8**	**301.9**	202.9	67.2%
Total assets		**113,174.6**	**116,072.9**	–2,898.3	–2.5%
Liabilities					
Due to banks	[23], [51]	**26,739.0**	**32,075.6**	–5,336.6	–16.6%
Due to customers	[23], [52]	**27,626.8**	**27,925.6**	–298.8	–1.1%
Securitised liabilities	[23], [53]	**24,121.7**	**23,717.3**	404.4	1.7%
Financial liabilities at fair value	[16], [54]	**27,128.5**	**25,558.6**	1,569.9	6.1%
Negative market values from derivative hedging instruments	[9], [17], [55]	**118.8**	**200.2**	–81.4	–40.7%
Provisions	[15], [24], [25], [43], [56], [57]	**518.6**	**432.0**	86.6	20.0%
Current income tax liabilities	[22], [58]	**92.5**	**75.7**	16.8	22.2%
Deferred income tax	[22], [58]	**62.3**	**21.0**	41.3	196.7%
Other liabilities	[26], [59]	**919.6**	**836.9**	82.7	9.9%
Subordinated capital	[27], [60]	**1,170.7**	**1,409.6**	–238.9	–16.9%
Atypical silent capital contributions	[28], [61]	**52.4**	**52.4**	0.0	0.0%
Equity	[29], [62]	**4,623.7**	**3,768.0**	855.7	22.7%
a) Subscribed capital		191.7	191.7	0.0	0.0%
b) Additional capital components		473.6	0.0	473.6	n/a
c) Capital reserves		190.3	190.3	0.0	0.0%
d) Reserves from retained earnings		3,855.3	3,365.0	490.3	14.6%
e) Revaluation reserve	[7], [9], [17], [18], [22], [62]	–165.3	–49.8	–115.5	–231.9%
f) Currency translation reserve	[11]	12.5	12.1	0.4	3.3%
g) Accumulated profit/loss (consolidated profit)		65.6	58.7	6.9	11.8%
h) Minority interests	[6]	0.0	0.0	0.0	n/a
Total liabilities		**113,174.6**	**116,072.9**	–2,898.3	–2.5%

[1] Previous year's figures adjusted, see note [41], [42], [51], [52].

Statement of changes in equity for the period from 1 January to 31 December 2014

€m	Subscribed capital	Additional capital components	Capital reserves	Reserves from retained earnings	Consolidated profit/loss
Holdings as at 1 Jan 2013	**191.7**	**–**	**190.3**	**3,126.8**	**58.7**
Net income for the year					295.9
Other comprehensive income					
Net income for the period under IFRS	**–**	**–**	**–**	**–**	**295.9**
Changes in the scope of consolidation and other changes				1.0	
Allocation to reserves from retained earnings				237.2	–237.2
Distribution					–58.7
Holdings as at 31 Dec 2013	**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**

1) Comprises the issue 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	Deferred taxes				
	−82.6	−10.2	1.2	29.1	13.2	3,518.2	–	3,518.2
						295.9		295.9
	−6.2	25.4	−0.6	−5.9	−1.1	11.6		11.6
	−6.2	25.4	−0.6	−5.9	−1.1	307.5	–	307.5
						1.0	–	1.0
						–		–
						−58.7		−58.7
	−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

Statement of cash flows from 1 January to 31 December 2014

€m	31 Dec 2014	31 Dec 2013
Net income	**555.3**	**295.9**
Non-cash items in net income and adjustments to reconcile net profit with cash flow from operating activities		
+/– Write-downs and write-ups		
on receivables and financial investments	18.0	16.7
on intangible assets and property, plant and equipment	24.6	23.1
+/– Allocation to/reversal of provisions	120.6	172.2
+/– Profit or loss from fair value hedges in accordance with IAS 39	–3.4	–5.2
+/– Other non-cash items	–169.0	17.2
+/– Profit or loss on the disposal of financial investments and property, plant and equipment	–0.3	–0.1
+/– Other adjustments	–572.6	–715.4
= **Sub-total**	**–26.8**	**–195.6**
Change to assets and liabilities arising from operating activities		
+/– Due from banks	5,490.3	1,408.0
+/– Due from customers	4,042.9	3,612.7
+/– Financial assets at fair value	1,216.0	4,360.4
+/– Financial investments	122.5	400.4
+/– Other assets arising from operating activities	–172.1	32.6
+/– Due to banks	–5,358.7	1,372.5
+/– Due to customers	–368.7	–2,239.0
+/– Securitised liabilities	443.6	–3,593.8
+/– Financial liabilities at fair value	–6,121.0	–8,404.7
+/– Other liabilities arising from operating activities	–188.7	–98.2
+ Interest received	2,060.7	3,194.1
+ Dividends received	109.3	132.0
– Interest paid	–1,089.1	–2,591.0
– Income tax payments	–139.6	–255.8
Cash flow from operating activities	**20.6**	**–2,865.4**
+ Proceeds from the disposal of		
financial investments classified as held to maturity	153.9	0.0
equity investments	3.4	0.2
property, plant and equipment	0.1	0.1
intangible assets	0.0	0.8
– Disbursements for the purchase of		
financial investments classified as held to maturity	0.0	–4.1
property, plant and equipment	–9.5	–7.7
intangible assets	–2.2	–2.0
+ Proceeds from the sale of shares in affiliated, non-consolidated companies	0.0	0.5
– Disbursements from the sale of shares in affiliated, non-consolidated companies	0.0	–0.1
+ Dividends received	0.6	0.0
+/– Changes in scope of consolidation and other changes	–74.3	0.0
Cash flow from investing activities	**72.0**	**–12.3**
+ Proceeds from issue of new equity capital	177.5	0.0
– Payments to company owners and minority interests	–18.9	–27.8
– Dividends paid	–58.7	–58.7
+ Inflow of funds from subordinated capital	58.0	102.8
+/– Changes in scope of consolidation and other changes	0.6	1.0
Cashflow from financing activities	**158.5**	**17.3**
= Changes to cash and cash equivalents	251.1	–2,860.4
+ Cash and cash equivalents at the start of the period	527.3	3,387.7
Cash and cash equivalents at the end of the period	**778.4**	**527.3**

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 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 minor 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 32

The amendments to IAS 32 "Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities", published in December 2011, were implemented in the first half of 2014. Implementation of these amendments had no material effect on the consolidated financial statements, as, for the most part, they represent more detailed specifications and guidelines clarifying the application of the standard.

IAS 39

During the year under review, the Deka Group also implemented the amendments to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting" that were published in June 2013. Implementation of these amendments had no material effect on the consolidated financial statements.

IFRS 10, IFRS 11, IAS 27 and IAS 28

The new regulations contained in IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and the revised versions of IAS 27 (2011) "Separate Financial Statements" and IAS 28 (2011) "Investments in Associates and Joint Ventures", which were revised as a result of the introduction of IFRS 10 and IFRS 11, were applied in the Deka Group for the first time on 1 January 2014. The first-time application of the new standards did not have any material impact on the consolidated financial statements.

IFRS 12

During the 2014 financial year, the requirements of IFRS 12 "Disclosure of Interests in Other Entities", whose application is mandatory for the Deka Group from 1 January 2014, were implemented for the first time. This included the amendments to IFRS 12 published in June 2012 – Transition Guidance for IFRS 10-12. IFRS 12 requires annual disclosures concerning the nature, associated risks and financial impact of holdings in subsidiaries, associated companies, joint arrangements and unconsolidated structured entities. For the Deka Group, application of the new requirements in the 2014 financial year affected only the disclosures in the notes. In accordance with the "Transition Guidance" published by the IASB in June 2012, no comparative information is provided in connection with disclosures on unconsolidated structured entities made in the notes. The information requiring disclosure under IFRS 12 is presented in notes [5], [6], [76] and [77].

IFRIC 21

IFRIC 21 "Levies", which was published in May 2013, was implemented for the first time in the Deka Group in the first half of 2014. The interpretation had no impact on the consolidated financial statements of the Deka Group.

Other new or amended IFRSs, whose application was mandatory for the first time in the 2014 financial year, had no impact, or only a minor impact, on the consolidated financial statements.

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 19

In November 2013, the IASB published further amendments to IAS 19R (2011) "Defined Benefit Plans: Employee Contributions". The changes arose from the requirement to take employee contributions into account in the context of defined benefit pension commitments. The objective of the amendments is to simplify the accounting for employee contributions that are independent of the number of years' service. In this case, regardless of the plan formula, the service cost of the period in which the corresponding work was performed can be reduced. Within the EU, the new rules are mandatory for financial years beginning on or after 1 January 2015. The amendments have no impact on the Deka Group's consolidated financial statements.

Annual Improvements

In December 2013, the IASB published amendments to a total of 11 existing standards (Annual Improvements Project 2010–2012 and Project 2011–2013) as part of its annual programme of improvements. All of these changes will come into force in the EU for financial years beginning on or after 1 January 2015. Earlier adoption is possible. The amendments have no impact on the Deka Group's 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:

IAS 1

The IASB published amendments to IAS 1 "Presentation of Financial Statements" on 18 December 2014. 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 equity-accounted companies should be presented within other comprehensive income in the statement of profit or loss and other comprehensive income. Subject to adoption by the EU into European law, the new standard will first apply to financial years starting on or after 1 January 2016. Earlier voluntary adoption is permitted. The impact on the consolidated financial statements is currently being reviewed.

IFRS 15

IFRS 15 "Revenue from Contracts with Customers", which was published by the IASB in May 2014, will in future replace the existing rules on revenue recognition, specifically the previous rules pursuant to IAS 18 "Revenue" and IAS 11 "Construction Contracts". IFRS 15 no longer makes a distinction between different types of contracts and services. Instead it sets out uniform criteria governing when the performance of a service should be recognised in revenue, either over a period of time or at a point in time. The new standard comprises a five-step model which is to be used to determine the level and timing of revenue recognition. Subject to adoption by the EU into European law, the new standard will first apply retrospectively to financial years starting on or after 1 January 2017. Earlier voluntary adoption is permitted. The impact on the consolidated financial statements is currently being reviewed.

Annual Improvements

In September 2014 the IASB published amendments to a total of 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 possible. The amendments have no impact on the Deka Group's consolidated financial statements.

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".

IFRS 9 also 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 new rules governing impairments 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, at the earliest. IFRS 9 has not yet been adopted into European law.

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

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.

Based on the definition of 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 derivatives 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. Furthermore, the Securities segment offers services for custodial accounts, fund administration and central fund management services.

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- and 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 owned or 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 and infrastructure provider as well as a provider of services to savings banks for DekaBank's capital market products. The segment focuses on customer-originated business between the savings banks, DekaBank and *Kapitalverwaltungsgesellschaften* (capital management companies), thus providing the link between customers and the capital markets. To fully utilise the platform, services are also offered to selected customers outside of 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 which is suitable for management business concentrates on selected segments such as 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 management of liquidity and the long-term 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 the 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 the general provision for potential losses that are not directly allocable to any operating segment.

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 allocations.

In addition to the economic result, total customer assets represent another key ratio for the operating segments. Total customer assets primarily comprise 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 €1.3bn (previous year: €1.2bn). These mainly relate to start-up financing for newly launched investment funds.

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.

A general provision was recognised for the first time in the financial year 2012 to cover potential risks that could crystallise in the coming months. During the reporting period, the effects relevant to management amounted to €–112.6m. This led to an impact of €–45.0m on the economic result in the 2014 financial year. This amount was reported under the Other segment for the reporting year. With regard to the income effect in the previous year, €–17.6m was attributable to the Capital Markets segment and €5.0m to Other.

Reconciliation of segment results to the IFRS result

In the financial year, the reporting and measurement differences between internal reporting and IFRS net income before tax amounted to €–330.6m (previous year: €–16.1m).

The valuation result not recognised in income amounted to €–166.4m (previous year: €–34.3m). Of this, €–103.7m (previous year: €36.4m) relates to interest rate- and currency-related valuation results from original lending and issuing business, €–16.5m (previous year: €-58.1m) relates to securities in the held to maturity category which are countered by valuation results from the corresponding interest rate swaps in IFRS net income before tax, and €–45.0m (previous year: €–12.6m) arose from accounting for effects relevant for management.

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. The valuation result from hedging instruments of €–41.7m (previous year: €25.4m) is reported accordingly in the revaluation reserve with no impact on income and thus as part of the economic result. Also recorded in the economic result is the change in the revaluation reserve from actuarial gains and losses in the amount of €–121.0m (previous year: €–6.2m) as well as from available for sale portfolios in the amount of €–0.7m (previous year: €–0.7m).

The other amounts shown in the reconciliation column refer to reporting differences between management reporting and the consolidated financial statements. Of these, €36.5m (previous year: €73.7m) relates to internal transactions, which are reported in the economic result essentially in net interest income, and the corresponding contrary income effects in net financial income. There are also reporting differences in net financial income and in other operating income from the different allocation of income effects from the repurchases of own issues.

	Securities		Property		Capital Markets		Financing	
	Economic result							
€m	2014	2013	2014	2013	2014	2013	2014	2013
Net interest income	43.4	45.7	65.7	76.5	25.1	27.7	81.2	96.6
Provisions for loan losses	–	–	10.5	–1.6	–0.1	19.2	–22.9	–46.3
Net commission income	700.3	663.4	218.0	203.6	88.3	71.9	7.9	2.5
Net financial income[1]	4.0	–19.0	–0.6	–1.7	277.5	239.2	–3.6	–1.4
Other income[2), 3]	–2.6	–11.9	3.4	2.0	–5.0	–65.8	0.4	0.3
Total income	**745.1**	**678.2**	**297.0**	**278.8**	**385.8**	**292.2**	**63.0**	**51.7**
Administrative expenses (including depreciation)	439.3	404.6	134.8	135.6	180.5	178.0	27.3	28.8
Restructuring expenses[3]	11.8	19.3	1.6	1.6	0.5	2.1	0.2	–
Total expenses	**451.1**	**423.9**	**136.4**	**137.2**	**181.0**	**180.1**	**27.5**	**28.8**
(Economic) result before tax	**294.0**	**254.3**	**160.6**	**141.6**	**204.8**	**112.1**	**35.5**	**22.9**
Cost/income ratio[4]	0.59	0.60	0.47	0.48	0.47	0.65	0.32	0.29
Group risk (value-at-risk)[5]	585	513	176	195	383	397	263	291
Total customer assets[6]	184,024	157,219	27,829	26,470	8,503	4,969	–	–
Gross loan volume[7]	6,546	6,189	6,167	6,060	84,150	82,223	17,915	20,416

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 €–18.3m (previous year: €5.9m).
2) From this reporting year, income effects from actuarial profits and losses are no longer allocated to the respective segments but instead are shown separately under Other. In the 2014 reporting year this amounted to €–121.0m (previous year: €–6.2m). Figures for the previous year have been adjusted accordingly.
3) Restructuring expenses have been shown separately in the segment reporting.
4) Calculation of the cost/income ratio does not take into account the restructuring expenses or the loan loss provision for lending business.
5) 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	2014	2013	2014	2013	2014	2013	2014	2013
Income	1,433.3	1,082.3	332.6	364.3	4.9	5.7	1,770.8	1,452.3
Net income before tax	724.7	343.1	145.9	189.4	1.1	–14.9	871.7	517.6
Long-term segment assets[1]	231.3	116.9	2.3	3.0	0.1	0.3	233.7	120.2

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[1]		Total core business		Non-core business		Deka Group		Reconciliation		Deka Group	
Economic result												IFRS result before tax	
2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
92.9	94.5	−0.2	−0.2	308.1	340.8	17.7	34.7	325.8	375.5	−31.3	−72.8	294.5	302.7
–	–	–	–	−12.5	−28.7	8.4	1.8	−4.1	−26.9	−0.1	0.2	−4.2	−26.7
−4.4	−4.4	0.3	0.2	1,010.4	937.2	–	−0.1	1,010.4	937.1	−2.0	−2.0	1,008.4	935.1
−7.7	−9.4	−57.6[9]	46.5[9]	212.0	254.2	30.2	54.8	242.2	309.0	262.5	93.3	504.7	402.3
–	0.6	−130.3	−83.7	−134.1	−158.5	–	–	−134.1	−158.5	101.5	−2.6	−32.6	−161.1
80.8	**81.3**	**−187.8**	**−37.2**	**1,383.9**	**1,345.0**	**56.3**	**91.2**	**1,440.2**	**1,436.2**	**330.6**	**16.1**	**1,770.8**	**1,452.3**
30.4	35.4	69.3	108.9	881.6	891.3	3.1	4.1	884.7	895.4	–	–	884.7	895.4
–	0.3	0.3	16.0	14.4	39.3	–	–	14.4	39.3	–	–	14.4	39.3
30.4	**35.7**	**69.6**	**124.9**	**896.0**	**930.6**	**3.1**	**4.1**	**899.1**	**934.7**	**–**	**–**	**899.1**	**934.7**
50.4	**45.6**	**−257.4**	**−162.1**	**487.9**	**414.4**	**53.2**	**87.1**	**541.1**	**501.5**	**330.6**	**16.1**	**871.7**	**517.6**
0.38	0.44	–	–	0.63	0.65	0.06	0.05	0.61	0.61				
667	701	–	–	2,048	2,075	170	333	2,185	2,349				
–	–	–	67	220,356	188,725	–	–	220,356	188,725				
23,618	20,874	86[10]	90[10]	138,482	135,852	1,782	2,839	140,264	138,691				

[6] During the 2014 reporting year, there was a change in the non-financial performance indicator from Assets under Management to total customer assets. To ensure comparability, the previous year figures have been adjusted accordingly.
[7] With effect from 31 March 2014, there was a change in the underlying data used, with a stronger focus on the internal limit system and thus on the control parameters. To ensure comparability, the values as at 31 December 2013 have also been adjusted.
[8] No cost/income ratio or total risk data are presented for the segment Other as these are deemed of limited economic informative value.
[9] This includes effects relevant for management purposes of €–45.0m (previous year: €5.0m) 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.
[10] 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 applicable 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 factors, 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 (note [69]), 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. DekaBank controls a company if, as a result of its relationship with that company, it is exposed to variable returns and at the same time currently has the power to influence those returns. If the Deka Group holds more than half of the relevant voting rights to a company, either directly or indirectly, and these voting rights currently enable the Deka Group to direct significant activities within that company, then control is assumed. Potential voting rights are also taken into account when determining whether the relationship involves control, provided such voting rights are deemed to be substantial.

Under certain circumstances it is possible for control over another company to exist even when the Group does not hold the majority of the relevant voting rights. Examples of this may include the presence of one or more contractual agreements or legal provisions. In assessing whether or not a company 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 company concerned. 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.

An entity is consolidated from the point in time at which the Group obtains the relevant majority voting rights or a controlling interest, and ceases to be consolidated when there is no longer any potential for them 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.

The Bank reviews its consolidation decisions at the end of every financial year, as well as on other occasions if required.

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 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] "Intangible assets"). Where third parties hold minority interests in the equity or earnings of subsidiaries of the Bank, these are reported separately as minority interests under equity 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, are shown in the list of shareholdings (note [78]).

6 Scope of consolidation

Changes to the scope of consolidation occurred during the reporting year due to the acquisition of the shares in Landesbank Berlin Investment GmbH (LBB-INVEST), headquartered in Berlin, including the shares in BG-Asset Fonds, Berlin as well as due to the deconsolidation of a structured company Deka Investors Spezial-Investmentaktiengesellschaft mit veränderlichem Kapital und Teilgesellschaftsvermögen, and its sub-fund Teilgesellschaftsvermögen Deka Infrastrukturkredit (formerly: Deka Investors Investment AG mit Teilgesellschaftsvermögen). For more detailed information on the composition of the Group, please see note [76] "Information on holdings in subsidiaries".

Business combinations

On 1 January 2014 (acquisition date), DekaBank acquired 100.0% of the shares in LBB-INVEST. LBB-INVEST is a medium-sized German *Kapitalverwaltungsgesellschaft* and manages mutual funds for private investors as well as special funds for institutional investors. The company administers total customer assets of around €10bn and will continue to do so under its own name until at least 2016. The acquisition strengthens the Deka Group's position as a fully-fledged securities service provider for savings banks in relation to private and institutional customers and increases the Deka Group's market share in fund business.

A purchase price of €70.0m was paid at the date of acquisition. In return for taking on the pension obligations, the bank received a compensation payment from the seller, which reduced the amount payable by €2.1m. During the reporting year, purchase price adjustments arose in relation to taxes, which led to payments of a total of €9.3m. The purchase agreement also stipulated a contingent purchase price that is linked to the future performance of the total customer assets. The potential non-discounted sum of all future payments that DekaBank could be committed to under the contingent purchase price agreement lies between zero and a maximum of around €74.4m. A fair value of €56.4m was determined for the contingent purchase price as at 31 December 2014 and carried as a provision.

As at 31 December 2014, the goodwill resulting from the company acquisition remains unchanged at €95.0m. This is based on expected future earnings relating to the total customer assets managed by LBB-INVEST.

The identifiable assets acquired and liabilities assumed at the date of acquisition are shown in the breakdown below:

€m	
Total purchase price	**133.6**
Identifiable assets acquired and liabilities assumed	
Due from banks	20.9
Shares and other non-fixed-interest securities	20.6
Intangible assets	40.5
Other assets	8.9
Provisions	13.5
Other liabilities	38.8
Total identifiable net assets	**38.6**
Goodwill acquired	**95.0**

Since 1 January 2014, LBB-INVEST has generated earnings of €66.7m (interest, commission and other operating income) and net income after tax of €16.5m, which was taken into account accordingly in the statement of profit or loss and other comprehensive income.

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 the statement of profit or loss and other comprehensive income 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 assets are also derecognised if control or power of disposal has been transferred and the risks and opportunities relating to the financial assets are not substantially retained. 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 derives 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 recognised accordingly (see note [15]). Any reversals to impairment are recognised in the statement of profit or loss and other comprehensive income. 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 investments are tested for impairment. Any necessary provisions are recognised accordingly (see note [18]). Reversals of impairment are recorded in the statement of profit or loss and other comprehensive income. 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 in the amount of 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 in 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.

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 that are deemed to be appropriate for the applicable 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 and appropriate parameters and assumptions. The assumptions underlying financial valuation models can have a considerable effect on the fair value determined using those models. Where there are no prices from active markets, 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 fair value is that which best reflects 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 valuing OTC derivatives in order to allow for its own credit risk or that of counterparties, if these are not already included elsewhere in the valuation model. If a netting agreement exists for counterparties, the calculation is performed at counterparty level based on the net position. In other cases, the calculation is performed on the basis of individual positions.

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.

The Deka Group 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 the statement of profit or loss and other comprehensive income 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 the statement of profit or loss and other comprehensive income. The earnings components attributable to the ineffective portion of the hedge are recorded in the statement of profit or loss and other comprehensive income.

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, and hence there is no obligation to separate them.

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 the statement of profit or loss and other comprehensive income 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 the statement of profit or loss and other comprehensive income.

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 the statement of profit or loss and other comprehensive income. Direct write-downs are also carried out if the Bank waives parts of a non-impaired receivable or sells a receivable and the purchase price is below the 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 the statement of profit or loss and other comprehensive income.

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 (expected loss) 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 as an expense in the statement of profit or loss and other comprehensive income using provisions or direct write-downs. The reversal of provisions and income received on written-down receivables are recorded in the statement of profit or loss and other comprehensive income. 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. Since 2009, securitisation transactions have been allocated to non-core business and the portfolio is being wound down while safeguarding assets. 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 in trading profit or loss within the statement of profit or loss and other comprehensive income. 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 are recorded in the profit or loss on financial instruments designated at fair value category. 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 in the statement of profit or loss and other comprehensive income as 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 recorded in the statement of profit or loss and other comprehensive income under profit or loss on financial instruments measured at fair value during the period in which the hedged cash flow is also recognised in the statement of profit or loss and other comprehensive income.

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 associated companies, 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 non-consolidated 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 recorded 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 in the statement of profit or loss and other comprehensive income under profit or loss on financial investments. If the reasons for a previously recognised provision no longer apply, a reversal of impairment must be recognised for debt instruments. Write-backs on debt instruments are also recorded in the statement of profit or loss and other comprehensive income 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 income.

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 collective provisions. 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 associated companies and joint ventures are also recorded under financial investments. An associated company is a company over which DekaBank exercises a significant influence. As a rule, significant influence is presumed if the Deka Group holds between 20% and 50% 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% of the voting rights are held, the assessment of whether or not significant influence exists includes other factors, such as whether the Bank 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.

The only type of joint arrangements that exist at the Deka Group take the form of joint ventures. Joint ventures are defined as arrangements where the parties exercise joint control of the 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.

Shares in associated companies 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 applicable 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 in the statement of profit or loss and other comprehensive income under profit or loss on financial investments.

19 Intangible assets

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

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. The 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.

The 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. As in the previous year, purchased software or software developed in-house 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 software 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 item includes, in particular, land and buildings used for the Bank's own commercial activities. 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. As in the previous year, 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
Buildings	33 – 50
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 income.

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 investment fund units if higher.

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

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 accounts 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 taken 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, payment 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 in the statement of profit or loss and other comprehensive income until the asset is sold or written down due to impairment.

The effective portion of the change in 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 the statement of profit or loss and other comprehensive income. The earnings components attributable to the ineffective portion of the change in fair value of hedging instruments are recorded in the statement of profit or loss and other comprehensive income.

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 rata releases 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	2014	2013	Change
Interest income from			
Lending and money market transactions	796.5	1,024.0	– 227.5
Interest rate derivatives (economic hedges)	292.7	494.3	– 201.6
Fixed-interest securities and debt register claims	300.2	346.7	– 46.5
Hedging derivatives (hedge accounting)	45.6	97.1	– 51.5
Current income from			
Shares and other non fixed-interest securities	107.8	130.7	– 22.9
Equity investments	1.9	1.6	0.3
Total interest income	**1,544.7**	**2,094.4**	– 549.7
Interest expenses for			
Interest rate derivatives (economic hedges)	448.9	714.4	– 265.5
Liabilities	546.5	713.5	– 167.0
Securitised liabilities	134.3	211.7	– 77.4
Hedging derivatives (hedge accounting)	67.9	105.0	– 37.1
Subordinated liabilities and profit participation capital	33.4	27.5	5.9
Typical silent capital contributions	19.2	19.6	– 0.4
Total interest expenses	**1,250.2**	**1,791.7**	– 541.5
Net interest income	**294.5**	**302.7**	– 8.2

The profit from the disposal of receivables amounting to €30.8m (previous year: €10.0m) is reported under interest income from lending and money market transactions.

In the reporting year, interest amounting to €12.8m (previous year: €12.5m) was collected on impaired loans and securities.

Overall, interest income of €843.1m (previous year: €1,062.6m) and interest expenses of €585.4m (previous year: €772.4m) were reported for financial assets and liabilities not measured at fair value.

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	2014	2013	Change
Allocations to provisions for loan losses	–74.2	–105.7	31.5
Reversals of provisions for loan losses	65.0	82.9	–17.9
Direct write-downs on receivables	–3.9	–5.8	1.9
Income on written-down receivables	8.9	1.9	7.0
Provisions for loan losses	**–4.2**	**–26.7**	22.5

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

32 Net commission income

€m	2014	2013 [1)]	Change
Commission income from			
Investment fund business	1,607.0	1,494.9	112.1
Securities business	122.1	108.1	14.0
Lending business	43.2	28.2	15.0
Other	29.7	28.2	1.5
Total commission income	**1,802.0**	**1,659.4**	142.6
Commission expenses for			
Investment fund business	757.0	693.6	63.4
Securities business	18.2	15.1	3.1
Lending business	16.2	13.0	3.2
Other	2.2	2.6	–0.4
Total commission expenses	**793.6**	**724.3**	69.3
Net commission income	**1,008.4**	**935.1**	73.3

1) During the reporting year, for the first time front-end loads received were offset against bonuses granted as part of the issue of fund units, to provide a more meaningful presentation of the earnings position. Thus, in the item commission income from investment fund business, bonus expenses of €503.7m (previous year: €536.3m), which in the previous year had been shown as commission expenses from investment fund business, were directly deducted from income from front-end loads. To improve comparability, the prior year figures have been adjusted accordingly.

Commission income is measured at the fair value of the consideration received or receivable. Fees from services and performance-related commission are recognised in the statement of profit or loss and other comprehensive income 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 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 applicable expenses item – mainly in administrative expenses – on a source-specific basis. Commission expenses for the investment fund business are primarily 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 €98.1 thousand (previous year: €18.1 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 in trading book positions, together with related refinancing expenses, are also reported under this item.

€m	2014	2013	Change
Sale and valuation results	–165.9	–419.1	253.2
Net interest income and current income from trading transactions	430.6	666.6	–236.0
Commission on trading transactions	–16.9	–12.3	–4.6
Trading profit or loss	**247.8**	**235.2**	12.6

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	2014	2013	Change
Sale and valuation results	261.6	158.0	103.6
Foreign exchange profit or loss	9.7	–6.2	15.9
Commission	–0.1	–0.1	–
Total	**271.2**	**151.7**	119.5

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. In the year under review, the valuation result from financial instruments designated at fair value included a net expense of €2.8m (previous year: €17.1m) which was attributable to changes in value arising from changes in creditworthiness.

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	2014	2013	Change
Valuation result from hedged underlying transactions	–132.1	19.3	–151.4
Valuation result from hedging derivatives	135.5	–14.1	149.6
Total	**3.4**	**5.2**	–1.8

36 Profit or loss on financial investments

€m	2014	2013	Change
Sale and valuation results from securities	–0.8	0.9	–1.7
Sale and valuation results from shareholdings	–0.9	–	–0.9
Reversal of/allocation to risk provision for securities	–18.3	5.9	–24.2
Net income from investments valued using the equity method	2.3	3.4	–1.1
Net income from financial investments	**–17.7**	**10.2**	–27.9

37 Administrative expenses

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

€m	2014	2013	Change
Personnel expenses			
Wages and salaries	373.1	345.5	27.6
Social security contributions	44.1	40.5	3.6
Allocation to/reversal of provisions for pensions and similar commitments	31.3	33.9	−2.6
Expenses for defined contribution plans	1.9	1.9	–
Other expenses for retirement pensions and benefits	0.7	0.8	−0.1
Total personnel expenses	**451.1**	**422.6**	28.5
Other administrative expenses			
Consultancy expenses	78.0	113.5	−35.5
Rentals and expenses for buildings	57.6	54.8	2.8
Computer equipment and machinery	56.1	66.1	−10.0
Marketing and sales expenses	40.6	34.0	6.6
IT information services	35.8	26.3	9.5
Lump sum for fund administration services	30.5	33.1	−2.6
Bank levy	26.9	27.9	−1.0
Subscriptions and fees	23.4	38.6	−15.2
Postage/telephone/office supplies	9.0	9.6	−0.6
Other administrative expenses	51.1	45.8	5.3
Total other administrative expenses	**409.0**	**449.7**	−40.7
Depreciation of intangible assets	21.1	15.9	5.2
Depreciation of property, plant and equipment	3.5	2.9	0.6
Impairment of intangible assets	–	3.8	−3.8
Impairment of property, plant and equipment	–	0.5	−0.5
Total depreciation	**24.6**	**23.1**	1.5
Administrative expenses	**884.7**	**895.4**	−10.7

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

Administrative expenses include payments of €48.8m (previous year: €46.9m) on rental and lease agreements for buildings used by the Bank, 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	2014	2013	Change
Up to 1 year	47.0	45.1	1.9
Between 1 and 5 years	143.8	145.8	−2.0
More than 5 years	111.6	137.6	−26.0

38 Other operating income

The breakdown in other operating income is as follows:

€m	2014	2013	Change
Income from repurchased debt instruments	**–19.5**	**–8.3**	–11.2
Other operating profit			
Reversal of other provisions	6.4	7.5	–1.1
Rental income	1.2	1.2	–
Other income	41.1	12.5	28.6
Total other operating profit	**48.7**	**21.2**	27.5
Other operating expenses			
Restructuring expenses	16.1	41.0	–24.9
VAT from provision of intra-Group services	16.1	16.8	–0.7
Other taxes	0.8	1.2	–0.4
Other expenses	43.2	154.3	–111.1
Total other operating expenses	**76.2**	**213.3**	–137.1
Other operating income	**–47.0**	**–200.4**	153.4

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 result in the realisation of a profit or loss in the amount of the difference between the repurchase price and the book price. The change in income from repurchased own debt instruments is attributable to unscheduled redemptions during the reporting year.

Other income includes administrative fees for settlement services relating to company pension scheme products amounting to €773.4 thousand (previous year: €885.3 thousand).

The higher negative result recorded in the previous year for other operating income was mostly attributable to one-off factors in the previous year. The previous year's figure was impacted by additional expenses relating to the planned closure of the subsidiary ExFin AG i. L., Zürich (formerly Deka(Swiss) Finanz AG) with effect from 31 December 2014 as well as higher restructuring expenses in connection with the transformation process aimed at turning DekaBank into the fully-fledged securities service provider for the savings banks. In addition, the creation of provisions for legal risks as well as additional expenses booked in connection with the 2013 acquisition of Landesbank Berlin's customer-oriented capital market business put pressure on earnings.

39 Income taxes

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

€m	2014	2013	Change
Current tax expense/income (–) in financial year	192.7	199.6	–6.9
Current tax expense/income (–) in previous years	–20.6	–21.8	1.2
Current tax expense/income (–)	**172.1**	**177.8**	–5.7
Effect of origination and reversal of temporary differences	93.9	–22.4	116.3
Prior-year deferred tax expense/income	–0.5	18.2	–18.7
Deferred tax expense/income (–)	**93.4**	**–4.2**	97.6
Total income tax expense/income (–)	**265.5**	**173.6**	91.9

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 also 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 applicable 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 a deferred tax expense of €93.9m (previous year: deferred tax income of €22.4m). Current tax income for previous years relates primarily to DekaBank (€19.9m). This includes a deferred tax expense arising from the use or non-recognition of deferred taxes on tax loss carry-forwards capitalised in the previous year in the amount of €0.1m (previous year: deferred tax expense of €0.3m). As per the previous year, changes in rates of taxation had no impact in the 2014 financial year.

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

€m	**2014**	**2013**	Change
IFRS – net income before tax	871.7	517.6	354.1
x income tax rate	31.90%	31.90%	
= Anticipated income tax expense in financial year	**278.1**	**165.1**	113.0
Increase from taxes on non-deductible expenses	12.1	15.7	–3.6
Decrease from taxes on tax-exempt income	4.4	8.6	–4.2
Withholding tax	6.8	8.0	–1.2
Tax effect of special funds	–3.2	0.3	–3.5
Tax on joint ventures/partnerships	–	0.1	–0.1
Tax effect of equity valuation	–0.7	–1.1	0.4
Effects of differing effective tax rates	–3.1	–3.2	0.1
Tax effects from past periods	–21.2	–3.6	–17.6
Other	1.1	0.9	0.2
Tax expenses according to IFRS	**265.5**	**173.6**	91.9

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

Tax effects from previous periods are the result of a change in the interpretation of the law governing partial write-downs/losses on the disposal of shares in securities funds in 2002, Section 40a of the German Capital Investment Companies Act (*Gesetz über Kapitalanlagegesellschaften* – KAGG). In a judgment issued on 17 December 2013, the Federal Constitutional Court (*Bundesverfassungsgericht*) held that a change in the law introduced in 2003 was an unconstitutional retrospective application, insofar as it also applied to 2002. The Federal Fiscal Court (*Bundesfinanzhof*) developed this decision further in two judgments dated 25 June 2014 and 30 July 2014. In view of this, DekaBank made an application to change the tax assessments in question and posted a tax receivable of €17.3m, representing the amount calculated to be due. Other tax effects relate to corporation tax refunds in connection with amended tax assessments for the years from 2001 to 2007 and the reversal of tax provisions. In the previous year, the tax effect related primarily (€2.7m) to trade tax refunds for the years from 2001 to 2007 at DekaBank.

Notes to the consolidated balance sheet

40 Cash reserves

The breakdown in cash reserves is as follows:

€m	**31 Dec 2014**	**31 Dec 2013**	Change
Cash on hand	5.7	8.0	–2.3
Balances with central banks	772.7	519.3	253.4
Total	**778.4**	**527.3**	251.1

The required minimum reserve was maintained at all times during the reporting year and amounted to €186.0m at the reporting date (previous year: €159.5m).

41 Due from banks

€m	31 Dec 2014	31 Dec 2013 [1]	Change
Domestic banks	16,951.6	22,428.1	–5,476.5
Foreign banks	7,721.0	7,797.8	–76.8
Due from banks before risk provision	**24,672.6**	**30,225.9**	–5,553.3
Provisions for loan losses	–2.5	–3.5	1.0
Total	**24,670.1**	**30,222.4**	–5,552.3

[1] In the 2014 consolidated financial statements, amounts due from central foreign counterparties without explicit bank status were reported in the item "Due from customers". In order to improve comparability, the previous year's values have been adjusted and an amount of €505.3m has been reclassified from "Due from foreign banks" to "Due from foreign borrowers".

DekaBank paid €6.0bn (previous year: €9.3bn) for genuine repurchase agreements and collateralised securities lending transactions as pledgee and borrower, respectively.

42 Due from customers

€m	31 Dec 2014	31 Dec 2013 [1]	Change
Domestic borrowers	5,962.3	9,293.4	–3,331.1
Foreign borrowers	17,604.5	18,368.9	–764.4
Due from customers before risk provision	**23,566.8**	**27,662.3**	–4,095.5
Provisions for loan losses	–178.1	–211.3	33.2
Total	**23,388.7**	**27,451.0**	–4,062.3

[1] In the 2014 consolidated financial statements, amounts due from central foreign counterparties without explicit bank status were reported in the item "Due from customers". In order to improve comparability, the previous year's values have been adjusted and an amount of €505,3m has been reclassified from "Due from foreign banks" to "Due from foreign borrowers".

DekaBank paid €7.7bn (previous year: €10.8bn) 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 2014	31 Dec 2013	Change
Provisions for loan losses – due from banks			
Collective provisions for creditworthiness risks	2.5	3.5	–1.0
Provisions for loan losses – due from customers			
Specific provisions	146.7	179.2	–32.5
Collective provisions for creditworthiness risks	27.2	30.8	–3.6
Collective provisions for country risks	4.2	1.3	2.9
Total	**180.6**	**214.8**	–34.2

In the Deka Group, loans are classified as non-performing if significant exposures are more than 90 days overdue or it is assessed as improbable that the debtor will be able to meet their credit obligations in full without the utilisation of collateral. As at the reporting date, the total amount of non-performing loans stood at €769.0m (previous year: €665.5m). Provisions for loan losses or provisions for credit risks amounting to €151.2m (previous year: €183.8m) were recognised for these loans.

As of the reporting date, the total amount of loans in default but not impaired amounted to €13.4m (previous year: €8.6m).

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 booked immediately through profit or loss.

As at the reporting date, deferred or restructured exposures, where – as a result of customers' financial difficulties – concessions were made that under other circumstances would not have been granted, amounted to €897.5m (previous year: €1,052.7m). Specific provisions of €130.3m (previous year: €155.2m) were recognised in relation to these exposures. During the reporting year predominantly restructuring measures were concluded.

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

€m	Opening balance 1 Jan 2014	Allocation	Utilisation	Reversal	Reclassification	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**

€m	Opening balance 1 Jan 2013	Allocation	Utilisation	Reversal	Reclassi-fication	Currency effects	Closing balance 31 Dec 2013
Provisions for loan losses – due from banks							
Specific valuation allowances	365.1	–	343.3	19.6	–2.2	–	–
Portfolio valuation allowances for creditworthiness risks	2.3	1.2	–	–	–	–	3.5
Sub-total	**367.4**	**1.2**	**343.3**	**19.6**	**–2.2**	**–**	**3.5**
Provisions for loan losses – due from customers							
Specific valuation allowances	284.1	101.9	155.1	38.8	–	–12.9	179.2
Portfolio valuation allowances for country risks	53.6	1.3	–	24.1	–	–	30.8
Portfolio valuation allowances for creditworthiness risks	1.3	–	–	–	–	–	1.3
Sub-total	**339.0**	**103.2**	**155.1**	**62.9**	**–**	**–12.9**	**211.3**
Provisions for credit risks							
Specific risks	2.7	1.1	–	0.4	–	–0.1	3.3
Portfolio risks	3.3	0.2	–	–	–	–	3.5
Sub-total	**6.0**	**1.3**	**–**	**0.4**	**–**	**–0.1**	**6.8**
Total	**712.4**	**105.7**	**498.4**	**82.9**	**–2.2**	**–13.0**	**221.6**

Key ratios for provisions for loan losses:

%	2014	2013
Reversal/allocation ratio as at reporting date[1] (Quotient from net allocation and lending volume)	–0.03	–0.07
Default rate as at reporting date (Quotient from loan defaults and lending volume)	0.18	1.48
Average default rate (Quotient from loan defaults in 5-year average and lending volume)	0.45	0.43
Net provisioning ratio as at reporting date (Quotient from provisions for loan losses and lending volume)	0.61	0.65

[1] Reversal ratio shown without leading sign.

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

€m	31 Dec 2014	31 Dec 2013
Due from banks[1]	13,507.8	17,212.3
Due from customers[1]	14,369.8	15,784.6
Irrevocable lending commitments	1,789.5	270.8
Contingent liabilities	495.2	782.8
Total	**30,162.3**	**34,050.5**

[1] Excluding money transactions.

Provisions for loan losses by risk segment:

	Valuation allowances and provisions for loan losses		Loan defaults[1]		Net allocations to[2]/reversals of valuation allowances and provisions for loan losses	
€m	31 Dec 2014	31 Dec 2013	2014	2013	2014	2013
Customers						
Transport and export finance	109.3	112.3	31.6	72.1	−17.6	−24.1
Property risks	27.8	37.1	−0.6	34.0	10.1	−7.2
Public infrastructure	26.4	21.7	–	23.1	−4.7	−16.3
Energy and utility infrastructure	13.3	25.3	12.4	22.9	−4.2	−1.1
Corporates	1.1	20.2	12.1	6.6	6.7	6.6
Other	2.4	1.5	–	–	−0.5	0.9
Total customers	**180.3**	**218.1**	**55.5**	**158.7**	**−10.2**	**−41.2**
Banks	**2.5**	**3.5**	**–**	**343.7**	**1.0**	**18.4**
Total	**182.8**	**221.6**	**55.5**	**502.4**	**−9.2**	**−22.8**

[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 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 2014	31 Dec 2013	Change
Held for trading			
Debt securities and other fixed-interest securities	18,277.1	18,884.0	−606.9
Bonds and debt securities	17,900.0	18,125.1	−225.1
Money market securities	377.1	758.9	−381.8
Shares and other non fixed-interest securities	4,928.9	2,450.4	2,478.5
Shares	4,215.6	1,463.4	2,752.2
Investment fund units	713.2	987.0	−273.8
Other non fixed-interest securities	0.1	–	0.1
Other	762.6	528.2	234.4
Promissory note loans	762.6	528.2	234.4
Positive market values from derivative financial instruments (trading)	12,277.1	10,933.8	1,343.3
Total – held for trading	**36,245.7**	**32,796.4**	3,449.3
Designated at Fair Value			
Debt securities and other fixed-interest securities	19,856.4	16,011.3	3,845.1
Bonds and debt securities	19,795.4	15,996.2	3,799.2
Money market securities	61.0	15.1	45.9
Shares and other non fixed-interest securities	668.3	382.6	285.7
Investment fund units	662.9	377.3	285.6
Participating certificates	5.4	5.3	0.1
Amounts due from securities repurchase agreements	1,504.6	2,511.3	−1,006.7
Positive market values from derivative financial instruments (economic hedges)	1,195.0	1,362.0	−167.0
Total – designated at fair value	**23,224.3**	**20,267.2**	2,957.1
Total	**59,470.0**	**53,063.6**	6,406.4

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 2014	31 Dec 2013	Change
Debt securities and other fixed-interest securities	36,242.4	32,306.3	3,936.1
Shares and other non fixed-interest securities	4,812.2	2,318.5	2,493.7

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 2014	31 Dec 2013	Change
Fair value hedges			
Asset items			
Due from banks			
Loans and receivables category	–	0.3	–0.3
Due from customers			
Loans and receivables category	8.2	10.0	–1.8
Liability items			
Due to banks	42.7	38.0	4.7
Due to customers	275.9	165.7	110.2
Securitised liabilities	1.2	14.4	–13.2
Total fair value hedges	**328.0**	**228.4**	99.6
Cash flow hedges			
Asset items	–	6.2	–6.2
Total	**328.0**	**234.6**	93.4

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 2014	31 Dec 2013	Change
Loans and receivables			
Debt securities and other fixed-interest securities	502.9	631.7	–128.8
Held to maturity			
Debt securities and other fixed-interest securities	2,959.5	3,114.8	–155.3
Available for sale			
Debt securities and other fixed-interest securities	–	16.4	–16.4
Shares and other non fixed-interest securities	–	0.1	–0.1
Shareholdings			
Equity investments	30.8	35.1	–4.3
Shares in companies valued at equity	28.1	26.4	1.7
Shares in affiliated, non-consolidated companies	1.0	1.1	–0.1
Shares in associated companies not accounted for under the equity method	0.2	–	0.2
Financial investments before risk provision	**3,522.5**	**3,825.6**	–303.1
Risk provision	–24.2	–5.9	–18.3
Total	**3,498.3**	**3,819.7**	–321.4

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 2014	31 Dec 2013	Change
Debt securities and other fixed-interest securities	3,284.9	3,467.6	–182.7
Shares and other non fixed-interest securities	–	0.1	–0.1

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

€m	Equity investments	Shares in companies valued at equity	Shares in affiliated companies	Shares in associated companies	Total
Historical cost					
As at 1 January 2013	35.3	132.4	2.0	–	169.7
Additions	–	–	0.1	–	0.1
Disposals	0.2	–	1.0	–	1.2
As at 31 December 2013	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
Cumulative amortisation/change in value					
As at 1 January 2013	–	109.4	0.5	–	109.9
Amortisation/impairment	–	–	0.1	–	0.1
Result from companies valued at equity	–	3.4	–	–	3.4
Disposals	–	–	0.6	–	0.6
As at 31 December 2013	–	106.0	–	–	106.0
Amortisation/impairment	0.9	–	–	–	0.9
Result from companies valued at equity	–	2.3	–	–	2.3
Changes in the scope of consolidation	–	–	–	–	–
As at 31 December 2014	0.9	103.7	–	–	104.6
Carrying value as at 31 December 2013	**35.1**	**26.4**	**1.1**	**–**	**62.6**
Carrying value as at 31 December 2014	**30.8**	**28.1**	**1.0**	**0.2**	**60.1**

Disposals of investments relate mainly to capital repayments from partnerships.

47 Intangible assets

€m	31 Dec 2014	31 Dec 2013	Change
Purchased goodwill	**148.1**	**53.1**	95.0
Software			
Purchased	27.5	32.5	−5.0
Developed in-house	3.1	3.5	−0.4
Total software	**30.6**	**36.0**	−5.4
Other intangible assets	25.0	0.3	24.7
Total	**203.7**	**89.4**	114.3

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 2014, 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 2014.

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 2019. The long-term growth rate is 1.0%. The discount rate amounted to 10.56%. The value in use established with this approach was higher than the carrying 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 a planned sales quota at roughly the same level as the previous year, the fund business is expected to achieve a stable performance, while consolidating its successful market position over the next three years. For the subsequent years 2018 and 2019, lower net cash inflows are forecast based on the cyclical nature of sales as well as expected regulatory interventions. In property financing business, the proven business strategy will be continued. Persistent price competition is also expected to keep margins in new business under pressure. Furthermore, expectations of future performance take into account a perpetual annuity in line with the forecast for 2019 and assume a long-term growth rate of 1.0% (previous year: 1.0%) The discount rate amounted to 9.63% (previous year: 10.55%). The value in use established with this approach was higher than the carrying 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 2013	145.4	129.1	71.4	21.9	367.8
Additions	–	7.4	–	0.3	7.7
Disposals	–	2.2	–	–	2.2
As at 31 December 2013	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
Cumulative amortisation					
As at 1 January 2013	92.3	86.8	64.6	21.9	265.6
Unscheduled amortisation	–	3.8	–	–	3.8
Scheduled amortisation	–	12.6	3.3	–	15.9
Disposals	–	1.4	–	–	1.4
As at 31 December 2013	92.3	101.8	67.9	21.9	283.9
Scheduled amortisation	–	14.0	2.3	4.8	21.1
Disposals	–	0.1	–	–	0.1
Changes in the scope of consolidation	–	2.6	–	–	2.6
As at 31 December 2014	92.3	118.3	70.2	26.7	307.5
Carrying value as at 31 December 2013	**53.1**	**32.5**	**3.5**	**0.3**	**89.4**
Carrying value as at 31 December 2014	**148.1**	**27.5**	**3.1**	**25.0**	**203.7**

48 Property, plant and equipment

€m	31 Dec 2014	31 Dec 2013	Change
Land and buildings	12.8	13.3	–0.5
Plant and equipment	15.2	15.5	–0.3
Technical equipment and machines	2.0	2.0	–
Total	**30.0**	**30.8**	–0.8

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

€m	Land and buildings	Plant and equipment	Technical equipment and machines	Total
Historical cost				
As at 1 January 2013	28.0	48.7	59.8	136.5
Additions	–	0.7	1.2	1.9
Disposals	–	2.5	2.9	5.4
Change in currency translation	–	–0.2	–	–0.2
As at 31 December 2013	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
Cumulative amortisation				
As at 1 January 2013	14.3	32.3	57.6	104.2
Unscheduled amortisation	–	0.3	0.2	0.5
Scheduled amortisation	0.4	1.3	1.2	2.9
Disposals	–	2.5	2.9	5.4
Change in currency translation	–	–0.2	–	–0.2
As at 31 December 2013	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
Carrying value as at 31 December 2013	**13.3**	**15.5**	**2.0**	**30.8**
Carrying value as at 31 December 2014	**12.8**	**15.2**	**2.0**	**30.0**

49 Income tax assets

€m	31 Dec 2014	31 Dec 2013	Change
Current income tax assets	165.1	180.9	–15.8
Deferred income tax assets	137.5	151.3	–13.8
Total	**302.6**	**332.2**	–29.6

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

No deferred tax assets on tax loss carry-forwards arose during the year under review. The figure for the previous year was €0.2m and related to a foreign company within the Deka Group.

Deferred tax assets were recognised in relation to the following line items:

€m	31 Dec 2014	31 Dec 2013	Change
Asset items			
Due from banks	0.0	0.4	−0.4
Due from customers	0.7	6.1	−5.4
Financial assets at fair value	0.8	22.4	−21.6
Financial investments	0.0	–	0.0
Shares in companies valued at equity	2.3	2.3	–
Intangible assets	6.2	6.1	0.1
Other assets	2.1	1.7	0.4
Liability items			
Due to banks	14.6	7.9	6.7
Due to customers	77.7	54.9	22.8
Securitised liabilities	3.5	6.9	−3.4
Financial liabilities at fair value	454.9	399.9	55.0
Negative market values from derivative hedging instruments	35.5	47.8	−12.3
Provisions	105.8	71.0	34.8
Other liabilities	3.3	16.9	−13.6
Subordinated capital	4.1	7.0	−2.9
Loss carryforwards	**–**	**0.2**	−0.2
Sub-total	**711.5**	**651.5**	60.0
Netting	−574.0	−500.2	−73.8
Total	**137.5**	**151.3**	−13.8

Reported deferred tax assets include €135.9m (previous year: €85.5m) which are medium or long-term in nature.

As at the reporting date, no deferred tax had been recognised for the reporting year at two foreign Group companies for unrecognised tax loss carry-forwards of €26.7m (previous year: €18.5m). The related unrecognised tax amount was €5.0m (previous year: €4.1m). Similarly, no deferred tax asset on tax loss carry-forwards was recognised at one German company (loss carried forward: €0.5m, deferred tax assets not recognised: €0.2m). In addition, for one other foreign Group company, there are temporary differences for which no deferred tax assets have been recognised (amount of tax assets not recognised during the year under review: €0.3m, previous year: €0.5m).

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 €62.5m (previous year: €28.2m) in connection with pension provisions and deferred income tax assets amounting to €8.4m (previous year: deferred income tax liabilities of €4.9m) in connection with cash flow hedges were offset against equity.

50 Other assets

€m	31 Dec 2014	31 Dec 2013	Change
Amounts due from investment funds	125.6	107.8	17.8
Amounts due from non-banking business	29.6	5.8	23.8
Amounts due or refunds from other taxes	1.5	0.7	0.8
Other miscellaneous assets	319.9	158.1	161.8
Prepaid expenses	28.2	29.5	–1.3
Total	**504.8**	**301.9**	202.9

Other miscellaneous assets include overpaid profit shares of atypical silent partners arising from the application of the taxes already paid by DekaBank for the benefit of the partners amounting to €10.9m (previous year: €20.3m).

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 2014	31 Dec 2013 [1]	Change
Domestic banks	21,560.3	26,554.5	–4,994.2
Foreign banks	5,178.7	5,521.1	–342.4
Total	**26,739.0**	**32,075.6**	–5,336.6

[1] In the 2014 consolidated financial statements, amounts due to central foreign counterparties without explicit bank status were reported in the item “Due to customers”. In order to improve comparability, the previous year’s values have been adjusted and an amount of €6,925.1m has been reclassified from “Due to foreign banks” to “Due to foreign borrowers”.

Amounts due to banks include payments received from genuine securities repurchase agreements and collateralised securities lending transactions amounting to €5.0bn (previous year: €4.3bn).

52 Due to customers

€m	31 Dec 2014	31 Dec 2013 [1]	Change
Domestic borrowers	18,277.5	15,174.1	3,103.4
Foreign borrowers	9,349.3	12,751.5	–3,402.2
Total	**27,626.8**	**27,925.6**	–298.8

[1] In the 2014 consolidated financial statements, amounts due to central foreign counterparties without explicit bank status were reported in the item “Due to customers”. In order to improve comparability, the previous year’s values have been adjusted and an amount of €6,925.1m has been reclassified from “Due to foreign banks” to “Due to foreign borrowers”.

Amounts due to customers include payments received from genuine securities repurchase agreements and collateralised securities lending transactions amounting to €4.9bn (previous year: €8.2bn).

53 Securitised liabilities

Securitised liabilities include bonds and other liabilities for which transferable certificates are issued. Under IAS 39, the own bonds held in the Deka Group with a nominal amount of €1.5bn (previous year: €1.9bn) were deducted from the issued bonds.

€m	31 Dec 2014	31 Dec 2013	Change
Debt securities issued	18,153.8	18,896.2	–742.4
Money market securities issued	5,967.9	4,821.1	1,146.8
Total	**24,121.7**	**23,717.3**	404.4

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 that 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 2014	31 Dec 2013	Change
Held for trading			
Trading issues	8,497.5	4,910.3	3,587.2
Securities short portfolios	925.2	1,277.9	−352.7
Negative market values from derivative financial instruments (trading)	12,390.9	12,648.3	−257.4
Total – held for trading	**21,813.6**	**18,836.5**	2,977.1
Designated at fair value			
Issues	3,572.3	5,163.9	−1,591.6
Negative market values from derivative financial instruments (economic hedges)	1,742.6	1,558.2	184.4
Total – designated at fair value	**5,314.9**	**6,722.1**	−1,407.2
Total	**27,128.5**	**25,558.6**	1,569.9

Fair value of issues in the designated at fair value category includes cumulative creditworthiness-related changes in value amounting to €23.7m (previous year: €24.0m).

The carrying value of liabilities allocated to the designated at fair value category is €368.5m (previous year: €318.6m) 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 2014	31 Dec 2013	Change
Fair value hedges			
Asset items			
Due from banks			
Loans and receivables category	53.8	108.6	−54.8
Due from customers			
Loans and receivables category	56.6	91.6	−35.0
Total – fair value hedges	**110.4**	**200.2**	−89.8
Cash flow hedges			
Asset items	8.4	–	8.4
Total	**118.8**	**200.2**	−81.4

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	Provision for pensions	Provisions for similar commitements[1)]	Provisions for working hours accounts	Total
As at 1 January 2013	**83.2**	**19.2**	**–**	**102.4**
Additions	23.9	9.2	0.8	33.9
Utilisations	3.6	5.2	0.1	8.9
Change in plan assets	–11.6	–	–0.7	–12.3
Revaluations not affecting net profit	6.2	–	–	6.2
As at 31 December 2013	**98.1**	**23.2**	**–**	**121.3**
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**

[1)] Since the start of the 2014 reporting year, provisions for working hours accounts have been reported in the line provisions for similar commitments.

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

€m	31 Dec 2014	31 Dec 2013	Change
Present value of fully or partially funded defined benefit obligations	662.0	486.6	175.4
Fair value of plan assets at reporting date	453.7	397.1	56.6
Funded status	**208.3**	**89.5**	118.8
Present value of unfunded defined benefit obligations	44.0	31.8	12.2
Asset ceiling due to limitation of net assets	–	–	–
Provisions for pensions	**252.3**	**121.3**	131.0

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	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
As at 1 January	**518.4**	**461.0**	**397.1**	**359.0**	**121.3**	**102.4**
Current service cost	26.2	30.2	–	–	26.2	30.2
Interest expenses or income	18.3	16.5	13.2	12.7	5.1	3.8
Net interest income/expense (recognised in profit or loss)	**44.5**	**46.7**	**13.2**	**12.7**	**31.3**	**33.9**
Actuarial gains/losses arising from:						
Financial assumptions	139.9	20.2	–	–	139.9	20.2
Experience adjustments	5.1	–2.4	–	–	5.1	–2.4
Income from plan assets excluding interest income	–	–	24.0	11.6	–24.0	–11.6
Revaluation gains/losses (recognised in other comprehensive income)	**145.0**	**17.8**	**24.0**	**11.6**	**121.0**	**6.2**
Transfers	2.2	1.8	–	1.8	2.2	–
Business combinations and change in scope of consolidation	12.8	–	6.6	–	6.2	–
Employer contributions	–	–	6.0	5.6	–6.0	–5.6
Employee contributions	–	–	7.6	6.6	–7.6	–6.6
Employee benefits	–16.9	–8.9	–0.8	–0.2	–16.1	–8.7
Other changes	–	–	–	–	–	–0.3
As at 31 December	**706.0**	**518.4**	**453.7**	**397.1**	**252.3**	**121.3**
Of which:						
Final salary plans and general contribution schemes	491.2	365.4	301.3	282.6	189.9	82.8
Fund-based defined contribution plans	188.6	125.6	148.2	110.3	40.4	15.3

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 2014	31 Dec 2013	Change
Actuarial interest rate	2.00	3.30	–1.30
Pension trend for adjustments according to Section 16 (2) Company Pension Funds Act (BetrAVG)[1]	2.00	2.00	–
Pension adjustment with overall trend updating[1]	2.50	2.50	–
Salary trend[1]	2.50	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 0.1% (previous year: 0.8%). 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 2014	31 Dec 2013
Actuarial interest rate	Increase of 1.0 percentage point	– 108.3	– 73.6
	Reduction of 1.0 percentage point	142.0	96.9
Salary trend	Increase of 0.25 percentage point	7.9	5.5
	Reduction of 0.25 percentage point	– 7.4	– 5.2
Pension trend	Increase of 0.25 percentage point	16.0	11.1
	Reduction of 0.25 percentage point	– 15.3	– 10.6
Life expectancy	Extended by 1 year	21.5	14.2

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

€m	31 Dec 2014	31 Dec 2013	Change
Equity funds	139.0	103.0	36.0
Bond funds	1.9	1.4	0.5
Mixed funds	6.1	4.7	1.4
Near-money market funds	4.3	4.1	0.2
Mutual funds	151.3	113.2	38.1
Special funds	301.0	282.3	18.7
Insurance contracts	1.4	1.6	– 0.2
Total	**453.7**	**397.1**	56.6

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 2014, the plan assets included €452.3m (previous year: €395.5m) 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 18.2 years as at 31 December 2014 (previous year: 16.8 years).

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

€m	31 Dec 2014	31 Dec 2013	Change
Current scheme members	379.8	258.2	121.6
Former scheme members	139.2	106.2	33.0
Pensioners and surviving dependants	187.0	154.0	33.0
Present value of defined benefit obligation	**706.0**	**518.4**	187.6

For the 2015 financial year it is expected that contributions amounting to €13.5m will have to be allocated to the defined benefit schemes.

57 Other provisions

€m	31 Dec 2014	31 Dec 2013	Change
Provisions for restructuring measures	25.5	45.5	–20.0
Provisions for legal proceedings and recourses	9.2	1.7	7.5
Provisions for credit risks	2.2	6.8	–4.6
Provisions in human resources	0.5	0.6	–0.1
Sundry other provisions	228.9	256.1	–27.2
Total	**266.3**	**310.7**	–44.4

Restructuring provisions arise from the Deka Group's various restructuring activities, including the transformation process aimed at turning DekaBank into a fully-fledged securities service provider for the savings banks. The previous year's figure was impacted by additional expenses relating to the closure of the subsidiary ExFin AG i.L., Zürich as well as higher restructuring expenses in connection with the transformation process to a fully-fledged securities service provider for the savings banks.

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

Sundry other provisions include a provision created in the amount of €56.4m 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 decrease in sundry other provisions is primarily attributable to the utilisation of provisions recognised in the previous year for legal risks.

Furthermore, provisions were created for the investment funds described below with formal guarantees and targeted returns.

Amongst other things, the Deka Group's range of products includes investment funds with guarantees with varying characteristics. At maturity of the investment fund or at the end of the investment period, the *Kapitalverwaltungsgesellschaft* guarantees the capital invested less charges or the unit value at the start of the applicable 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 €8.5m (previous year: €1.6m) was set aside based on the development of the applicable fund assets. As at the reporting date, the guarantees covered a maximum total volume of €4.5bn (previous year: €5.1bn) at the applicable guarantee dates. The market value of the corresponding fund assets totalled €4.7bn (previous year: €5.3bn). These also include the investment funds described below with a forecast return performance amounting to a volume of €2.1bn (previous year: €2.5bn).

Investment funds, whose return is forecast and published on the basis of current money market rates set by the Deka Group, exist in two fund varieties; with or without a capital guarantee. However, the forecast return performance 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 attainment of the desired performance of the investment fund 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, €69.7m (previous year: €70.4m) were set aside. The underlying total value of the investment funds amounted to €5.7bn (previous year: €6.3bn), of which €2.1bn (previous year: €2.5bn) related to investment funds with a capital guarantee and €3.6bn (previous year: €3.8bn) related to investment funds without a capital guarantee.

The movement in other provisions is as follows:

€m	Opening balance 1 Jan 2014	Addition	Utilisation	Reversal	Reclassi-fications	Change in the scope of conso-lidation	Accumu-lation	Currency effects	Closing balance 31 Dec 2014
Provisions for restructuring measures	45.5	16.1	32.6	1.7	–2.1	–	–	0.3	25.5
Provisions for legal proceedings and recourses	1.7	7.9	0.1	1.3	1.0	–	–	–	9.2
Provisions for credit risks	6.8	7.8	0.1	4.7	–8.5	–	–	0.9	2.2
Provisions in human resources	0.6	–	–	0.1	–	–	–	–	0.5
Sundry other provisions	256.1	80.2	91.3	17.2	–1.0	0.8	1.3	–	228.9
Other provisions	**310.7**	**112.0**	**124.1**	**25.0**	**–10.6**	**0.8**	**1.3**	**1.2**	**266.3**

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 €113.6m (previous year: €47.9m) which are medium or long-term in nature.

58 Income tax liabilities

€m	31 Dec 2014	31 Dec 2013	Change
Provisions for income taxes	14.0	18.1	–4.1
Current income tax liabilities	78.5	57.6	20.9
Deferred income tax liabilities	62.3	21.0	41.3
Total	**154.8**	**96.7**	58.1

Provisions for income taxes relate to corporation tax, the solidarity surcharge and trade tax. Provisions for income taxes include €14.0m (previous year: €18.1m) 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. The 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 2014	31 Dec 2013	Change
Asset items			
Due from banks	19.2	29.2	–10.0
Due from customers	18.9	5.0	13.9
Financial assets at fair value	455.6	370.2	85.4
Positive market values from derivative hedging instruments	99.9	65.5	34.4
Financial investments	33.4	48.3	–14.9
Intangible assets	7.5	–	7.5
Property, plant and equipment	0.8	0.9	–0.1
Liability items			
Due to customers	0.0	–	0.0
Provisions	0.1	1.3	–1.2
Other liabilities	0.9	0.8	0.1
Sub-total	**636.3**	**521.2**	115.1
Netting	–574.0	–500.2	–73.8
Total	**62.3**	**21.0**	41.3

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 €486.3m (previous year: €531.3m), resulting in calculated deferred tax liabilities of €7.8m (previous year: €8.5m) which, in accordance with IAS 12.39, have not been recognised on the balance sheet.

During the reporting year, deferred income tax liabilities amounting to €0.8 thousand (previous year: €0.1m) 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 2014	31 Dec 2013	Change
Liabilities			
Debt capital from minority interests	289.7	223.7	66.0
Commissions not yet paid to sales offices	83.1	60.5	22.6
Liabilities from current other taxes	35.5	32.4	3.1
Securities spot deals not yet settled	0.4	6.3	–5.9
Liabilities from non-banking business	–	0.3	–0.3
Other	75.3	61.4	13.9
Accruals			
Sales performance compensation	275.0	272.9	2.1
Personnel costs	100.7	105.4	–4.7
Closing and other audit costs	5.6	7.7	–2.1
Other accruals	48.5	48.6	–0.1
Prepaid income	5.8	17.7	–11.9
Total	**919.6**	**836.9**	82.7

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

The item “other” includes trade accounts payable of €46.1m (previous year: €39.1m) and liabilities to custodial account holders of €8.3m (previous year: €11.6m).

Other liabilities include €3.1m (previous year: €11.0m) which are medium or long-term in nature.

60 Subordinated capital

€m	31 Dec 2014	31 Dec 2013	Change
Subordinated bearer bonds	396.1	626.4	–230.3
Subordinated promissory note loans	119.6	120.6	–1.0
Other subordinated liabilities	412.0	102.8	309.2
Prorated interest on subordinated liabilities	19.9	18.9	1.0
Profit participation capital	–	20.0	–20.0
Prorated interest on profit participation capital	–	1.3	–1.3
Capital contributions of typical silent partners	203.8	500.0	–296.2
Prorated interest on capital contributions of typical silent partners	19.2	19.6	–0.4
Total	**1,170.7**	**1,409.6**	–238.9

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

Year of issue	Nominal amount €m	Interest rate in % p.a.	Maturity
2004	300.0	4.63	2015
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

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

In 2002, typical silent capital contributions with a nominal amount of €500.0m were accepted for an indefinite period of time (known as "perpetuals"). During the reporting year, typical silent capital contributions held by DSGV ö.K. in the amount of €296.2m were converted into Additional Tier 1 (AT1) bonds. In accordance with IAS 32, AT1 bonds are reported as equity. In addition, silent capital contributions in the amount of €177.4m were terminated at the end of the 2014 financial year subject to a 24 month notice period. A silent capital contribution of €26.4m may only be terminated by DekaBank with the consent of the Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht* – BaFin) and a notice period of 24 months to the end of a financial year. Termination by the silent partners is not possible. Interest expenses for typical silent capital contributions existing as at the reporting date amounted to €8.0m and are reported in net interest income (Note [30]).

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 €54.9m (previous year: €49.2m).

62 Equity

€m	31 Dec 2014	31 Dec 2013	Change
Subscribed capital	286.3	286.3	–
Less own shares	94.6	94.6	–
Additional equity components	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	3,790.6	3,300.3	490.3
Total reserves from retained earnings	**3,855.3**	**3,365.0**	490.3
Revaluation reserve			
For provisions for pensions	–209.8	–88.8	–121.0
For cash flow hedges	–26.4	15.2	–41.6
For financial investments in the available for sale category	–	0.6	–0.6
Applicable deferred taxes	70.9	23.2	47.7
Total revaluation reserve	**–165.3**	**–49.8**	–115.5
Currency translation reserve	12.5	12.1	0.4
Consolidated profit/loss	65.6	58.7	6.9
Total	**4,623.7**	**3,768.0**	855.7

The sub-heading additional equity components under equity comprises an amount of €473.6m from the issue of Additional Tier 1 bonds.

In the 2014 financial year, a negative valuation result from existing cash flow hedges totalling €–41.7m (previous year: €24.8m) was recorded in the revaluation reserve. At the same time, a loss on completed hedging transactions in the amount of €–3.2m (previous year: €0.6m) was reclassified from the revaluation reserve to profit or loss on financial instruments in the designated at fair value category. Margin cash flows from fixed-interest loans, converted in the amount of €47.2m (previous year: €11.0m) on the basis of unscheduled repayments and syndications, 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 respective periods:

€m	31 Dec 2014	31 Dec 2013	Change
Expected cash flows from assets			
Up to 3 months	28.8	27.9	0.9
3 months to 1 year	59.1	69.0	–9.9
1 year to 5 years	222.6	222.6	–
More than 5 years	69.3	77.8	–8.5
Total expected cash flows	**379.8**	**397.3**	–17.5

Notes to financial instruments

63 Carrying values by valuation category

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

€m	31 Dec 2014	31 Dec 2013 [1]	Change
Asset items			
Loans and receivables			
Due from banks	24,670.1	30,222.4	–5,552.3
Due from customers	23,388.7	27,451.0	–4,062.3
Financial investments	502.2	631.0	–128.8
Held to maturity			
Financial investments	2,936.0	3,109.6	–173.6
Available for sale			
Financial investments	60.1	79.1	–19.0
Held for trading			
Financial assets at fair value	36,245.7	32,796.4	3,449.3
Designated at fair value			
Financial assets at fair value	23,224.3	20,267.2	2,957.1
Positive market values from derivative hedging instruments	328.0	234.6	93.5
Total asset items	**111,355.1**	**114,791.3**	–3,436.1
Liability items			
Other liabilities			
Due to banks	26,739.0	32,075.6	–5,336.6
Due to customers	27,626.8	27,925.6	–298.8
Securitised liabilities	24,121.7	23,717.3	404.4
Subordinated capital	1,170.7	1,409.6	–238.9
Held for trading			
Financial liabilities at fair value	21,813.6	18,836.5	2,977.1
Designated at fair value			
Financial liabilities at fair value	5,314.9	6,722.1	–1,407.2
Negative market values from derivative hedging instruments	118.8	200.2	–81.4
Total liability items	**106,905.5**	**110,886.9**	–3,981.4

[1] In contrast to the previous year, in the 2014 consolidated financial statements amounts due from or due to central counterparties without explicit bank status have been reported under "Due from customers" or "Due to customers". The prior year figures have been adjusted accordingly (see notes [41], [42], [51] and [52]).

64 Net income by valuation category

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

€m	2014	2013	Change
Held to maturity	74.9	100.3	−25.4
Loans and receivables	742.1	952.5	−210.4
Other liabilities	−584.1	−772.8	188.7
Other comprehensive income	0.6	0.6	–
Results recognised in profit or loss	1.7	2.5	−0.8
Available for sale	2.3	3.2	−0.9
Held for trading	242.5	239.6	2.9
Designated at fair value	329.2	160.0	169.2
Valuation result from hedge accounting for fair value hedges	3.4	5.2	−1.8
Result from hedge accounting for cash flow hedges not recognised in profit or loss	41.6	−25.4	67.0

Income is presented in line with its allocation to valuation categories in accordance with IAS 39. All income components, i.e. sales and valuation results as well as interest and current income, are included. Net interest income from hedging derivatives is reported in the held for trading category, while income from the underlying transactions is allocated to loans and receivables or other liabilities in line with the original category applicable.

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 2014		31 Dec 2013	
€m	Fair value	Carrying value	Fair value	Carrying value
Asset items				
Cash reserve	778.4	778.4	527.3	527.3
Due from banks[1]	25,015.2	24,670.1	30,598.5	30,222.4
Due from customers[1]	23,706.9	23,388.7	27,781.7	27,451.0
Financial assets at fair value	59,470.0	59,470.0	53,063.6	53,063.6
Positive market values from derivative hedging instruments	328.0	328.0	234.6	234.6
Financial assets	3,617.1	3,498.3	3,913.7	3,819.7
Loans and receivables	452.3	502.2	548.5	631.0
Held to maturity	3,104.7	2,936.0	3,286.1	3,109.6
Available for sale	60.1	60.1	79.1	79.1
Other assets	187.2	187.2	134.6	134.6
Total asset items	**113,102.8**	**112,320.7**	**116,254.0**	**115,453.2**
Liability items				
Due to banks[2]	27,005.0	26,739.0	32,269.1	32,075.6
Due to customers[2]	28,086.2	27,626.8	28,357.1	27,925.6
Securitised liabilities	24,254.6	24,121.7	23,752.8	23,717.3
Financial liabilities at fair value	27,128.5	27,128.5	25,558.6	25,558.6
Negative market values from derivative hedging instruments	118.8	118.8	200.2	200.2
Subordinated liabilities	1,267.1	1,170.7	1,391.0	1,409.6
Other liabilities	419.3	419.3	329.9	329.9
Total liability items	**108,279.5**	**107,324.8**	**111,858.7**	**111,216.8**

[1] In the 2014 reporting year amounts due from central counterparties without explicit bank status have been reported under “Due from customers”. The fair value and carrying value of the prior year figures have been adjusted accordingly by €505.3m.
[2] In the 2014 reporting year amounts due to central counterparties without explicit bank status have been reported under “Due to customers “. The prior year fair value was adjusted accordingly by €6,924.8m and the prior year carrying value was adjusted by €6,925.1m.

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 fair value. These include, among other things, 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 item. In the following description of the fair value hierarchy, financial assets amounting to €1,562.6m (previous year: €1,198.9m) and financial liabilities amounting to €7,679.7m (previous year: €4,761.4m) 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 €60.1m (previous year: €62.6m) 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 whose fair value must be stated, are to 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 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, among other things, input factors not observable in the market, provided they are significant for the valuation, are allocated to this level.

The table following shows the carrying value (including accrued interest) of the financial instruments carried in the balance sheet at fair value and the fair value of the financial instruments not carried in the balance sheet at fair value, allocated to the respective level of the fair value hierarchy.

€m	31 Dec 2014 Prices on active markets (Level 1)	31 Dec 2014 Valuation method based on observable market data (Level 2)	31 Dec 2014 Valuation method not based on observable market data (Level 3)	31 Dec 2013 Prices on active markets (Level 1)	31 Dec 2013 Valuation method based on observable market data (Level 2)	31 Dec 2013 Valuation method not based on observable market data (Level 3)
Financial assets at fair value						
Debt securities and other fixed-interest securities	25,727.8	10,619.7	2,548.7	27,268.0	6,304.1	1,851.4
Shares and other non fixed-interest securities	3,132.1	2,455.1	9.9	2,050.0	783.0	–
Derivative financial instruments						
Interest-rate-related derivatives	–	9,165.0	0.5	–	6,635.2	0.9
Currency-related derivatives	–	178.1	–	–	126.9	–
Share-price and other price-related derivatives	682.4	3,439.5	6.6	529.6	4,997.3	5.9
Other financial assets (dafv)	–	1,504.6	–	–	2,511.3	–
Positive market values from derivative hedging instruments	–	328.0	–	–	234.6	–
Financial investments	–	–	–	16.5	–	–
Assets measured at amortised cost						
Due from banks	812.8	13,061.2	10,775.3	0.5	18,080.5[1]	12,099.2
Of which relating to genuine repurchase agreements and collateralised securities lending transactions	–	5,984.2	–	–	9,322.1	–
Due from customers	195.5	8,950.1	14,330.2	9.9	12,646.8[1]	15,006.3
Of which relating to genuine repurchase agreements and collateralised securities lending transactions	–	7,742.7	–	–	10,787.7	–
Financial investments	1,443.6	586.3	1,527.1	1,848.3	1,615.0	371.3
Total	**31,994.2**	**50,287.6**	**29,198.3**	**31,722.8**	**53,934.7**	**29,335.0**
Financial liabilities at fair value						
Securities short portfolios	826.4	97.7	1.1	1,276.7	1.2	–
Derivative financial instruments						
Interest-rate-related derivatives	–	8,940.0	0.8	–	6,132.4	1.0
Currency-related derivatives	–	136.5	–	–	129.9	–
Share-price and other price-related derivatives	828.6	4,217.3	10.3	567.7	7,363.9	11.7
Issues	–	11,831.7	238.1	–	9,957.6	116.6
Negative market values from derivative hedging instruments	–	118.8	–	–	200.2	–
Liabilities measured at amortised cost						
Due to banks	–	23,990.2	2,896.5	–	31,943.1[2]	–
Of which relating to genuine repurchase agreements and collateralised securities lending transactions	–	5,025.8	–	–	4,314.6	–
Due to customers	134.6	18,679.1	2,130.4	–	24,251.5[2]	–
Of which relating to genuine repurchase agreements and collateralised securities lending transactions	–	4,949.2	–	–	8,231.6	–
Securitised liabilities	–	24,254.6	–	–	23,752.8	–
Subordinated capital	–	313.3	953.8	–	775.3	615.7
Total	**1,789.6**	**92,579.2**	**6,231.0**	**1,844.4**	**104,507.9**	**745.0**

[1] In the 2014 reporting year amounts due from central counterparties without explicit bank status have been reported under "Due from customers ". The fair value of the prior year has been adjusted accordingly by €505.3m.
[2] In the 2014 reporting year amounts due to central counterparties without explicit bank status have been reported under "Due to customers ". The prior year fair value was adjusted accordingly by €6,924.8m.

During the year under review, transfers took place between the different levels of the fair value hierarchy in respect of bonds and other fixed-interest securities, and shares and other non-fixed-interest securities. Transfers from level 2 to level 1 in the amount of €0.6bn (previous year: €1.9bn) took place because, at the reporting date, prices were available for these financial instruments on an active market, and these could be used unchanged for valuation purposes. In addition, financial instruments in the amount of €3.9bn (previous year: €0.6bn) were transferred from level 1 to level 2 because it could no longer be demonstrated that an active market existed for these instruments. A further €0.1bn was transferred from level 1 to level 3 because there was no longer evidence of an active market for these instruments and at least one unobservable parameter was involved in measuring the financial instruments concerned. Finally, €0.1bn was transferred from level 2 to level 3 because at least one significant unobservable parameter was involved in measuring each of the financial instruments concerned. 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 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 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 curves. For instruments denominated in EUR, CHF, GBP, JPY and USD, discounting is carried out using the ON yield curve specific to the currency concerned. This is also used for the corresponding bootstrapping of forward yield curves. For all other currencies, the applicable standard swap curve is used.

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 applicable 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.

Fair value of deposits and borrowings is determined by discounting future cash flows using discount rates usual for comparable monetary transactions under similar conditions on liquid or less liquid markets.

Fair value of receivables and liabilities arising from genuine securities repurchase agreements is determined by discounting future cash flows using the corresponding discount rate adjusted for credit risk. The discount rate used here 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 through profit or loss essentially relate to synthetic and non-synthetic securitisations, which the Bank has been winding down whilst safeguarding assets since the start of 2009.

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 similar 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 price indications available were used to determine an average spread for the individual segments, which was used as an estimate for price sensitivity. Using this half bid-ask spread, a variation range of 0.71 percentage points averaged across the portfolio was obtained. Hence the market value of the securitisation positions concerned could have been €2.5m lower or higher.

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 applicable share prices or fixed interest rate rates, or modifications to these. Using a 14.0% shift in the correlations, the sensitivity of the equity option positions concerned as at 31 December 2014 amounted to around €–2.7m. 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.

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.

Performance of financial instruments in fair value hierarchy level 3

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

	Financial assets at fair value				Financial liabilities at fair value			
€m	Bonds and debt securities	Shares and other non fixed interest securities	Interest-rate-related derivatives	Share-price and other price-related derivatives	Short portfolios	Interest-rate-related derivatives	Share-price and other price-related derivatives	Issues
As at 1 January 2013	2,094.8	–	–	4.7	–	0.4	8.7	36.1
Additions through purchase	1.0	–	0.9	–	–	0.7	0.2	–
Disposals through sale	78.2	–	–	–	–	–	–	–
Additions through issues	–	–	–	–	–	–	–	81.2
Maturity/repayments	241.8	–	–	–	–	–	0.2	4.1
Transfers								
To level 3	5.7	–	–	–	–	–	–	3.9
From level 3	–	–	–	–	–	–	–	–
Changes arising from measurement/disposal								
Recognised in profit or loss	67.5	–	–	1.2	–	0.3	−3.0	0.6
Recognised in other comprehensive income	–	–	–	–	–	–	–	–
As at 31 December 2013	**1,849.0**	**–**	**0.9**	**5.9**	**–**	**0.8**	**11.7**	**116.5**
Additions through purchase	690.4	–	–	–	–	–	–	–
Disposals through sale	73.7	–	–	–	–	–	–	–
Additions through issues	–	–	–	–	–	–	–	186.5
Maturity/repayments	267.8	–	–	–	–	–	2.3	72.6
Transfers								
To level 3	285.2	9.9	–	–	1.1	–	–	–
From level 3	–	–	–	–	–	–	–	–
Changes arising from measurement/disposal								
Recognised in profit or loss	62.4	–	−0.4	0.7	–	0.2	−0.9	−7.4
Recognised in other comprehensive income	–	–	–	–	–	–	–	–
As at 31 December 2014	**2,545.5**	**9.9**	**0.5**	**6.6**	**1.1**	**0.6**	**10.3**	**237.8**

Unrealised profit or loss on financial instruments in fair value hierarchy level 3 as at the reporting date

	Financial assets at fair value			Financial liabilities at fair value		
€m	Bonds and debt securities	Interest-rate-related derivatives	Share-price and other price-related derivatives	Interest-rate-related derivatives	Share-price and other price-related derivatives	Issues
All unrealised profits and losses of the period recognised in the total esult[1)]						
Statement of profit or loss and comprehensive income						
Net interest income	4.1	–	–	–	–	–
Trading results	–0.4	–0.4	0.7	0.2	–1.0	–7.0
Profit or loss on financial instruments designated at fair value	46.0	–	–	–	–	–
Profit or loss on financial instruments	–	–	–	–	–	–

[1)] For assets, positive amounts indicate profits and negative amounts losses. For liabilities, positive amounts indicate losses and negative amounts profits.

Measurement processes for financial instruments in fair value hierarchy level 3

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

Finance and Risk Control analyse and provide commentary on any significant changes in the valuation carried out independently of trading activities. The economic profit and loss determined on the basis of this independent valuation is 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 annually. 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 are modified or expanded if necessary. Valuation processes may be expanded to include new price sources or to apply new valuation models. Where new models are introduced, Risk Control checks for the presence of model risks as part of the implementation and validation process. If model risks are present, a corresponding model reserve is recognised.

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 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.

31 Dec 2013				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)	5,369.1	1,762.1	3,607.0	3,607.0	–	–
Receivables arising from securities repurchase agreements (not eligible for offsetting)	14,996.9	–	14,996.9	14,996.9	–	–
Derivatives (eligible for offsetting)	505.1	461.0	44.1	–	–	44.1
Derivatives (not eligible for offsetting)	12,486.3	–	12,486.3	79.0	538.8	11,868.5
Total	**33,357.4**	**2,223.1**	**31,134.3**	**18,682.9**	**538.8**	**11,912.6**
Liabilities						
Liabilities arising from securities repurchase agreements (eligible for offsetting)	9,057.7	1,762.1	7,295.6	7,295.6	–	–
Liabilities arising from securities repurchase agreements (not eligible for offsetting)	4,694.4	–	4,694.4	4,694.4	–	–
Derivatives (eligible for offsetting)	488.5	445.4	43.1	–	43.1[1)]	–
Derivatives (not eligible for offsetting)	14,363.7	–	14,363.7	31.5	1,443.6	12,888.6
Total	**28,604.3**	**2,207.5**	**26,396.8**	**12,021.5**	**1,486.7**	**12,888.6**

1) Initial margin and default fund contribution totalling €149.8m.

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

Transactions which are subject to offsetting agreements but do not meet the offsetting criteria under IAS 32.42 are reported on a gross basis. In this case, all claims and obligations are only offset and processed on a net basis if the counterparty does not meet its payment obligations (liquidation netting).

67 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 2014			31 Dec 2013		
€m	**Nominal[1)]**	**Carrying value**	**Fair value**	**Nominal[1)]**	**Carrying value**	**Fair value**
Ireland						
Debt securities (designated at fair value category)	30.0	32.7	32.7	–	–	–
Italy						
Debt securities (designated at fair value category)	280.0	278.8	278.8	170.0	169.1	169.1
Credit default swaps	30.0	–0.3	–0.3	20.0	1.0	1.0
Credit linked notes[2)] (held for trading category)	–20.0	–19.6	–19.6	–20.0	–19.0	–19.0
Portugal						
Credit default swaps (protection seller)	9.1	0.0	0.0	8.6	0.3	0.3
Credit default swaps (protection buyer)	–9.1	–0.0	–0.0	–8.6	–0.3	–0.3
Spain						
Receivables (loans and receivables category)	2.0	2.0	1.9	3.0	3.6	3.6
Debt securities (held for trading category)	96.0	99.6	99.6	5.0	5.1	5.1
Credit default swaps (protection seller)	20.3	0.1	0.1	31.8	–0.2	–0.2
Credit default swaps (protection buyer)	–3.0	–0.0	–0.0	–	–	–
Credit linked notes[2)] (held for trading category)	–17.0	–17.3	–17.3	–17.0	–17.0	–17.0
Total	**418.3**	**376.0**	**375.9**	**192.8**	**142.6**	**142.6**

[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.

As at 31 December 2013, the Bank held a bond from a Portuguese financial institution with a nominal value of €46.7m, which was redeemed in full during the reporting year as agreed in the contract.

In addition to exposure to the government of Spain, the Bank also has exposure to Spanish banks. These relate essentially to a loan with a nominal value of €150.0m (previous year: €250.0m) allocated to the loans and receivables category, as well as to bonds with a nominal value of €240.2m (previous year: €511.9m), including a bond in the held to maturity category with a nominal volume of €25.0m (previous year: €25.0m). The other bonds are measured at fair value through profit or loss. There are also receivables from securities repurchase agreements, collateralised securities lending transactions and other securities transactions amounting to €532.2m (previous year: €506.9m), which are allocated to the loans and receivables category. The exposure to Spanish municipal authorities amounting to €60.0m was repaid in full during the year under review.

DekaBank also holds loan receivables with a nominal value of €257.4m (previous year: €279.1m) allocated to the loans and receivables category, and bonds with a nominal value of €0.2m (previous year: €4.0m) that are measured at fair value through profit or loss, 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 2013, there was no exposure to borrowers classified under Greek country risk at the end of 2014.

68 Derivative transactions

The Deka Group uses derivative financial instruments for trading purposes and to hedge interest rate risks, currency risks 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 2014**	**31 Dec 2013**	**31 Dec 2014**	**31 Dec 2013**	**31 Dec 2014**	**31 Dec 2013**
Interest rate risks OTC products						
Interest rate swaps	409,374.6	423,398.8	13,305.1	6,880.3	12,127.7	6,180.4
Forward rate agreements	19,748.0	8,585.0	0.7	0.8	0.4	1.0
Interest rate options						
Purchases	8,312.8	1,885.0	255.8	4.1	56.3	7.4
Sales	11,515.7	3,767.2	124.3	15.2	439.6	49.2
Caps, floors	2,816.6	2,942.4	111.5	16.7	8.8	14.5
Other interest rate contracts	2,303.2	2,594.2	6.5	58.2	207.5	134.3
Stock exchange traded products						
Interest rate futures/options	18,660.9	21,839.7	1.6	3.2	9.6	3.3
Sub-total	**472,731.8**	**465,012.3**	**13,805.5**	**6,978.5**	**12,849.9**	**6,390.1**
Currency risks OTC products						
Foreign exchange future contracts	11,547.3	10,121.3	178.0	133.1	144.9	129.9
(Interest rate) currency swaps	8,307.8	7,970.3	220.6	350.2	947.9	392.1
Sub-total	**19,855.1**	**18,091.6**	**398.6**	**483.3**	**1,092.8**	**522.0**
Share and other price risks OTC products						
Share forward contracts	65.7	84.8	0.9	0.1	0.9	4.5
Share options						
Purchases	2,135.6	2,360.2	2,211.4	3,079.6	–	–
Sales	7,530.4	1,415.2	–	–	2,888.1	4,007.1
Credit derivatives	9,497.0	9,697.0	106.8	100.1	72.3	82.1
Other forward contracts	3,583.1	1,894.2	31.8	5.6	46.8	165.6
Stock exchange traded products						
Share options	22,002.5	28,903.2	1,777.5	2,347.4	2,048.1	3,684.1
Share futures	170.7	485.1	12.8	12.9	10.6	14.7
Sub-total	**44,985.0**	**44,839.7**	**4,141.2**	**5,545.7**	**5,066.8**	**7,958.1**
Total	**537,571.9**	**527,943.6**	**18,345.3**	**13,007.5**	**19,009.5**	**14,870.2**
Net amount presented on the statement of financial position			**13,800.1**	**12,530.4**	**14,252.3**	**14,406.8**

[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 €4.5bn (previous year: €477.1m). By far the largest part of this was attributable to interest rate swaps. Conversely, the variation margin paid reduced fair values within liabilities by a total of €4.8bn (previous year: €463.4m), of which by far the largest proportion again relates to interest rate swaps. The sharp rise is due both to a higher volume of interest rate swaps with the central counterparty LCH-Clearnet, and to significant changes in the interest rate level.

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

	Nominal value		Positive fair values		Negative fair values	
€m	**31 Dec 2014**	**31 Dec 2013**	**31 Dec 2014**	**31 Dec 2013**	**31 Dec 2014**	**31 Dec 2013**
Banks in the OECD	213,584.7	262,313.0	9,671.4	8,571.6	9,887.9	9,267.9
Public offices in the OECD	22,131.3	9,874.0	1,018.5	279.4	399.9	164.6
Other counterparties	301,855.9	255,756.6	7,655.4	4,156.5	8,721.7	5,437.7
Total	**537,571.9**	**527,943.6**	**18,345.3**	**13,007.5**	**19,009.5**	**14,870.2**

69 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 2014	31 Dec 2013[1]	Change
Asset items			
Due from banks			
Due on demand and indefinite term	3,669.6	3,081.5	588.1
Up to 3 months	6,079.2	7,112.2	–1,033.0
Between 3 months and 1 year	6,099.1	5,919.2	179.9
Between 1 year and 5 years	8,049.5	13,102.6	–5,053.1
More than 5 years	772.7	1,006.9	–234.2
Due from customers			
Due on demand and indefinite term	1,855.6	2,433.2	–577.6
Up to 3 months	2,595.5	3,927.9	–1,332.4
Between 3 months and 1 year	4,570.9	7,304.0	–2,733.1
Between 1 year and 5 years	10,221.8	9,738.5	483.3
More than 5 years	4,144.9	4,047.4	97.5
Financial assets at fair value			
Of which non-derivative assets			
Due on demand and indefinite term	5,605.9	2,808.7	2,797.2
Up to 3 months	4,111.0	4,960.4	–849.4
Between 3 months and 1 year	20,352.3	17,604.0	2,748.3
Between 1 year and 5 years	10,341.8	11,671.1	–1,329.3
More than 5 years	5,586.9	3,723.6	1,863.3
Of which derivative assets			
Up to 3 months	772.9	2,406.6	–1,633.7
Between 3 months and 1 year	11,720.5	8,656.8	3,063.7
Between 1 year and 5 years	369.2	703.4	–334.2
More than 5 years	609.5	529.0	80.5
Positive market values from derivative hedging instruments			
Up to 3 months	3.6	21.1	–17.5
Between 3 months and 1 year	2.9	0.2	2.7
Between 1 year and 5 years	48.1	35.2	12.9
More than 5 years	273.4	178.1	95.3
Financial investments			
Due on demand and indefinite term	0.1	0.1	–
Up to 3 months	45.6	49.5	–3.9
Between 3 months and 1 year	493.7	211.9	281.8
Between 1 year and 5 years	2,499.5	2,804.7	–305.2
More than 5 years	399.2	690.9	–291.7

[1] In the 2014 consolidated financial statements amounts due from central counterparties without explicit bank status have been reported under "Due from customers". The prior year figures have been adjusted accordingly.

€m	31 Dec 2014	31 Dec 2013[1)]	Change
Liability items			
Due to banks			
Due on demand and indefinite term	1,385.4	4,127.4	−2,742.0
Up to 3 months	14,238.0	18,140.9	−3,902.9
Between 3 months and 1 year	7,597.0	5,685.8	1,911.2
Between 1 year and 5 years	1,664.9	2,579.9	−915.0
More than 5 years	1,853.7	1,541.6	312.1
Due to customers			
Due on demand and indefinite term	9,099.2	6,485.8	2,613.4
Up to 3 months	11,699.5	12,831.7	−1,132.2
Between 3 months and 1 year	3,746.9	3,444.4	302.5
Between 1 year and 5 years	1,382.4	3,101.0	−1,718.6
More than 5 years	1,698.8	2,062.7	−363.9
Securitised liabilities			
Up to 3 months	6,194.9	6,134.4	60.5
Between 3 months and 1 year	13,679.2	2,070.8	11,608.4
Between 1 year and 5 years	2,851.0	14,447.3	−11,596.3
More than 5 years	1,396.6	1,064.8	331.8
Financial liabilities at fair value			
of which non-derivative assets			
Due on demand and indefinite term	1,542.8	1,298.0	244.8
Up to 3 months	1,593.6	1,504.5	89.1
Between 3 months and 1 year	7,540.4	5,166.7	2,373.7
Between 1 year and 5 years	1,180.4	1,619.7	−439.3
More than 5 years	1,137.8	1,763.1	−625.3
of which derivative assets			
Up to 3 months	880.6	3,957.8	−3,077.2
Between 3 months and 1 year	11,602.1	8,919.9	2,682.2
Between 1 year and 5 years	948.5	876.9	71.6
More than 5 years	702.3	452.0	250.3
Negative market values from derivative hedging instruments			
Up to 3 months	12.1	5.6	6.5
Between 3 months and 1 year	4.0	13.2	−9.2
Between 1 year and 5 years	94.7	174.0	−79.3
More than 5 years	8.0	7.4	0.6
Subordinated capital			
Up to 3 months	39.1	339.9	−300.8
Between 3 months and 1 year	308.1	20.0	288.1
Between 1 year and 5 years	323.4	856.3	−532.9
More than 5 years	500.1	193.4	306.7

[1)] In the 2014 consolidated financial statements amounts due to central counterparties without explicit bank status have been reported under "Due to customers". The prior year figures have been adjusted accordingly.

Other information

70 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 [71]). The analysis of DekaBank's risk-bearing capacity is conducted chiefly based on an approach focused on the liquidity perspective. The definition of economic 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 income 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 according to IFRS and 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 total amount 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.

71 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. The comparative figures as at year-end 2013 are shown in accordance with the version of the German Banking Act based on the Capital Requirements Directive III (CRD III), which was applicable at the time, and the Solvency Regulation.

For the 2014 reporting year, regulatory capital was calculated based on the figures from the IFRS consolidated financial statements. The comparative figures for the 2013 year end were prepared on the basis of the German Commercial Code. The composition of regulatory capital is shown in the following table:

€m	31 Dec 2014 CRR/CRD IV (without transitional provisions)	31 Dec 2014 CRR/CRD IV (with transitional provisions)	31 Dec 2013 CRD III
Subscribed capital	286	286	286
Less repurchased Common Equity Tier 1 instruments	95	19	95
Open reserves	3,601	3,601	761
Fund for general banking risks	–	–	2,089
Other comprehensive income	46	–	–
Prudential filters	14	13	–
Deductions from Common Equity Tier 1 items	438	88	98
Common Equity Tier 1 (CET 1) capital	**3,295**	**3,768**	**2,943**
Additional Tier 1 capital instruments	474	474	–
Silent capital contributions	–	63	552[1]
Deductions from Additional Tier 1 items	–	340	
Additional Tier 1 (AT1) capital	**474**	**196**	**552**
Tier 1 capital	**3,768**	**3,964**	**3,495**
Subordinated liabilities	663	642	470
Other components	–	–	−47
Deductions from Tier 2 items	–	86	94
Tier 2 (T2) capital	**663**	**556**	**329**
Own funds	**4,431**	**4,520**	**3,824**

[1] Other capital in accordance with Section 10 Para. 2a Sentence 1 No. 10 in the German Banking Act (KWG) as applicable up until 31 December 2013.

In order to strengthen its Tier 1 capital, DekaBank issued AT1 bonds (Additional Tier 1 capital). As part of the issuance, DekaBank converted some silent capital contributions held by DSGV ö.K. into eligible AT1 capital. The remainder was placed primarily with savings banks. AT1 bonds are eligible to be recognised in full as Additional Tier 1 capital.

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 by using the Advanced Measurement Approach (AMA). Each of the above mentioned risk factors must be covered by sufficient own funds. The items subject to a capital charge are shown in the following table:

€m	31 Dec 2014 CRR/CRD IV (without transitional provisions)	31 Dec 2014 CRR/CRD IV (with transitional provisions)	31 Dec 2013 CRD III
Credit risk	14,179	14,179	13,850
Market risk	10,378	10,378	6,813
Operational risk	2,006	2,006	1,799
CVA risk	1,458	1,458	–
Risk-weighted assets (total risk exposure amount)	**28,022**	**28,022**	**22,462**

The adequacy of the regulatory capital shall 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 capital ratios of the Deka Group:

%	31 Dec 2014 CRR/CRD IV (without transitional provisions)	31 Dec 2014 CRR/CRD IV (with transitional provisions)	31 Dec 2013 CRD III
Deka Group			
Common Equity Tier 1 capital ratio	11.8	13.4	13.1 [1]
Tier 1 capital ratio	13.4	14.1	15.6
Total capital ratio	15.8	16.1	17.0

[1] Without silent capital contributions.

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.

72 Contingent and other liabilities

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

€m	31 Dec 2014	31 Dec 2013	Change
Irrevocable lending commitments	495.2	782.8	–287.6
Other liabilities	60.8	70.3	–9.5
Total	**556.0**	**853.1**	–297.1

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 for off-balance sheet liabilities reported in the balance sheet was reduced by these amounts.

As in the previous year, other financial liabilities include payment obligations of €0.1m and subsequent funding obligations of €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 €32.4m (previous year: €41.6m).

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: €0.3bn).

73 Assets transferred or received as collateral

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

€m	31 Dec 2014	31 Dec 2013	Change
Carrying value of transferred collateral securities			
Under Pfandbrief Act	7,591.5	11,836.2	–4,244.7
For refinancing purposes with Deutsche Bundesbank	2,723.4	6,140.2	–3,416.8
For transactions on German and foreign futures exchanges	170.4	1,561.6	–1,391.2
For repurchase agreements	2,423.8	1,590.9	832.9
For securities lending transactions	4,407.9	4,409.7	–1.8
For triparty transactions	9,213.7	6,355.7	2,858.0
For other securities transactions	52.6	643.1	–590.5
Loan and securities collateral	**26,583.3**	**32,537.4**	–5,954.1
Cash collateral relating to securities lending and repurchase agreements	755.8	1,861.1	–1,105.3
Cash collateral relating to derivative transactions	2,540.3	1,595.3	945.0
Cash collateral	**3,296.1**	**3,456.4**	–160.3
Total	**29,879.4**	**35,993.8**	–6,114.4

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 €58.3bn (previous year: €65.4bn). Of this, €33.3bn (previous year: €39.1bn) was resold or repledged.

74 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 2014	31 Dec 2013	Change
Carrying value of non-derecognised securities for			
Genuine repurchase agreements			
Held to maturity	298.0	117.8	180.2
Financial assets at fair value through profit or loss	2,078.9	1,431.3	647.6
Securities lending transactions			
Held to maturity	–	15.4	–15.4
Financial assets at fair value through profit or loss	823.2	928.4	–105.2
Other sales without commercial disposal			
Loans and receivables	446.1	420.2	25.9
Held to maturity	–	0.2	–0.2
Financial assets at fair value through profit or loss	222.8	607.1	–384.3
Total	**3,869.0**	**3,520.4**	348.6

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

75 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.

76 Information on interests in subsidiaries

Composition of the Deka Group

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

A total of 14 (previous year: 15) affiliated companies controlled by the Deka Group were not consolidated, because they are of minor significance 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 note [78]). To determine their significance, presentation of the financial position and financial performance of the Group, investment funds are assessed using simulation calculations. 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 (see note [44]).

Significant restrictions

Significant restrictions on the Group's ability to access or use the assets and settle the liabilities arise in particular as a result of the contractual, statutory and regulatory requirements that apply to financial institutions (see note [71] "Regulatory capital (own funds)" and note [73] 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]). There are no restrictions existing in connection with protective rights of non-controlling interests during the year under review.

Consequences of changes in a parent's ownership

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 should be 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 interests 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. Amounts recorded in other comprehensive income in previous periods are transferred to consolidated net profit or, if required by other IFRS, to retained earnings. During the 2014 financial year, the Deka Group recorded a profit of €0.3m 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 und Teilgesellschaftsvermögen Deka Infrastrukturkredit.

Interests in joint arrangements and associated companies

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 (associates) are included in the consolidated financial statements by using the equity method of accounting. Although DekaBank has significant influence over the investees, two affiliated companies have not been accounted for using the equity method due to a minor significance for the presentation of financial position and financial performance of the Group.

Joint ventures and associated companies which have been accounted for using the equity method can be found in the List of shareholdings (note [78]).

All associated companies and jointly controlled entities that are accounted for using the equity method are considered to be not material, based on the carrying value of the investment and the Group's result from these investees.

The table below presents an overview of the summarized 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 investment 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 2014**	**31 Dec 2013**	**31 Dec 2014**	**31 Dec 2013**
Carrying value of equity participation	**0.0**	**0.0**	**28.1**	**26.4**
Profit or loss from continuing business operations	–	–	2.3	3.4
Profit or loss after tax from discontinued operations	–	–	–	–
Other comprehensive income	–	–	–	–
Total income[2]	**–**	**–**	**2.3**	**3.4**

[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 2014 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.

77 Information on interests in unconsolidated structured entities

During the 2014 financial year, the new requirements of IFRS 12 "Disclosure of Interests in Other Entities" were implemented in the Group for the first time. As well as increasing previous disclosure requirements in relation to interests in other entities (subsidiaries, associated companies and joint ventures), amongst other things, the standard now requires new disclosures on interests in 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. In this respect, IFRS 12 differentiates between disclosures for interests in consolidated structured entities and interests in non-consolidated structured entities.

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 characterised by the absence of sufficient equity to finance its activities without subordinated financial support.

Within the Deka Group, structured entities are assessed for consolidation in accordance with the accounting policy set out in Note [5].

The Deka Group is deemed to have an interest in an unconsolidated structured entity if companies in the Deka Group are exposed to variability of returns from the performance of a structured entity as a result of either contractual or non-contractual involvement with that entity, but where the entity concerned does not require consolidation under the requirements 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 absorbs risks arising from the structured entity. For the purpose of IFRS 12 an interest in an unconsolidated structured entity in general does not 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. The fund assets (for the purpose of IFRS 12) of fund units hold in Group-owned and external investment funds that do not require consolidation under IFRS 10 amount to €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 fund units hold. The 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 related to the performance of the vehicle's assets or are collateralised by 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 the Deka Group 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 securitisations is recognised in full in the statement of profit or loss and other comprehensive income 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 its investments in the securitisation position, 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.

	31 Dec 2014			
€m	Subordinated interest	Mezzanine interest	Senior interest	Most Senior interest
ABS				
Maximum default risk	–	3.0	10.0	1.1
Potential losses of prior-ranking creditors[1]	–	26.7	–	–
CLO				
Maximum default risk	–	154.6	130.0	24.7
Potential losses of prior-ranking creditors[1]	1,774.9	1,193.2	–	–
CMBS				
Maximum default risk	–	27.6	11.6	54.4
Potential losses of prior-ranking creditors[1]	271.1	1,042.0	–	–
RMBS				
Maximum default risk	–	179.6	9.7	46.3
Potential losses of prior-ranking creditors[1]	1,074.3	1,723.9	–	–
Structured Finance CDO				
Maximum default risk	–	–	1.8	–
Potential losses of prior-ranking creditors[1]	15.0	35.0	–	–

[1] Nominal values.

There were no actual defaults on nominal or interest payments in the tranches held during the reporting year. 93.4% of the portfolio (end of 2013: 88.0%) was rated as investment grade, with more rating upgrades than downgrades during the reporting year. As before, the remaining portfolio continues to focus on Western Europe. As at the end of 2014, 82.3% 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 end of 2018. The total volume of issued securities from the securitisation companies classified as structured entities amounts to €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 protective 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 €2.1bn.

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

€m	Investment funds 31 Dec 2014	Lending business[1)] 31 Dec 2014	Securitisation companies 31 Dec 2014
Asset items			
Due from customers	1,332.6	277.2	–
Financial assets at fair value	2,953.8	–	642.3
Financial investments	–	5.3	12.8
Total asset items	**4,286.4**	**282.5**	**655.1**
Liability items			
Due to customers	6,599.7	–	–
Financial liabilities at fair value	2,906.3	–	–
Total liability items	**9,506.0**	**–**	**–**
Contingent and other liabilities			
Irrevocable lending commitments	12.3	12.7	–
Other liabilities	–	5.1	–
Total contingent and other liabilities	**12.3**	**17.8**	**–**
Maximum exposure to loss	**4,286.4**	**282.5**	**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 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 the fair value of the respective balance sheet item respectively.
- According to the definition, the maximum exposure to loss from interests in unconsolidated structured entities arising 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.

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

Losses incurred during the reporting period relating to interests in unconsolidated structured entities amounted to €47.6m.

In connection with interests in unconsolidated structured entities, the Deka Group received interest income, commission income and income from the valuation 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 2014, there were no sponsored unconsolidated entities.

78 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. Therefore no comparative information in respect of the previous period is presented.

Consolidated subsidiaries (affiliated companies):

Name, registered office	Share in capital in %
Aked Vorratsgesellschaft mbH, Frankfurt/Main (formerly: Gesellschaft für Mittelstandskreditfonds der Sparkassen-Finanzgruppe mbH)	100.00
Deka Beteiligungs GmbH, Frankfurt/Main	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
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
VM Bank International S.A. i. L., 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
BG-Asset-Fonds, Berlin	100.00
DDDD-FONDS, Frankfurt/Main	100.00
Deka Treasury Corporates-FONDS, Frankfurt/Main	100.00
Deka Investors Spezial InvAG m.v.K. und TGV, Frankfurt/Main (formerly: Deka Investors Investment AG mit TGV)	
Teilgesellschaftsvermögen Deka Realkredit Klassik	37.53

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	109,915.4	1,829.3
Dealis Fund Operations GmbH, Frankfurt/Main	49.90	19,474.3	4,203.2
Associated companies			
S Broker AG & Co. KG, Wiesbaden	30.64	28,066.0	259.1

[1] Amounts reported in financial statements for the year ended 31 December 2013.

Joint ventures and associated companies 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 (formerly: Deka Investors Investment AG mit TGV)	100.00
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 Vorratsgesellschaft 01 mbH, Frankfurt/Main	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 €m	Share in capital/ fund assets in %
Deka-BR 45, Frankfurt/Main	6.2	100.00
Deka-Institutionell Stiftungen; Frankfurt/Main	10.0	100.00
DekaLux-Institutionell Renten Europa, Luxembourg	40.8	100.00
Deka-Renten 3-7, Luxembourg	5.1	100.00
Teilgesellschaftsvermögen Deka Darlehen, Frankfurt/Main	9.9	100.00
Deka Deutsche Börse EUROGOV® France UCITS ETF, Munich	9.1	99.83
Deka-BasisStrategie Aktien, Frankfurt/Main	21.1	99.37
Deka-DiscountStrategie 1/2016, Frankfurt/Main	14.5	97.13
MLIS Multi-Strategy Fund of UCITS Fund, Luxembourg	9.5	87.53
Deka Deutsche Börse EUROGOV® France 1-3 UCITS ETF, Munich	6.8	87.49
Deka-DiscountStrategie 12/2015, Frankfurt/Main	11.0	84.51
Deka-Global Renten High Income, Frankfurt/Main	36.7	81.17
Deka Deutsche Börse EUROGOV® Germany 3-5 UCITS ETF, Munich	276.2	76.00
IFM Euroaktien, Luxembourg	8.8	72.37
Mix-Fonds: Select ChancePlus, Luxembourg	1.9	69.58
Deka MSCI Europe MC UCITS ETF, Munich	8.6	68.90
Deka Deutsche Börse EUROGOV® France 3-5 UCITS ETF, Munich	10.0	68.00
Deka Deutsche Börse EUROGOV® Germany 1-3 UCITS ETF, Munich	199.3	64.70
Deka-StrategieInvest, Frankfurt/Main	17.2	61.63
Deka DAX® ex Financials 30 UCITS ETF, Munich	50.3	58.43
RE-FundMaster, Frankfurt/Main	27.2	57.30
Deka Deutsche Börse EUROGOV® France 5-10 UCITS ETF, Munich	10.6	54.17
Deka MSCI Japan UCITS ETF, Munich	17.5	52.80
Deka-Immobilien PremiumPlus - Private Banking, Luxembourg	71.7	51.70
Deka-RentSpezial HighYield 6/2020, Frankfurt/Main	59.3	50.24
Deka MSCI Japan MC UCITS ETF, Munich	4.9	42.41
Deka MDAX® UCITS ETF, Munich	114.5	36.20
IP Bond-Select P, Luxembourg	16.3	35.17
Mix-Fonds Haspa: ChancePlus, Luxembourg	1.7	34.13
Deka-EuroFlex Plus, Luxembourg	158.2	33.94
Deka-Nachhaltigkeit Renten, Luxembourg	54.3	32.64
Deka Deutsche Börse EUROGOV® Germany 10+ UCITS ETF, Munich	41.2	30.03
Deka STOXX® Europe Strong Growth 20 UCITS ETF, Munich	5.3	29.17
Deka-RentSpezial High Income 9/2020, Frankfurt/Main	109.0	27.36
WestInvest TargetSelect Hotel, Düsseldorf	266.5	23.89
Deka-Zielfonds 2045-2049, Frankfurt/Main	3.5	23.43
Deka Deutsche Börse EUROGOV® Germany UCITS ETF, Munich	473.0	23.05
Deka-Nachhaltigkeit Balance, Luxembourg	29.4	20.59
Comtesse DTD Ltd., London	–	9.99[1]

[1] Differing voting rights 25.1%.

79 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. The remuneration to the persons concerned is shown in note [81].

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 include 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 2014**	**31 Dec 2013**	**31 Dec 2014**	**31 Dec 2013**
Asset items				
Due from customers	45.0	45.1	0.2	0.3
Financial assets at fair value	–	–	5.6	6.2
Other assets	–	–	0.7	0.2
Total asset items	**45.0**	**45.1**	**6.5**	**6.7**
Liability items				
Due to customers	56.0	86.0	33.3	12.2
Financial liabilities at fair value	–	–	–	–
Total liability items	**56.0**	**86.0**	**33.3**	**12.2**

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

	Joint ventures/ associated companies		Other related parties	
€m	**31 Dec 2014**	**31 Dec 2013**	**31 Dec 2014**	**31 Dec 2013**
Asset items				
Due from customers	0.8	–	0.1	–
Financial assets at fair value	–	35.5	–	–
Other assets	1.9	3.5	0.1	0.3
Total asset items	**2.7**	**39.0**	**0.2**	**0.3**
Liability items				
Due to customers	24.6	33.6	3.8	0.1
Financial Liability at fair value	31.9	33.0	–	–
Total liability items	**56.5**	**66.6**	**3.8**	**0.1**

80 Average number of staff

	2014			2013		
	Male	**Female**	**Total**	**Male**	**Female**	**Total**
Full-time employees	2,286	995	3,281	2,165	988	3,153
Part-time and temporary employees	131	584	715	125	525	650
Total	**2,417**	**1,579**	**3,996**	**2,290**	**1,513**	**3,802**

81 Remuneration of Board members

€	2014	2013	Change
Remuneration of active Board of Management members			
Short-term benefits	4,875,941	4,532,180	343,761
Scope of obligation under defined benefit plans (defined benefit obligation)	15,506,282	14,026,169	1,480,113
Scope of obligation for similar commitments	–	2,190,551	–2,190,551
Remuneration of Administrative Board members			
Short-term benefits	622,583	640,167	–17,584
Remuneration of former Board of Management members and their dependents			
Short-term benefits	227,500	1,357,792	–1,130,292
Post-employment benefits	2,525,552	2,748,044	–222,492
Scope of obligation under defined benefit plans (defined benefit obligation)	60,244,059	46,999,793	13,244,266
Scope of obligation for similar commitments	7,330,114	6,396,196	933,918

The short-term benefits due to the members of the Board of Management include all remuneration paid and benefits in kind in the applicable financial year. These also include variable components that are attributable to previous years and are thus dependent on business performance in earlier periods.

In the 2014 financial year, variable remuneration elements that are dependent on future performance amounting to €3.6m (previous year: €2.7m) 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. Short-term benefits include deferred variable remuneration components from previous years payable to active members of the Board of Management amounting to €1.7m and to former members of the Board of Management amounting to €0.2m. Of this amount, the entitlement of active board members includes €0.8m for the 2013 financial year, €0.3m for the 2012 financial year, €0.4m for the 2011 financial year and €0.2m for the 2010 financial year.

The regular remuneration to employees’ representatives was made separately from their Administrative Board activities and was made at current market terms.

In the 2014 financial year, €1.9m was allocated to pension provisions for active members of the Board of Management (previous year: €1.5m) and €1.6m (previous year: €1.6m) for former members of the Board of Management.

The total commitments of €75.8m (previous year: €61.0m) determined on an actuarial basis for active and former members of the Board of Management as at the reporting date are offset by plan assets of around €48.4m (previous year: €48.6m).

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.

82 Auditor's fees

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

€m	2014	2013	Change
Fees for			
Year-end audit services	1.9	1.9	–
Other auditing services	0.6	0.5	0.1
Tax advisory services	0.2	0.2	–
Other services	0.4	1.6	–1.2
Total	**3.1**	**4.2**	–1.1

83 Additional miscellaneous information

The consolidated financial statements were approved for publication on 20 February 2015 by the Board of Management of DekaBank.

Responsibility Statement by 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 am Main, 20 February 2015

DekaBank
Deutsche Girozentrale

The Board of Management

Rüdiger | Dr. Danne

Müller | Dr. Stocker

Auditor’s Report

We have audited the consolidated financial statements prepared by the DekaBank Deutsche Girozentrale AöR, Berlin/Frankfurt, comprising statement of profit or loss and other comprehensive income, balance sheet, statement of changes in equity, statement of cash flows, note, together with the group management report for the business year from January 1, 2014 to December 31, 2014. 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 C ommercial Code”] 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 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 23, 2015

KPMG AG
Wirtschaftsprüfungsgesellschaft

Pukropski	Fox
Wirtschaftsprüfer	Wirtschaftsprüfer

Sustainability report 2014. DekaBank operates in a way that is economically, ecologically and socially sustainable. Our commitment to operating sustainably serves the interests of our customers, employees and shareholders, and in doing so we consider all stages of the value chain. DekaBank's sustainability positioning is an integral component of its business strategy and is further developed on an ongoing basis.

Dear Ladies and Gentlemen,

An institution "for hard-working people", designed to safeguard their savings – this was the proposal in the founding charter of Germany's first savings bank, Hamburg's Ersparungscasse der Allgemeinen Versorgungsanstalt, in 1778. It remains the mission of the savings banks to this day and is something to which DekaBank, as the fully-fledged securities service provider for the savings banks, is committed. Updated to today's terms, this means focusing on preserving value for the long term instead of maximising short-term gain, fostering a business culture that is protective of the environment and its resources, and showing dedication to, and engagement with, the local community.

Together with our owners, the savings banks, we firmly believe that investing in securities can help to achieve these goals, and it is precisely in this respect that DekaBank must fulfil its mission as their securities service provider. After all, building up assets – especially for old-age provision – requires an adequate return. In view of low interest rates, this is something that can only be achieved with securities. At the same time, it is important not to lose sight of the risks, so the right balance between earnings and stability is essential. As well as a sensible level of diversification, this requires above all sound advice tailored to customers' needs.

Investing in securities is also important for the entire economy, as it enables the capital required for investments in production, infrastructure and innovation to be mobilised.

This – and much more – is what we mean when we talk about "Participating, not speculating". This expression encapsulates our understanding of a capital market and securities culture that is oriented towards the interests of the individual investor and of society as a whole, and is thus sustainable in the best possible sense of the word.

We see championing this goal and shaping our own actions accordingly as core tasks for us, forming an integral part of Deka's philosophy and our business model. With this in mind, we have incorporated our strategic sustainability positioning into our business strategy, building on the savings banks' guiding principles of sustainability as well as their brand positioning. A separate sustainability strategy has not therefore been published since last year.

The updated code of ethics also entered into force last year. It provides binding guidelines for all employees, as well as for third parties acting on behalf of the Deka Group, and forms the basis for our corporate culture. The code's cornerstones are professionalism, responsibility, trust, collegiality, sustainability, diversity, communication and consistency in implementation.

In this sustainability report, we are presenting the work we do to promote an approach to business that focuses on further developing the company to add value, concentrating on the needs of our end customers and of society as a whole, and handling our natural resources sparingly.

The report also details the progress we have made in implementing the ten internationally recognised principles in the areas of human rights, labour standards, environmental protection and anti-corruption, to which we are committed under the UN Global Compact. The major advancements that we have achieved in 2014 include the introduction of a sustainability filter for all new investments in our own Treasury banking book, as well as our continued commitment to climate protection. We have thus made considerable progress on the sustainability front during the reporting year. We received confirmation of this in the form of the significantly improved "Prime" status awarded to us by oekom research AG, one of the world's leading rating agencies on sustainable investment. This strong rating will make the Deka Group's issues and products particularly interesting to investors whose investments must meet certain environmental and social criteria.

You can find more detailed information on this in the corresponding sections of this sustainability report, which was prepared in accordance with Global Reporting Initiative (GRI) guidelines. You can find a summary of the implementation of the individual Global Compact principles and the GRI Content Index at the end of this report.

We know that we can improve our sustainability setup even further. This is something we are striving rigorously to achieve – in the interests of our owners, our customers and our employees. In this spirit, we are looking forward to continuing our dialogue with you.

Kindest regards

Michael Rüdiger
Chief Executive Officer

THE GLOBAL COMPACT
WE SUPPORT

Sustainable corporate governance

Strategic sustainability positioning is a mandatory part of DekaBank's business strategy and is further developed on an ongoing basis through the business policy of the *Sparkassen-Finanzgruppe*. As the securities service provider for the German savings banks, we operate sustainably in economic, ecological and social terms, while considering the interests of our customers, employees and owners. In doing so we focus on all elements of our value chain.

DekaBank has formulated the "Deka Group philosophy", which enshrines a commitment to a sustainable business policy. This philosophy reflects DekaBank's mandate as securities service provider for the savings banks and is based on the strategic guidelines of its owners as agreed in the "*Dresdner Thesen*" in 2013. These expressly commit the *Sparkassen-Finanzgruppe* to developing a sustainably designed financial market architecture in Europe, which provides the successful business model that German savings banks have applied for more than 200 years with ample scope to continue to fulfil their public mission.

Having a sustainable focus serves the interests of customers, shareholders and employees, who are the Deka Group's key stakeholders. It lays the foundations for superior-quality products and services, ensures a robust risk profile and increased corporate value coupled with improved dividend performance, and is a prerequisite for a high and ever-improving level of employee satisfaction. This last factor is particularly important in terms of the quality and reliability of the work performed in the company as well as for the recruitment of new, highly qualified staff.

Following a decision by the Board of Management on 28 October 2014, we have chosen not to have a separate sustainability strategy for reasons of materiality, having ensured that our strategic positioning in sustainability matters now forms a mandatory part of our business strategy, which must be updated annually.

We ensure that our comprehensive approach to sustainability is implemented by dividing our activities into five areas (see chart). Accompanying our activities with communication measures and presenting them in a transparent way (including in our annual Sustainability and Environmental Report and in the sustainability section on our website) are key elements in our sustainability-oriented corporate governance approach.

Sustainable banking/Environmental management

The Deka Group is committed to minimising the impact of its business operations on the environment and strives to achieve carbon-neutral banking operations. In this respect, it works in line with the relevant environmental regulations and has operated a certified environmental management system in accordance with DIN EN 14001 since 2009. The Deka Group promotes a long-term commitment to the environment that goes above and beyond the minimum legal standards, actively involving employees and business partners alike in the process. It sets itself targets for the ongoing improvement of its environmental track record, which include using natural resources sparingly. Read more on this from page 209 onwards.

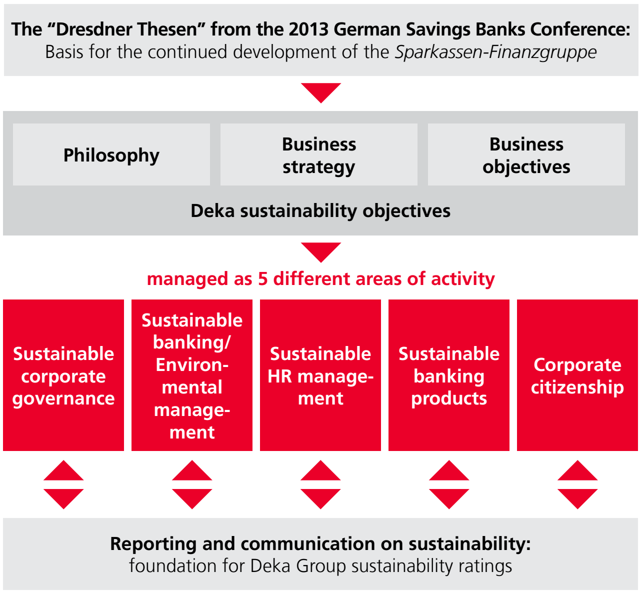
Sustainable HR management

The Deka Group is proactive in tackling 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, an active healthcare management policy and proactive support for equal opportunities for men and women are provided as a matter of course. Read more on this from page 200 onwards.

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. We substantially increased our holdings of sustainable products from €4.1bn to €6.2bn within the space of a year. Since mid-2014, we have applied a sustainability filter to our own extensive investments worth around €20bn and are thus a pioneer in this regard amongst Europe's banks of systemic importance – read more on this from page 194 onwards.

DekaBank's comprehensive sustainability approach *(Fig. 1)*



Corporate citizenship

The Deka Group promotes architecture, academia, culture, sports and the arts, focusing on Germany-wide projects either on its own or together with other entities in the *Sparkassen-Finanzgruppe*. As part of its efforts to promote a securities culture, on 1 October 2014 the Deka Group took on the newly created role of the central partner organisation in the German savings banks' stock exchange simulation. Read more on this from page 216 onwards.

Sustainability Management in a coordinating role

The Sustainability Management department coordinates all of the Deka Group's relevant activities on behalf of the Board of Management and is responsible for maintaining an effective sustainability management system. It also acts as a central point of contact for all issues relating to sustainability, both for units within the Deka Group and for the companies and institutions of the *Sparkassen-Finanzgruppe*. This also extends to dealings with the sustainability rating agencies and the non-governmental organisations that are relevant to the Deka Group.

DekaBank issued a declaration of compliance with the German Sustainability Code for the first time in 2013 (for the 2012 reporting period). This was renewed last year (for the 2013 reporting period). An updated version of the German Sustainability Code was published by the German Council for Sustainable Development (*Rat für Nachhaltige Entwicklung* – RNE) in October 2014. As part of its strategic partnership with the RNE, DekaBank has played an active part in the code's continued development.

Internal regulations

Code of ethics

The code of ethics, whose updated version entered into force in June 2014, provides binding guidelines for the activities of all employees as well as third parties acting on behalf of the Deka Group. It represents the basic structure for a corporate culture within the Deka Group that complies with the law, is open and transparent, and seeks to add value. This is reflected in the code's cornerstones of professionalism, responsibility, trust, collegiality, sustainability, diversity, communication and consistency. This includes, for instance, preventive measures aimed at avoiding economic crime.

In its letter accompanying the introduction of the new version, the Board of Management stresses its expectation that all employees – as well as the members of the Board of Management themselves – will act according to the letter and spirit of the code and in doing so will exercise their own best judgment. Compliance with the principles laid down in the code is monitored by several organisational units, and we respond appropriately but also rigorously to any infringements on a case-by-case basis. The code of ethics is published on the Deka Group's intranet and website.

Compliance

The Compliance corporate centre plays a major role in ensuring that DekaBank acts in the interest of its customers to conform at all times with relevant applicable legal and regulatory requirements as well as with its own – sometimes even stricter – internal rules and regulations. Set up in 2013, the centre covers all issues relating to capital-market and real-estate compliance as well as being responsible for combating money laundering and terrorism financing, implementing EU sanctions and embargoes and preventing fraud and other criminal activities.

The corporate centre develops Group-wide standards and guidelines on relevant issues and provides corresponding training programmes and advice on their implementation. It is also heavily involved in projects and processes geared towards ensuring that Deka Group meets regulatory requirements and that potential conflicts of interest are identified and avoided as far as possible. The corporate centre increasingly assumes monitoring and control tasks at all levels of banking operations and is dedicated to the systematic management of potential compliance risks.

As the parent company, DekaBank ensures compliance with due diligence rules under the German Money Laundering Act (*Geldwäschegesetz* – GwG) and the German Banking Act (*Kreditwesengesetz* – KWG) by means of its "Minimum Standards for the Prevention of Money Laundering", so that transparency regarding customers and the underlying shareholder structure is guaranteed both in Germany and in the subsidiaries. This prevents the use of opaque forms of business organisation that could aid tax evasion, including in Switzerland (the office was closed at the end of 2014) and Luxembourg.

To avoid conflicts of interest, the Data Protection Officer is independent of the Compliance corporate centre and is based in a separate unit in the Legal corporate centre. His responsibilities include providing employees with relevant information on the subject of data protection. This is done using various media, such as the intranet and the Bank's in-house employee magazine. Staff are also required to take online tests on data protection issues.

By making a corresponding declaration in their employment contract, all staff are obliged to observe the provisions of banking secrecy and data protection from the moment they commence employment. This undertaking is given in accordance with relevant national laws (Germany, Luxembourg, Switzerland; most recently in 2014 in the case of Switzerland).

As part of its anti-corruption efforts, the Deka Group revised its guidelines on accepting and giving gifts and invitations during the reporting year and made employees aware of the new content by means of relevant publications. As a basic principle, employees may not give, accept or request gifts or invitations in connection with their work, either for themselves or for third parties, if doing so could compromise the interests of DekaBank or its customers. Insofar as it is in line with the applicable laws and other standards, the giving of gifts and invitations is consistent with standard market practice, within certain limits. As the professional independence of all involved parties can be at stake, however, it is incumbent upon employees to avoid even the mere semblance of a conflict of interest.

All gifts and invitations worth upwards of €50,00 (or €35,00 in the case of office-holders) or equivalent that are given or accepted must be approved and recorded in gift and invitation registers set up for every unit in 2014. Gifts and invitations that were refused must also be logged accordingly.

Complaint management

Complaint management in the Deka Group follows the stipulations of the European Directive on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS). It is fully embraced and supported by top management. The networked approach that is taken is also approved by the partners in the *Sparkassen-Finanzgruppe*.

The absolute number of customer complaints within the Group has been declining for several years and now appears to be stabilising at a low level. A total of 4,767 complaints were received in the reporting year. This was down slightly on 2013 and represents the lowest number since figures were first recorded in 2004.

In cases where fraud is suspected, DekaBank employs a well-established ombudsman system. The experienced external ombudsman is available as a point of contact and also leads any investigations that may arise.

Political influence

DekaBank generally lobbies politicians and policy-makers only through the activities of the various associations and organisations to which it belongs. We make our internal expertise available to policy-makers solely through our memberships of these associations, and in the interests of our shareholders. The list of organisations to which DekaBank belongs can be found in the "Communications" section of the Sustainability Report.

The code of ethics, sustainability strategy and information on compliance standards are available on our corporate website.

Donations and focus on the greater good

According to the statutes of DekaBank Deutsche Girozentrale: "DekaBank Deutsche Girozentrale serves the German Savings Bank Organisation and credit institutions and organisations associated with it. It must perform its duties with due regard to general economic principles and to the benefit of the public." This focus on public benefit represents an important link between the Bank and the savings banks that support it, which are completely committed to this principle in performing their mandate.

In light of this, DekaBank donates to institutions that exclusively and directly serve to promote benevolent, charitable and church causes and that are also authorised to issue confirmations of donations for tax purposes.

Donations to political parties, political foundations, employers' associations or trade unions are forbidden as a basic principle. Exemptions can only be made with the approval of the full Board of Management.

Donations that exceed €500 must be approved by Corporate Office & Communications and those upwards of €10,000 by the full Board of Management.

The Bank donated a total of €904,901 primarily to social projects and academic institutions. The amount of funding provided by the partnerships totals €1,037,377. No donations were made to any political parties or affiliated institutions.

External standards and regulations

In operational terms, the Deka Group's commitment to a sustainable business policy is borne out by its accession to the UN Global Compact in 2011 and its signing of the Equator Principles. In December 2013, the Deka Group also signed the German Sustainability Code, issued by the Federal Government's Council for Sustainable Development (*Rat für Nachhaltige Entwicklung* – RNE).

UN Global Compact

As a signatory to the Global Compact, the Deka Group is part of the largest and most important international network for corporate responsibility. Across the globe, more than 12,000 companies from over 145 countries as well as employee, human rights, environmental and development organisations have now signed up to the UN Global Compact.

By joining the Global Compact, DekaBank made a commitment to follow a set of ten core values in its area of influence; these values were already embedded in the company as part of the Bank's sustainability principles.

These values include the protection of human rights, compliance with labour standards and proactive environmental protection. Another key element is the combating of all forms of corruption. DekaBank ensures that these requirements are met by providing extensive information and training activities as well as through regular online tests. All employees are required to take part in these initiatives, so as to ensure that anti-corruption activities are firmly established throughout the entire organisation.

The core values of the UN Global Compact provide the basis for sustainability criteria in the investment process, in procurement and in other areas of activity. DekaBank agrees to submit the relevant reports to the UN Global Compact once a year and publishes a "communication on progress" as a foreword to the Sustainability Report. Explanations regarding the relevant points of the UN Global Compact and the GRI (Global Reporting Initiative) criteria are presented not only in this sustainability report but also in the Group management report and in other sections of the annual report. Further information can be found in the Deka Group's environmental report and on our website.

Equator Principles and United Nations Principles for Responsible Investment (UN PRI)

By recognising the Equator Principles, DekaBank has committed itself to upholding ten principles for ethically, socially and ecologically sustainable action as the basis for evaluating its project financing activities. These are based on guidelines issued by the World Bank and the International Finance Corporation (http://www.equator-principles.com/). The process for evaluating them is set out in DekaBank's Credit Manual and in its lending risk strategy. The Equator Principles Reporting can be found on page 222.

Deka Investment GmbH has committed to upholding the United Nations Principles for Responsible Investment (UN-PRI) since 2012.

Proprietary investments – A pioneer among European banks of systemic importance

The introduction in mid-2014 of a sustainability filter for new investments in the Treasury banking book marks a further important step towards a truly sustainable business policy. The filter for own investments operationalises exclusion criteria relating to the environment, armaments, human rights and corruption. As affirmed by sustainability rating agency imug (*Beratungsgesellschaft für sozial-ökologische Innovationen mbH* – imug), the Deka Group is a pioneer in this regard amongst Europe's banks of systemic importance.

Sustainability compass

Within DekaBank a monthly "sustainability compass" has been established. The participants, who include sustainability representatives from the business divisions, share information at this meeting on sustainability issues and devise strategies for improved product ecology. The departments then take concrete measures to support these strategies.

Ratings

Independent rating agencies evaluate Deka Group's sustainability performance. Most assessments are carried out annually based on clearly defined standards that allow the sustainability performance of different companies to be compared with one another. The assessments of the rating agencies are a key performance indicator for us in the ongoing development of our sustainability activities. The Deka Group currently has a sustainability rating from the following agencies:

oekom research AG

DekaBank again received a "Prime" score in oekom research AG's corporate ratings in 2014, thus improving on its performance in the last assessment in 2012.

The assessment is based on an evaluation of 100 sustainability criteria selected specifically for the industry and split into a "Social Rating" and an "Environmental Rating".

imug Institut für Markt-Umwelt-Gesellschaft e. V.

imug is concerned primarily with public-sector and mortgage *Pfandbriefe*, but also with institutions providing real estate finance. The latest imug rating for DekaBank was positive in all three categories (public sector *Pfandbriefe*, mortgage *Pfandbriefe* and unsecured bonds).

sustainalytics

Dutch rating agency sustainalytics uses a specific ranking system. With 70 points, we currently rank in 44th place among 382 rated companies. Each company is rated on the basis of the ESG approach which analyses environmental, social and governance aspects.

Sustainable banking products

Making the financial industry easy to understand, using it to serve both people and the economy and campaigning for sustainable prosperity: the mission of the savings banks laid down in their sustainability principles also acts as a guideline for DekaBank as their securities service provider. As a major investor and funder for companies and the property market, we have a responsibility to consider not only the interests of fund subscribers but also the social and environmental impact of all our investments and activities.

By signing up to the United Nations Principles for Responsible Investment (UN-PRI), Deka Investment GmbH has undertaken to comply with the UN's guidelines on environmental, social and governance issues relevant to financial markets. This includes actively incorporating these issues into shareholder policy, such as voting at shareholders' meetings. Another element is a commitment to ensuring that the companies and entities being invested in disclose information on these matters in an appropriate way. Further information and the full text of the principles can be found at http://www.unpri.org/.

Deka Investment GmbH always acts exclusively in the interests of the investment fund concerned. This is born out of the conviction that a focus on social and environmental standards as part of a sustainable business policy serves the interests of shareholders as it can lead to a long-term, above-average increase in the company's value.

Sales support and cooperation with the savings banks

The German savings banks (*Sparkassen*) are DekaBank's primary customers. With a network of around 15,100 branches covering almost the entire country, the 416 savings banks provide a Germany-wide platform for investments (as at October 2014). DekaBank products allow savings bank customers to achieve their individual investment objectives. Particularly in the current low-interest environment, mutual securities and real estate funds are an essential part of any private investment portfolio. Their risk-diversifying effect make them especially suitable for building up private pension provisions and they thus play an important part in the economy as a whole.

Within the *Sparkassen-Finanzgruppe*, the savings banks are responsible for providing local investment advice to private customers. DekaBank supports them in many different ways and in all phases of their advisory and investment process, such as by providing advisers with information on investment products or on market developments. DekaBank's sales consultants work on site at the savings banks, for instance by helping to ensure high-quality advice by providing training and coaching for advisers. We also reduce pressure for them by continuing to develop advisory tools in our extranet to help meet the increased documentation requirements, thus leaving them more time to give individual, tailored advice.

We also maintain ongoing dialogue with savings banks on the subject of sustainability and sustainable investment. Joint investment seminars with speakers from DekaBank have proved doubly beneficial: savings bank customers have the opportunity to learn about different forms of responsible investment, while DekaBank discovers more about customers' needs.

Investor information and promoting financial knowledge

All Deka Group documents made available to private customers, either in advisory discussions at the savings banks or through direct contact, such as advertising, are subject to the regulations compiled in its guidelines on the preparation of advertising and investor information. These regulations prohibit practices such as aggressive marketing and exploiting particularly vulnerable customer groups (e.g. elderly customers) or any other customer groups. In this respect, customers from the municipal sector are also considered to be private customers.

Customer data is given special protection at DekaBank. DekaBank also attaches great importance to the way in which complaints are dealt with. For this purpose, a Complaint Management unit was set up in October 2003, which follows the stipulations of the European Directive on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS).

More information on complaints management and data protection can be found in the "Sustainable corporate governance" chapter.

As the securities service provider for the savings banks, DekaBank is closely involved with their campaign to improve financial education. This includes the savings banks' *SchulService* (school service), which provides around 80 different media on economic and financial topics, each tailored specifically to the requirements of students, teachers and parents. All brochures, teaching aids and charts are always up to date, neutral and free from advertising. This initiative from the savings banks was awarded the UNESCO "Education for Sustainable Development" seal as part of its Decade of the same name.

Other examples of this commitment include presentations given by Deka staff at school events or the close cooperation on and support of the savings banks' stock exchange simulation. More information on this can be found in the "Corporate citizenship" chapter. DekaBank also supports the initiative "*Finanzexperten in die Schulen*" ("Getting financial experts into schools") run by *Bundesverband Investment und Asset Management e. V.* (the German Investment Funds Association – BVI), which lets teachers bring experts from BVI and its member companies into their lessons. Over 650 schools have already booked an expert. Speaking to students on their level, more than 210 financial experts explain subjects such as the financial markets, investment and pensions as well as the causes and consequences of the financial crisis.

In addition, services offered by Deka Research elucidating current trends on the capital markets and their ramifications for investment, and films explaining basic investment concepts, help a diverse range of people gain expertise in financial matters. This then enables them to make their own investment decisions and to scrutinise investment recommendations.

Sustainable investment products

DekaBank began offering private investors products dedicated to sustainable investment in 2009 and it is steadily expanding its range. Institutional investors can also benefit from products that meet increased requirements in terms of social and environmental compatibility.

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, Deka Investment GmbH has signed up to the European Transparency Code for Sustainability Funds of the European Sustainable and Responsible Investment Forum (Eurosif). When selecting securities, Deka Investment works with two high-profile partners in the world of sustainable investment: the *Institut für Markt-Umwelt-Gesellschaft e.V.* (imug) and the Ethical Investment Research Service (EIRIS). Private investors who attach importance to ethical, ecological and social standards can also invest in the fund-of-funds DekaSelect: Nachhaltigkeit (DekaSelect: Sustainability). A fund advisory board, made up of representatives of foundations, churches, Deka Investment GmbH and DekaBank, has been set up in order to align the Deka-Institutionell Stiftungen fund to the investment requirements of potential investors.

Deka Investment GmbH currently manages €1,346.24m in sustainable mutual funds (up 13.4% year on year) and €168.48m in institutional mandates and special funds (up 11.9% year on year). The volume of sustainable investments for institutional customers is over €5bn (this includes DekaBank's special funds).

We are seeing increasing interest in realigning special funds to serve sustainable ends and in tenders for new investments.

Promotion of sustainable investment

Through our membership and active participation in the Forum for Sustainable Financial Investments (*Forum Nachhaltige Geldanlagen* – FNG), we support an important initiative to inform customers about the opportunities offered by sustainable investments. Our sustainability funds are among the fund profiles listed on the FNG website (http://www.forum-ng.org/en/fng-sustainability-profile/fng-sustainability-profiles.html).

We also support efforts to promote knowledge of sustainability through our involvement in the BVI. We help to promote the idea of sustainability through talks and published articles and by supporting customer events hosted by savings banks on the subject of sustainability.

Investment principles

We regard sustainable behaviour as safeguarding the future. This attribute is essential to any attractive investment. We firmly believe that, in the long term, share prices and bond yields are as strongly influenced by environmental and social factors as they are by business and economic considerations.

Funds managed by Deka Investment GmbH will never invest in companies that manufacture anti-personnel mines or cluster munitions ("cluster bombs"). Neither do we issue any products that track the prices of staple foods.

DekaBank has applied a sustainability filter to new investments in the Treasury banking book since mid-2014. There is currently around €20bn on this book. The exclusion criteria on which the sustainability filter is based relate to the environment, armaments, human rights (ILO core conventions on labour standards) and corruption. Companies, business models and assets that contravene one or more of the exclusion criteria will no longer be considered for an investment. This makes DekaBank a pioneer among the banks of systemic importance in Germany and Europe according to the results of a study by the independent imug. This relates in particular to the breadth of the subject areas selected and the increased number of banned investments that this implies.

Exercise of voting rights and dialogue with companies in the investment portfolio

Representing its fund investors' interests and exercising their voting rights is a responsibility that Deka Investment GmbH takes very seriously. Voting rights are among the most important rights that shareholders have, and we therefore have a duty to use them responsibly. Deka Investment GmbH defines its policy in a set of principles on voting behaviour at shareholders' meetings, which state that it holds voting rights on trust and exercises them on behalf of fund investors either directly or through proxies. These take account of applicable legislation, the BVI's latest analysis guidelines for shareholders' meetings and the German Corporate Governance Code as well as relevant environmental, social and governance (ESG) standards.

Updated on an ongoing basis, the principles also include an undertaking on the part of Deka Investment GmbH to base its voting behaviour not least on what it deems a discriminating performance or position of a company in terms of social and environmental responsibility. It always scrutinises agenda items carefully before deciding on how to vote at upcoming shareholders' meetings. Any counter-motions are also evaluated in the spirit of constructive criticism. Deka Investment GmbH proposes its own counter-motions where relevant.

ESG indicators are also becoming an increasingly important part of direct dialogue with the companies in whose shares or other securities Deka funds invest. In 2014, Deka Investment GmbH held some 2,000 discussions with the management of companies whose shares or other securities were in the portfolios of the funds that it managed.

Real Estate business division

The increased emphasis being placed on sustainability in the real estate sector is being driven by a wide variety of different frameworks and lobby groups. The impetus for a greater focus on sustainability is thus being reflected by the Deka Group's commitment to a corresponding business policy. Statutory and voluntary regulations, principles and codes, such as those of associations, provide the framework, while owners, investors, employees, lessees and media representatives are only a selection of the many different groups with an interest in a greater awareness of the environment and thus in more sustainable behaviour.

It is in this environment that the real-estate-specific requirements of our business division apply. Over the lifecycle of properties, factors such as sustainable management and reducing energy consumption when renovating existing properties are key elements of our operating activities.

Sustainability strategy for real estate

Since the issue of sustainability is thus becoming increasingly key in the real estate sector, in 2014 the senior management agreed to formulate a sustainability strategy for the Real Estate business division. Several sub-projects were identified for this purpose, which are to be implemented between 2014 and 2016. In specific terms, they relate to areas of action whose results as a whole will come to form a self-contained philosophy. It will then be a matter of keeping this philosophy up to date at all times in the future as well and continuing to develop it accordingly. Sustainability activities were therefore stepped up in 2014, most notably with the creation of a new coordinating body reporting to the COO.

Nineteen measures and sub-projects have been set up in order to formulate and operationalise this sustainability profile. These include implementing a management reporting cycle for regular internal reports on the progress made by the project as a whole. One example is defining the certification process and thus ensuring a more systematic approach to the subject. The internal project objective as far as certification is concerned is to provide even more centrally coordinated support for the issue.

A fixed, monthly sustainability meeting has also been set up between all specialist departments in the Real Estate business division that are involved. In addition, the first communication measures designed to make the topic more relevant have been developed both internally and externally. There will be several more sub-projects relating to internal and external communications as well as to involvement in the development of industry standards.

Implementation of nine sub-projects began in 2014, with seven to come in 2015 and a further three in 2016.

Certifications

In many European countries, various consumption figures for buildings are already documented in view of the legal requirement to issue an energy performance certificate or other documentation obligations. As we aim to do more than simply fulfil our obligations, we actively seek to have our properties certified by recognised providers and in accordance with accredited processes. These include the *Deutsche Gesellschaft für Nachhaltiges Bauen* (German Sustainable Building Council – DGNB), Leadership in Energy and Environmental Design (LEED) and the Building Research Establishment Environmental Assessment Method (BREEAM). We are continuing to pursue the highest possible level of certification, while never losing sight of the economic context.

Certification by an independent accreditation body allows investors and tenants to consider environmental and social elements when choosing properties in addition to economic concerns. For many commercial tenants, certification of their rental property is also a condition of signing a lease agreement. In addition, occupying a suitably certified property helps the lessee company achieve its own sustainability objectives.

We significantly increased our holdings of certified properties by around 17% during the year under review. Most certificates demonstrate the highest or second-highest level of quality under the relevant standard. A total of 138 properties with a value of around €13.7bn had been certified at the end of the 2014 reporting year, all but eight of which are in Europe (including Germany), with a volume of around €12.5bn. This means that some 51% of the entire property assets held in the Deka funds have been certified. We thus achieved our 2015 target of 40% ahead of time.

One of the properties from the mutual fund portfolio certified during the reporting year was the "Skylight" in the centre of Frankfurt am Main. The property belongs to the WestInvest InterSelect fund portfolio and has received LEED Platinum certification. This means that Deka funds now own no fewer than three of the seven properties in Frankfurt awarded Platinum status. During the reporting year the fund Deka-ImmobilienEuropa (Deka Real Estate

Europe) obtained the BREEAM seal of quality with a rating of "very good" for its recent acquisition "Aldermanbury Square" in London, when the property's environmental conditions were verified during its purchase. In the Deka-ImmobilienGlobal (Deka Real Estate Global) fund, meanwhile, the "Atrium ONE" property in Warsaw was also granted LEED Platinum certification. Its score, the highest to date for an office building in Poland, was achieved partly thanks to significantly lower energy and water consumption and reduced pollutant emissions compared with similar properties. When the "Symphony" property in Amsterdam was awarded the BREEAM seal of quality with a rating of "very good", this brought WestInvest ImmoValue's certification rate up to around 57%.

Renovations

After the Skylight office building in Frankfurt had been extensively renovated, it obtained a top LEED Commercial Interiors certificate in 2014 with a Platinum rating. A key factor in this had been the lighting system fitted throughout with daylight-controlled LED lighting. The Skylight is one of the first office properties in Frankfurt to be equipped with lighting elements on this scale. Electricity consumption will be reduced by around 70%, which corresponds to a saving of 190 tonnes of CO_2 each year. The amount of energy required for heating, cooling and ventilation has also been cut by installing a new building management system.

External ratings reaffirm focus on sustainability

Our sustainability efforts are also being recognised by external bodies. In its annual evaluation of all relevant open-ended property funds in Germany, the rating agency Scope once again attested to the strong focus on sustainability in our funds and a major improvement in the certification rate for our investment portfolios. This was seen as a positive attribute as it helps to preserve the properties' value and ensure their marketability.

Asset-management-related lending business

Structured in line with the statutory provisions, the credit check process in the Deka Group goes above and beyond these by including a sustainability assessment. Sustainability and environmental and social responsibility are obligatory selection criteria for the lending business. These are explicitly assessed when entering into any new business. If the assessments identify an increased sustainability risk, the loan request is passed on to the experts in Sustainability Management, who study it in relation to criteria from relevant environmental fields, links to the arms industry and relevance in terms of human rights issues and corruption. Sustainability Management prepares a report assessing the risk to the Deka Group's reputation on a three-point scale ("low", "moderate" or "high"), which it forwards to the specialist departments.

We will not support transactions that do not satisfy our sustainability criteria, because we regard them as a business risk. When considering project financing, we are guided by both international standards such as the Equator Principles and OECD environmental guidelines and internal requirements such as our sustainability standards and compliance rules.

As part of its business activity, DekaBank acts not only as an independent financier but also as a participant in senior financing projects. In this context, it cannot directly influence the way the borrower manages its business. Nevertheless, DekaBank applies the same sustainability criteria to such projects as it does to its own financing commitments.

As an infrastructural element, energy supply is included in project financing activities, meaning that energy generation projects are also financed. In financing terms, the credit risk strategy is geared towards promoting the "*Energiewende*" – Germany's energy transition – and expanding the use of renewable energies.

The social and transport infrastructure sub-segment provides financing for public services, with an emphasis on projects deemed to be for the common good. This financing enables new and replacement investments in state-funded hospitals, medical centres, university institutions for research and teaching, and transport infrastructure (roads, railways and waterways). Such investments are of prime importance to the general public, and hence commercial financing of such projects also directly serves the public interest.

The Bank will only agree to financing of this kind if it is in line with the respective country's energy policy and all official authorisations, especially environmental regulations, and if the corresponding reviews and compliance are ensured by bringing in neutral, external inspectors where necessary.

Financing principles

DekaBank applies the following financing principles to its lending business:

- no private customer business (neither consumer loans nor personal home loans) due to its involvement and the division of responsibilities within the savings bank organisation, and no SME business,
- no corporate or LBO financing since 2009,
- a clear focus since 2009 on financing infrastructure projects, municipal and similar infrastructure financing for public services, and property financing in the transport sector,
- only infrastructure financing that involves technologies confirmed as environmentally compatible,
- in the case of ships and aircraft, only in modern (mainly new) equipment that complies with the latest environmental standards as a bare minimum,
- primarily in OECD countries, fulfilling all environmental and approval standards, with their monitoring stipulated in the loan agreement; financing in non-OECD countries is governed by the Equator Principles.

The Deka Group is not willing to support the financing of suppliers, manufacturers and trading companies connected to arms transactions in countries outside NATO, or financing that gives rise to significant risks for the environment based on OECD environmental guidelines. We will not enter into any lending transactions where public reporting about the financing itself or about a business partner or business practice could adversely affect public trust in our Bank in the long term.

DekaBank is not involved in any lending transactions with companies suspected of using forced, compulsory or child labour.

Respect for human rights

In line with our business strategy, we always consider the geopolitical context when taking investment decisions. To this end we keep a blacklist of countries where human rights abuses or corruption are commonplace. The list has been in use since mid-2012 and is regularly updated. Opportunities that might arise in such countries are rejected on principle. Such rejections are based on the rules of our sustainability strategy, internal compliance guidelines and risk management requirements.

Regional focus

In its lending business, DekaBank favours projects that support the respective regional economy. This is consistent with DekaBank's place within the *Sparkassen-Finanzgruppe*, whose members are firmly rooted in their local areas. As the fully-fledged securities service provider for the German savings banks, we support this particular business model through our involvement in large syndicated loans and refinancing activities.

Sustainable HR management

DekaBank's employees need access to the right environment at every stage of their professional lives to enable them to develop both personally and professionally. Our mission is to provide a safe, healthy, trusting, supportive and inclusive working environment, develop our employees' skills and put them to use for the benefit of the Bank's overall value-driven strategy. This also includes a fair remuneration system that offers incentives to contribute to the company's long-term success. Thus not only are we acknowledging our responsibility as an employer, we are also acting in the best interests of our shareholders.

DekaBank's HR strategy is geared towards having "the right employee in the right place" and is underpinned by its lifecycle-based HR management approach. It is derived from our business strategy and is subject to an ongoing process of improvement that takes into account the constantly changing market environment and economic, social, political and regulatory trends. Its principles are an enduring part of DekaBank's HR activities and it is regularly updated and revised.

DekaBank's HR management structure is divided into key areas and aims to tailor HR measures and services for employees so that they match the individual phases of their career lifecycle and the characteristics of these phases. The key areas covered by DekaBank's HR activities are human resources management, work-life balance, equal opportunities/diversity, remuneration, health management, continuing professional development and the employer brand. We produce detailed action plans and define concrete milestones with reasonable timeframes so that we can measure our successes in implementing our HR strategy. DekaBank communicates these to all of its employees in a timely manner.

Number of employees *(Fig. 2)*

Headcount	31 Dec 2011	31 Dec 2012	31 Dec 2013	31 Dec 2014
Companies in Germany	3,459	3,552	3,583	3,743
Companies abroad	498	488	452	440
Deka Group	**3,957**	**4,040**	**4,035**	**4,183**

The average age of Deka Group employees actively employed in Germany was 45.3 years at year-end 2014 (2013: 45.1 years). The increase in the average age by around one year since 2010 reflects the demographic trend in Germany and also attests to the greater success enjoyed in integrating older employees. At year-end 2014, 22.6% of female employees were under 35 years of age, with 59.4% under 45. Amongst the men, the percentage under 35 was 16.2%, while those under 45 made up 56.4%.

Age profile of active employees (Deka Group Germany) *(Fig. 3)*

%	31 Dec 2011	31 Dec 2012	31 Dec 2013	31 Dec 2014	female	male
aged under 20	0.0			0.0	0.1	0.0
aged between 20 and 24	1.5	1.1	0.9	1.2	2.1	0.7
aged between 25 and 29	7.7	6.8	5.9	5.5	7.1	4.6
aged between 30 and 34	16.0	14.6	12.8	11.8	13.3	10.9
aged between 35 and 39	18.8	19.1	19.1	18.7	18.4	18.8
aged between 40 and 44	23.7	22.4	21.3	20.3	18.4	21.4
aged between 45 and 49	18.7	21.2	22.6	22.2	20.4	23.3
aged between 50 and 54	8.1	9.1	10.8	12.6	12.7	12.6
aged between 55 and 59	4.1	4.3	5.3	6.3	6.1	6.4
aged between 60 and over	1.3	1.3	1.3	1.3	1.4	1.3
Average age in years	**44.4**	**45.0**	**45.1**	**45.3**	**46.1**	**44.9**
Active employees Headcount	**3,164**	**3,241**	**3,322**	**3,490**	**1,325**	**2,165**

Active employees (Deka Group Germany)[1] *(Fig. 4)*

Headcount	31 Dec 2011	31 Dec 2012	31 Dec 2013	31 Dec 2014
Women	1,207	1,211	1,256	1,325
Men	1,957	2,030	2,066	2,165
Total active employees	**3,164**	**3,241**	**3,490**	**3,322**
Women as a percentage of active employees (in %)	38.1	37.4	37.8	38.0

[1] Executive staff + staff on permanent contracts + staff on fixed-term contracts + temporary staff.

Dialogue with employee representatives

The HR & Organisation corporate centre engages in respectful, open dialogue with employee representatives within the Deka Group. Our employees are represented by staff committees and works councils (Germany) and by the Comité Mixte (Luxembourg). They are informed at an early stage of any forthcoming changes and are involved in shaping the actual change process.

Deka Group employees can obtain information on employment law, collective bargaining agreements and trade unions from sources including the intranet sites of employee representatives (staff committee, works council, etc.).

Employees also have access to the most important laws, ordinances and regulations in this regard. In addition, the employee representative is available for consultation once a week, enabling any employee to obtain information in person about freedom of association or pay arrangements and to ask detailed questions on these issues.

Internally, the Disability Officer and Equal Opportunity Officers can also be contacted by employees in the event of problems in the workplace. Further details can be found in the "Communications" section.

Equal opportunities and diversity

DekaBank sees diversity among its employees as an opportunity.

The cultural diversity, varying life experiences and talents of our staff enrich their working relationship with one another and, furthermore, help to identify the needs of our customers and to serve them as well as possible. DekaBank's code of ethics lays down the general principle of equal treatment, without differentiating or discriminating on the grounds of origin, skin colour, sex, nationality, age, philosophy, religion, disability, marital status, pregnancy, sexual orientation or identity, or any other characteristics protected by local legislation. We were not aware of any cases of discrimination in this regard during the reporting year.

The percentage of non-German employees has stood at 6.0% since 2007. DekaBank employed people from a total of 46 countries as at year-end 2014. The most commonly represented nationalities amongst the 106 female and 105 male non-German employees are: Italy (26 employees), Austria (19 employees), Turkey (15 employees), France (14 employees), U.K. (13 employees), Croatia (12 employees), Greece and Russia (each with 10 employees).

In order to better reflect the diversity of our employees at management level as well, DekaBank has devised an equal opportunities plan, which is regularly evaluated and updated. Its aims include further increasing the proportion of women in management and non-pay-scale positions.

Proportion of women in management (Deka Group Germany) *(Fig. 5)*

%	31 Dec 2011	31 Dec 2012	31 Dec 2013	31 Dec 2014	female	male
1st management level (Head of Division)	8.7	10.7	9.4	9.1	3	30
2nd management level (Head of Department)	8.8	10.1	11.4	14.2	16	97
3rd management level (Group management)	20.0	20.3	21.0	18.9	46	197
Total at all management levels (including Board of Management)	**15.6**	**16.3**	**17.1**	**16.5**	**65**	**329**

As a basic principle, DekaBank aims to create an environment in which discrimination, sexual harassment or bullying cannot occur at all. Infringements, other actions deemed discriminating under the law or threatening, hostile or abusive behaviour will result in immediate disciplinary action.

All buildings in the Deka Group are wheelchair-accessible and are fitted with sliding doors or doors with electronic openers. The Prisma building in Frankfurt also has accessible toilets and a set of lifts with Braille on the buttons. 60.2% of the mandatory positions for disabled persons as per the report to the Federal Employment Agency were filled at the year-end.

Work-life balance

Through its lifecycle-based HR management approach, DekaBank aims to create an environment that makes an employee's career progression as compatible as possible with the needs and requirements of his or her private life. This applies especially to employees who have or are planning to have children but also, for instance, to responsibilities in respect of family members in need of care.

This objective is rooted both in our responsibility towards society and in the needs of the company. This is because a better work-life balance helps increase staff loyalty to the company, which is a fundamental success factor in a time where there is an increasing shortage of skilled staff.

Flexible working hours are one aspect of the efforts being made to guarantee a sound work-life balance. The Deka Group makes use of more than 330 different part-time models overall. The proportion of part-time staff has been rising steadily for several years (2002: 6.2%). Having been below 14.0% across the Deka Group (Germany and abroad) in previous years, it is currently 17.6% in the Group and 16.0% in Germany.

Part-time ratio of active employees (Deka Group Germany) *(Fig. 6)*

%	31 Dec 2011	31 Dec 2012	31 Dec 2013	31 Dec 2014
Women	29.2	30.5	33.6	34.6
Men	4.5	4.5	5.2	4.6
Total proportion of part-time workers	**14.0**	**14.2**	**16.0**	**16.0**

The proportion of Deka Group employees in Germany that were not included in the time recording system in 2014 was 61.5% (previous year: 60.9%). The proportion of employees not allocated to any working time model because they were temporary staff or for other reasons stood at 1.5% (previous year: 1.5%). On average, 58 temporary staff members were employed during the year (previous year: 54).

We also offer our employees the opportunity to take unpaid holiday, or to save up a balance in their working time account via the Deka-ZeitDepot scheme in order to cover a sabbatical (a longer period of paid leave). Provided the activity in question is suitable and the relevant line manager agrees, DekaBank also allows staff to work from home. This is also stipulated in a service/works agreement with the employee representatives.

Support for new parents

Parents with young children can take advantage of DekaBank's childcare support service in addition to its flexible working schemes. This comprises 40 crèche and 15 day-care places supplemented with an emergency childcare service, which parents can use for up to five days a year. This caters for children between the ages of three and twelve in the event of a problem with parents' usual childcare provision. We also offer advice and assistance with organising childcare and on the issues of maternity and parental leave. The latter is provided by DekaBank's HR department as well as the Equal Opportunity Officers. We help parents of school-age children to manage school holidays by funding holiday programmes for up to ten days a year for each child.

Over the last five years, female DekaBank employees returned to work an average of 13.5 months after the birth of a child. Male employees are making increased use of the option to take parental leave, with 79 at DekaBank doing so during 2014. This figure was higher than the corresponding one for women (57).

The average time taken off in 2014 was 11.3 months for women and 1.3 months for men, in both cases the lowest figures for the past four years. Employees on maternity or parental leave are sent the staff magazine "inkom" to their home address, keeping them up to date on what is going on in the Deka Group.

Support for employees with family members in need of care

Together with professional partners, DekaBank supports employees looking after family members in need of care. The "eldercare" advice and assistance service eases the burden on employees when it comes to organising, funding and carrying out their caregiving responsibilities. DekaBank covers the cost of this advice.

The advice service can be contacted every day, including at weekends and on public holidays.

In 2014, DekaBank signed the "Charter for Work-Life Balance in Hesse" ("*Charta zur Vereinbarkeit von Beruf und Pflege in Hessen*") which was instigated by Hesse's society and integration ministry alongside various companies and institutions. The charter's signatories are keen to stress that employees caring for or supporting family members are performing valuable work for society and undertake to share some of the responsibility for family members in need of care. This includes creating a working environment in which caring for family members is not taboo and adopting a solution-oriented approach to the different situations facing each individual employee with carer duties.

Safety at work and health management

The key pillars of our health management approach are exercise, nutrition, medicine/prevention and mental health. DekaBank offers its employees a range of tailored options to choose from under each of these categories. DekaBank's health management system was developed as part of its lifecycle-based HR management approach as a response to the challenges posed by demographic change and the associated shortage of skilled staff.

DekaBank has produced an annual Health Report since 2011, documenting its commitment to health management and illustrating new areas for action.

The low illness rate of 3.8% is a pleasing trend, which continued to fall year on year. A month-by-month analysis reveals that higher illness rates were mainly recorded in the first quarter of the year.

As in previous years, DekaBank reported no deaths at work in 2014.

Illness rate (Deka Group Germany) *(Fig. 7)*

%	31 Dec 2011	31 Dec 2012	31 Dec 2013	31 Dec 2014
Women	5.1	5.5	6.0	5.6
Men	2.9	2.7	3.4	2.9
Total illness rate	**3.7**	**3.7**	**4.3**	**3.8**

Reported injuries *(Fig. 8)*

in year		2014
Commuting accidents		**34**
Principle causes are cycling accidents and injuries related to black ice during the winter	Frankfurt	27
	Düsseldorf	6
	Leipzig	1
Work-related injury		**8**
	Frankfurt	8

Exercise

To make it easier for employees to build regular exercise into their day-to-day routines, DekaBank runs its own Deka Health Centre, whose services are used by some 240 staff. Located close to their workplace in Frankfurt, it offers employees and their partners the opportunity to take part in a wide range of sporting activities. Members of the general public who have signed a corresponding agreement with DekaBank can also make use of the centre's comprehensive range of services (public users as at 31 December 2014: 34). In addition to gym facilities with modern smartcard-operated cardio and endurance machines, the Deka Health Centre also offers a wide variety of classes, programmes focusing on particular areas such as back problems, relaxation loungers and regular health and fitness check-ups. This is complemented by the services offered by an affiliated physiotherapy practice. We use partnerships with a range of fitness centre chains and massage practices to provide these services to our employees outside of Frankfurt.

DekaBank also supports a company sports club. The facilities at DekaBank Sport e. V. are available to Deka Group employees, their partners and families, and covers both popular and more specialised sports. The club currently has around 500 members at the Frankfurt and Leipzig sites.

To promote team spirit and shared experiences through exercise, DekaBank supports its employees' participation in a variety of running events. The J.P. Morgan Corporate Challenge run through the centre of Frankfurt is an annual highlight in this regard, and once again several hundred Deka employees took part in 2014.

Nutrition

A balanced diet is an important part of a healthy lifestyle and boosts wellbeing and productivity. That is why DekaBank attaches great importance to a varied, healthy range of regional food in its canteens. DekaBank also organises regular presentations from experts on the topic of healthy nutrition, such as one on "nutrition for a healthy heart". In addition, it once again took part in the "Veggie Day" in 2014, on which the canteens mainly served vegetarian dishes, raising awareness of alternatives to excessive meat consumption. A nutrition consultation service is also available on request at the sites in Frankfurt.

Furthermore, free drinking water dispensers are provided on every floor at the Bank's sites.

Medicine, prevention, and health and safety at work

All employees can obtain medical care from our company doctor as well as annual flu vaccinations. Annual healthcare campaigns enable staff to find out about health issues and have their blood sugar, cholesterol and blood pressure checked.

Our approach to health and safety at work is based on all current relevant legislation, ordinances and regulations as well as the collective bargaining agreement for public and private banks. Our health and safety at work expert regularly inspects our offices to evaluate how ergonomic they are.

Mental health

Changes in working patterns and society mean that employees are increasingly faced with mental rather than physical stress. Stress over a long period does not just have a negative impact on wellbeing and productivity – it is also detrimental to physical health and plays a particular role in increasing the risk of cardio-vascular diseases. The preservation of mental health is therefore at the heart of DekaBank's health management activities.

We provide seminars on dealing with stress for our employees and managerial staff as part of our Group-wide training programme. These seminars allow participants to analyse their individual pressures and stresses as well as their own personal resources. They are shown how to handle these personal resources responsibly, harness them and use them successfully.

We work with professional external counsellors to provide employees experiencing a crisis in their personal or professional lives with fast, effective help. The Employee Assistance Programme (EAP) gives staff access to strictly confidential counselling 24 hours a day, 365 days a year, either by phone or in person. Employees can contact the service anonymously, and remain anonymous during the counselling if they wish. The EAP also offers managerial staff, management consultants and members of the staff committee and works council expert advice via the same hotline, for example to help them prepare for and deal with the aftermath of difficult conversations. The EAP provider held consultations with 193 employees in 2014, corresponding to a take-up rate of 4.7%.

We support the EAP at fact-finding events and workshops for managerial staff, which are held several times a year. An EAP Info Day was also organised at the Luxembourg site in 2014, which featured a presentation for all employees and a workshop for managerial staff.

Employees can also obtain psychological support via the advisory service, particularly in the case of severe illnesses, while doctors can be consulted for a second or third opinion. Staff are also able to obtain appointments with the relevant specialists in private practice without the usual long waiting times.

Any employee wishing to return to work after a long illness can rely on the special care provided by DekaBank. To aid their re-integration into the workplace, we offer them advice and help them get used to working again, such as by offering flexible working hours. In many cases, we go above and beyond what is required by law.

Remuneration

DekaBank's remuneration system is based on our long-term corporate strategy and is regularly updated to ensure it is in line with current regulatory requirements. It offers incentives to keep on performing well while avoiding any that would promote excessive risk-taking. The basic principles of the remuneration system are outlined below. More detailed information can be found in the remuneration report, which can be viewed on our corporate website. For employees whose activities have a material impact on DekaBank's overall risk profile, the variable portion of the remuneration involves assessments and payments spread over several years (deferrals). Besides ensuring that we comply with regulatory requirements, this method also enables us to maintain our corporate value and guarantees long-term success. In line with regulatory requirements, a variable remuneration component cannot exceed 100% or 200% of the fixed component as applicable. However, DekaBank does not make any use of the option to increase variable remuneration components to 200% of the fixed component for the members of its Board of Management or any other employees.

The proportion of employees not on the pay scale increased marginally to 61.5% in 2014 (previous year: 60.9%). In such cases, remuneration is based solely on the employee's role and performance. The increasing trend towards highly skilled positions is also reflected in the pay scale breakdown, with the proportion of both non-pay-scale employees and employees in the higher pay bands growing steadily.

Remuneration is an important tool in a company's armoury and should therefore be aligned particularly closely with what is customary on the market. The Deka Group therefore runs annual benchmark analyses of fixed and variable remuneration in specific sectors and for specific roles.

In comparison to other sectors, the issue of the minimum wage is not a main focus in the financial industry. This is ensured in particular by the agreements between the relevant trade unions and the employer representatives, which give rise to corresponding collective bargaining agreements. All wages and salaries paid by DekaBank amount at least to the statutory minimum wage in the relevant country, but significantly exceed it in most cases.

Remuneration structure (Deka Group Germany) *(Fig. 9)*

%	31 Dec 2011	31 Dec 2012	31 Dec 2013	31 Dec 2014	female	male
Non-pay-scale	58.7	59.6	60.9	61.5	37.0	76.2
Pay scales, total	41.3	40.4	39.1	38.5	63.0	23.8
Pay scale 9	24.5	24.8	26.4	29.4	23.2	39.3
Pay scale 8	21.6	22.5	22.1	22.2	21.0	24.2
Pay scale 2-7	53.9	52.7	51.5	48.4	55.8	36.5

DekaBank employees can deposit bonus payments, holiday leave and approved overtime in working time accounts (known as a *Deka-ZeitDepot*) that can be used to take early retirement or temporary leaves of absence in the form of a sabbatical.

In addition to the benefits provided by the employer under collective bargaining agreements, DekaBank also offers its employees packages that include capital-forming payments, group accident and corporate travel insurance and a "job ticket" travel card for employees at the locations in Frankfurt am Main, with similar arrangements available at other Deka Group sites. Permanent employees also receive a company pension that is largely employer-funded (known as the DekaPension Plan Basic). As a basic principle, DekaBank does not make a distinction between part-time and full-time staff in terms of the benefits it provides; part-time employees receive benefits on a pro rata basis.

Details of pension obligations are provided in the consolidated financial statements (see Note [56]).

The remuneration system for members of DekaBank's Board of Management essentially follows the remuneration principles applied to DekaBank staff, while also taking into account the specific characteristics for employees whose roles are relevant to the Bank's risk exposure in accordance with the German Ordinance on the Supervisory Requirements for Institutions' Remuneration Systems (*Institutsvergütungsverordnung* – InstitutsVergV). The General Committee of DekaBank's Administrative Board is responsible for agreeing the specifics of the Board of Management's remuneration system in accordance with the regulatory requirements.

Applicable since 1 January 2014, this system is geared towards complying with the regulatory requirements and the principles of management remuneration laid down by the Wittenberg Center for Global Ethics. The fundamental prerequisites for granting a variable remuneration component are compliance with the statutory minimum core capital ratio plus capital buffer, an adequate liquidity situation and an ability to pay a dividend. The Deka Group's risk situation must also be evaluated and a penalty imposed as a result if required.

Resource management and the employer brand

Efficient human resources management involves finding appropriate candidates for key positions that are critical to the company's success. The aim is to attract the right people, develop them and retain them for the long term. DekaBank promotes a positive view of its employer brand by offering competitive packages and terms, and an attractive working environment. Not only does this help to improve levels of employee satisfaction and hence staff retention, it also has advantages when it comes to competing for the most talented individuals.

The Deka Group has committed itself internally to filling all vacancies with internal candidates where possible and to support internal appointments in general. This chimes with our efforts to promote the rigorous continued development of our employees and a clear focus for our HR strategy – having "the right employee in the right place". This "matching process" is closely supported by the HR & Organisation corporate centre.

The "Leadership Forum" was launched in 2014 to fill our vacant managerial roles. This sees potential candidates face a standard interview led by managerial staff from the specialist department and closely connected departments and supported by the HR & Organisation corporate centre. It aids consensus-building and makes the decision-making process highly transparent.

The internal advertisement and appointment process is agreed in the service/works agreement with our employee representatives. Employee representatives, for instance, also take part in the management forums, together with the Equal Opportunity Officers.

If no internal candidate is found for a vacant position, the job in question is advertised externally, first and foremost online.

In addition to the relevant department, the HR & Organisation corporate centre is closely involved in selecting external candidates, while the employee representatives also actively exercise their right to have input on the selection.

We see employee satisfaction and the staff turnover rate as quantitative indicators for the success of resource management and the cultivation of our employer brand.

The turnover rate was 4.2% in 2014, remaining extremely low despite a slight increase on the previous year.

Staff turnover rate (Deka Group Germany)[1] *(Fig. 10)*

%		31 Dec 2011	31 Dec 2012	31 Dec 2013	31 Dec 2014
Women		**4.0**	**3.0**	**3.6**	**3.8**
	Age range 20–29	4.9	4.0	5.3	6.3
	30–39	5.2	3.7	6.2	4.5
	40–49	2.8	1.3	2.0	3.8
	50–59	1.6	3.2	–	1.4
	>=60	3.4	10.8	2.2	5.7
Men		**4.8**	**3.6**	**4.2**	**4.3**
	Age range 20–29	7.2	4.4	10.7	5.0
	30–39	7.4	3.5	4.8	5.5
	40–49	2.9	3.6	3.6	3.6
	50–59	2.3	2.0	2.0	2.7
	>=60	1.6	6.6	7.5	14.0
Total staff turnover rate		**4.5**	**3.3**	**4.0**	**4.2**

[1] Excluding Board of Management, temporary staff, trainees, students, apprentices, interns/undergraduates and pensioners (starting retirement).

Regular staff surveys show that the overwhelming majority of DekaBank employees are happy with their jobs and satisfied with their terms and conditions.

Further training

One of the core tasks of DekaBank's HR work is to develop employees' core skills at all levels and in line with our strategy and requirements. The necessary needs analysis is performed in two stages – first centrally by the HR & Organisation corporate centre when the training programme is planned each year, and then locally during the development planning discussions between employees and their manager. All DekaBank employees have at least one of these discussions every year, which also include a performance appraisal. The needs analysis agreed between employees and their manager is based not only on areas in which they are required to develop for their current role but also on other potential roles that may open up in the short or medium term.

The process we use to promote personal and professional development is mandatory and transparent. Individual development paths are agreed based on the areas for development identified. This is done at least annually as part of the three-stage employee discussion (agreeing targets, discussing milestones and appraising achievement of targets). Employees and managerial staff have a wide range of tools at their disposal for this purpose.

We make a distinction between training that forms part of an individual's professional activities, for example as part of taking on a project, and training that is not related to their work. The latter can include seminars as well as longer training courses that lead to a certificate.

DekaBank attaches great importance to both specialist and general training, which is why the range of training on offer includes seminars aimed at developing interpersonal, methodological and social skills. We support internal and external training for our employees both financially and by releasing them from work when required. The level of support available depends on how relevant the training is to the individual's activities at the Bank.

DekaBank's skills development activities are geared towards maintaining its employees' level of performance for the long term and helping make its corporate culture fit for the future, something that is also reflected in an employee's individual training targets. We encourage employees and managers to meet before and after each training session to discuss individual targets and the extent to which the session has helped meet them as well as to agree on measures to help translate the session's content into practice.

Training evaluations are based on satisfaction, learning outcomes, transferability into practice and benefit. There are two stages to an evaluation: participants are asked for their first impressions shortly after the training session and are then questioned once more about the event four months later. This second round of questioning focuses on the practical use and benefit of the training content. Participants' managers are also questioned at the same time.

The average financial expenses for further training in Germany during the reporting year amounted to €1,170 per active employee (previous year: €1,216). This figure does not include expenses for further training that took place as part of projects.

DekaBank is conscious of the importance of training places and apprenticeships in view of the demographic changes in our society. As at the reporting date, 31 December 2014, the number of apprentices and trainees within the Deka Group in Germany, including student scholarships, stood at 61 (previous year: 73). We aim to be able to offer continuing employment to apprentices and trainees once their apprenticeship or training is complete.

The fact that we treat our junior staff fairly has also been recognised by external observers, with DekaBank being awarded the absolventa seal of approval in 2014 for its career-focused trainee programme. Our personnel development strategy also involves providing appropriate support for interns. We therefore participate in the Fair Company initiative run by the Handelsblatt publishing group. As part of this initiative, we are committed to providing graduates with interesting tasks during their internship at DekaBank and a fair chance of permanent employment.

Further training on and raising awareness of sustainability issues

Providing information on, and raising awareness of, sustainability issues is a key part of the training offered at DekaBank. The measures implemented include regular training and fact-finding sessions for new employees and junior staff and the discussion of environmental and sustainability issues in the staff magazine "inkom" and on the DekaBank intranet.

Sustainable banking/Environmental management

The Deka Group employs a wide range of measures to protect the environment and to ensure that resources are handled in an environmentally sound way in all business divisions. These measures are the responsibility of the Deka Group's Environmental Officer. Building on this responsibility, the Deka Group has adopted environmental guidelines, which it actively communicates both internally to all employees and externally to business partners and customers.

DekaBank's environmental management system has been certified in accordance with the internationally recognised standard DIN EN ISO 14001 since 2009 and was last re-certified by external environmental assessors in 2012. Internal and external audits of the environmental management system are conducted on an annual basis.

Data relevant to the environmental balance sheet is collected, stored and monitored across the company. Collating this information provides the basis for the annual environmental report, which presents a regular review of the environmental programme and illustrates the effectiveness of the measures adopted. The consumption of resources is also presented in a transparent manner, enabling the company's environmental performance, including its carbon footprint, to be mapped in a measurable way.

DekaBank's environmental report is published annually, usually at the end of the subsequent year. This is because some of the relevant data is only available from a lessor with a specific time lag. The information in the "Sustainable banking/Environmental management" chapter in this year's sustainability report thus refers to the 2013 calendar year in most cases. Any deviations from this are marked as such in the text.

The environmental report for 2013 can be downloaded from the section Sustainable banking/Environmental management on our website.

Environmental programme

The environmental management system includes an annual environmental programme, in which the Deka Group sets environmental targets for its main areas of activity and determines how these are to be implemented. The environmental balance sheet allows these measures to be checked for effectiveness, trends in energy and material consumption to be highlighted and new action points to be identified.

In 2013, the Deka Group continued its ongoing improvement process in light of the targets set in the 2013 environmental programme. Cutting energy consumption remained a focal point in a bid to achieve the target of a 5% annual reduction in CO_2 as well.

Overall, the Deka Group's business activities do not harm or pose a threat to any plant or animal species on the IUCN's Red List of endangered species and they also have no negative impact whatsoever on local communities. The impact of the Deka Group's business activities on biodiversity can therefore be regarded as negligible for reasons of materiality. For these reasons, no ongoing measures or future plans specifically to negate any impact on biodiversity have been devised.

A key element in the Deka Group's commitment to the comprehensive protection of the environment and natural resources is the ongoing further development of its own products and services (for more information see the "Sustainable banking products" chapter).

In 2014, the Prisma building was certified as a "Green Building", making it the third out of DekaBank's four centres to bear this distinction. Prisma has been awarded the BREEAM certificate and was rated "Excellent" by users. Two more DekaBank buildings in Frankfurt have been certified in accordance with the LEED standard, with both the Trianon and the Skyper bearing a LEED gold certificate.

Dialogue on environmental issues

Environmental issues also play an important role in the ongoing exchange with the Deka Group's main stakeholders (see also the "Communications" chapter). Examples of dialogue with employees and trainees include communication via the intranet and information seminars in which the Deka Group's environmental management system and sustainability activities are presented. All employees also have access via the intranet to the environmental management handbook, which is updated on an ongoing basis. In addition, the website www.umwelt-online.de can be used to access relevant environmental laws and regulations as well as their latest updates. Changes in environmental legislation are communicated to all employees in a timely manner. No fines or sanctions under environmental law have been imposed to date.

Regular exchange and intensive dialogue take place with the savings banks and all institutions in the *Sparkassen-Finanzgruppe* via the DSGV working groups, with respect to all sustainability issues, including any in-company environmental measures and their level of success.

Procurement management

When procuring products and services, the Deka Group pays attention to any potential impact on the environment and resources and to compliance with social standards. This approach is based on its sustainability declaration, which forms part of contractual business relationships with contractors and suppliers. It is based on the principles of the UN Global Compact, the Conventions of the International Labour Organization (ILO), the Universal Declaration of Human Rights of the United Nations, the UN Convention on the Rights of the Child, the UN Convention on the Elimination of all Forms of Discrimination, the OECD Guidelines for Multinational Enterprises and the Code of Conduct of the German Association for Materials Management, Purchasing and Logistics (*Bundesverband für Materialwirtschaft, Einkauf und Logistik e. V.*).

The agreement, which is binding on both parties, can be viewed on our website.

The most recent analysis from 2014 revealed that some 300 suppliers have signed DekaBank's sustainability declaration, which equates to around 83% of the purchase volume ordered. As a matter of principle, we adhere to the proximity principle for our purchases, favouring local German suppliers. This is also demonstrated by the fact that around 85% of our suppliers are German, with the remainder being from Anglo-American countries.

A risk process within the overall purchasing process ensures that the relevant purchaser checks for an entry in the risk database before any supplier is commissioned. DekaBank has corresponding risk reports on the providers involved for around 83% of the volume that has been contracted out. Its supplier audits focus on key suppliers and are performed on their premises. A procedure has been set up for rectifying any infringements of sustainability regulations and for reaching an agreement between DekaBank and the supplier concerned. If no agreement is reached, the matter must be escalated to the sustainability representative. The same applies if any infringements are noted during the audit.

During self-registration via the electronic procurement portal, as a basic principle all new suppliers are required to enter mandatory information about their environmental protection measures and human rights policy. Information entered on each supplier and service provider is then clearly available for all buyers to use during negotiations. Particularly sustainable items are highlighted in the product catalogue so that employees can identify them easily.

When inviting tenders for building management services, we ensure that suppliers abide by international environmental and social standards. Preference is given to service providers certified by an industry-standard seal of approval (for example EMAS, ISO 14001) or a recognised environmental seal of approval. Contractors also undertake to perform the services in accordance with a quality management system complying with ISO 9001 and later standards. As a general principle, specified tasks must be carried out in such a way that the health of those using the building is not put at risk and that minimum environmental requirements and statutory health and safety regulations are fulfilled.

Regular reports on sustainability issues are given at meetings of all relevant managers from the central and local purchasing units and in meetings of all purchasing staff with operational responsibility.

Across all product categories, however, it is clear at the present time that the Deka Group has no connections with suppliers suspected of using forced, compulsory or child labour. Including requirements that correspond precisely to these aspects in the sustainability declaration to be signed by all suppliers and service providers allows us to assume that all our suppliers guarantee freedom of association.

Resource consumption, emissions and waste

The DekaGroup records and monitors the consumption of energy, water and paper as well as waste and emissions. When monitoring emissions, we pay special attention to carbon dioxide and other greenhouse gases regulated by the Kyoto Protocol. We report the total amount of direct and indirect greenhouse gases emitted in the reporting year and compare it with previous years.

DekaBank's data logging and analysis work uses sector-specific indicators in accordance with the VfU (*Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten* – Association for Environmental Management and Sustainability in Financial Institutions) and is guided by the Greenhouse Gas Protocol. We use the SoFi sustainability database in our environmental management system to monitor individual material and energy flows and to calculate the relative indicators and CO_2 emissions.

The data reported on the environmental balance sheet relates to DekaBank's four buildings at its Frankfurt am Main site, with the exception of the key figures on paper consumption and business trips. Paper consumption figures cover all sites in Germany, meaning that the relative data is also based on employee numbers at DekaBank's other German sites (Berlin, Düsseldorf and Leipzig). Information on business trips covers the entire Deka Group, i.e. its sites in Luxembourg and for the last time Switzerland as well as those in Germany. The office in Switzerland was closed as of 31 December 2014.

The number of employees is the key factor used to calculate relative environmental indicators. Because of the method used for the calculation, this figure may differ from the number of employees stated in the Group management report. Employee numbers and the building area data used to calculate relative indicators are values at the year-end in each case. The number of employees in Frankfurt in 2013 remained virtually unchanged on 2012, with the total number of employees worldwide also up only marginally.

Energy consumption

Energy consumption within buildings at non-manufacturing companies has the largest direct environmental impact of any factor other than transport. Financial service providers consume relatively large amounts of electricity for data processing, lighting and air-conditioning as well as fossil fuels or district networks for heating buildings.

As well as using energy-efficient technologies and environmentally sustainable energy sources, energy-saving potential is offered by structural measures and, last but not least, ongoing efforts to raise awareness of energy-saving behaviour amongst employees.

Total energy consumption at DekaBank's four Frankfurt sites in 2013 was up slightly year on year. The trend in relative values is more meaningful in terms of DekaBank's environmental performance. The total amount of energy consumed per employee increased slightly in 2013. It was cut significantly in the Trianon building, due not least to the greater use of LED technology in light systems and more energy-efficient equipment (printers, refrigerators, etc.). The figure remained at the same level or rose slightly at the other sites.

Energy consumption by energy source in 2013 *(Fig. 11)*

	Trianon ML16	Prisma HS55	TA 10	Skyper TA 1
Electricity	21,414 GJ	16,175 GJ	4,646 GJ	4,392 GJ
District heating	19,489 GJ	9,893 GJ	5,323 GJ	933 GJ
Backup diesel	33 GJ	27 GJ	22 GJ	2 GJ
Total	**40,936 GJ**	**26,095 GJ**	**9,991 GJ**	**5,327 GJ**

Source: Environmental report 2013, page 17

A new indicator introduced in the 2013 environmental report is district heating use adjusted for heating degree days (HDDs).

Adjusted district heating consumption increased slightly at Prisma in 2013 but fell by between 3.5% and 8.6% in the other three buildings, suggesting this form of heating was used efficiently (Fig.1). Since 2013, the Deka Group has used electricity from renewable sources ("green electricity") to cover some of its energy requirements. This type of electricity now makes up 100% of the power consumed in Luxembourg and 25% in Frankfurt. This percentage is to be gradually increased over the next few years, with the aim being to buy only green electricity in future.

Energy consumption[1] *(Fig. 12)*

	2009	2010	2011	2012	2013
GWh	22.5	21.1	21.6	22.6	22.9
Number of employees	2,813	2,814	2,951	3,077	3,080
kWh/employee	7,985	7,486	7,307	7,345	7,427

[1] The analysis covers the sites in Frankfurt.
Source: Environmental report 2013, page 18

Development in comparative power consumption per employee *(Fig. 13)*

	Balance sheet year 2010		Balance sheet year 2011		Balance sheet year 2012		Balance sheet year 2013	
	GJ/ employee	Tolerance relative to 2009	GJ/ employee	Tolerance relative to 2010	GJ/ employee	Tolerance relative to 2011	GJ/ employee	Tolerance relative to 2012
Trianon ML16	16.8	0.33%	16.1	−3.97%	15.8	−1.75%	15.3	−3.22%
Prisma HS55	14.4	−5.88%	14.1	−1.89%	13.3	−5.60%	13.3	0.04%
TA 10	82.6	−40.03%	53.9	−34.67%	65.0	20.5%	64.5	−0.71%
Skyper TA 1	12.8	−2.20%	12.1	−5.70%	10.8	−10.8%	11.1	2.82%

Business travel

Business travel represents the main source of CO_2 emissions caused by the Deka Group's business activities. Total business travel amounted to 19 million kilometres in 2013, 10% less than the previous year. Rail travel fell by 7% and air travel by as much as 16% year on year. As most flights taken are long-haul, air travel made up the bulk of total business travel at 46%.

Business travel[1] *(Fig. 14)*

	2009	2010	2011	2012	2013
Millions of km	18.1	19.4	19.2	21.0	19.0
Number of employees	3,729	3,724	3,997	4,068	4,043
km/employee	4,854	5,209	4,829	5,162	4,699

[1] The analysis covers the sites in Germany, Switzerland and Luxembourg.
Source: Environmental report 2013, page 25

DekaBank intends to increase the uptake rate for job tickets for local public transport to 90% from just over 80% at present by offering extra incentives. In addition, since summer 2014 all employees have been able to use free rental bicycles for short distances, which can be booked at reception. Another covered bicycle rack has also been built.

Electric cars are used for courier services at the Luxembourg site, while they are also set to replace the natural gas vehicles currently in service in Frankfurt.

Trend in absolute business trips by means of transport *(Fig. 15)*

	Balance sheet year 2010		Balance sheet year 2011		Balance sheet year 2012		Balance sheet year 2013	
	km	**Tolerance relative to 2009**	**km**	**Tolerance relative to 2010**	**km**	**Tolerance relative to 2011**	**km**	**Tolerance relative to 2012**
Rail travel	2,745,956	–21%	2,420,000	–12%	2,714,248	12%	2,511,670	–7%
Road traffic	6,070,742	7%	6,000,741	–1%	7,799,174	30%	7,720,001	–1%
Air travel	10,544,559	19%	10,808,157	2%	10,499,083	–3%	8,771,809	–16%
Total	**19,361,257**	**7%**	**19,228,898**	**–1%**	**21,012,505**	**9%**	**19,003,480**	**–10%**

Greenhouse gas emissions

When detecting and analysing a company's carbon footprint, the Greenhouse Gas (GHG) Protocol distinguishes between direct (scope 1) and indirect (scope 2 and scope 3) emissions. In accordance with the GHG Protocol, CO_2 plus five other significant gases that are relevant to the climate are grouped under the term CO_2 equivalents (CO_2e): methane (CH_4), nitrous oxide (N_2O), sulphur hexafluoride (SF_6) and two groups of fluorohydrocarbons (PFCs and HFCs). The terms CO_2 emissions and greenhouse gas emissions are used in this report as synonyms for the CO_2 equivalents actually calculated. The cooling systems at DekaBank are subject to regular leakage tests. In 2014, a leak was identified, with just 37kg being removed and refilled during the course of the repair.

The only scope 1 emissions at DekaBank come from its backup diesel generator and vehicle fleet. Scope 2 emissions include those generated in producing purchased energy (such as electricity and district heating), i.e. not within the company itself. They make up the largest share of DekaBank's emissions. Scope 3 encompasses all other emissions from up- and downstream processes outside the company generated as a result of its activities (e.g. from the production of purchased paper or transport used for business trips). The scope 3 emissions calculated for DekaBank comprise emissions generated for business trips, paper and water consumption and the provision of fuel.

In 2013, the target of cutting CO_2 emissions by 5% annually was significantly exceeded at all levels for the first time. While Frankfurt achieved a reduction in CO_2 emissions of 11%, 9% and 14% was saved across Germany and across the entire Group, respectively. This was achieved mainly thanks to the sites in Frankfurt and Luxembourg using green electricity. However, this use was not accorded a CO_2 emission factor of zero; instead, a factor was used that corresponded to the energy's origin, i.e. hydropower in Frankfurt and wind and hydropower in Luxembourg (50% in each case).

One example of efforts to make equipment more efficient is the replacement of multifunctional printers by more energy-efficient models. The new printers bear Germany's "Blue Angel" environmental label and comply with "Energy Star" requirements. Consumption has thus more than halved compared with the previous models (average consumption 3.625 kWh/week).

Greenhouse gas emissions[1)] *(Fig. 16)*

	2009	2010	2011	2012	2013
Tonnes	16,848	16,011	15,475	15,020	12,896
Number of employees	3,729	3,724	3,997	4,068	4,043
T/employee	4.5	4.3	3.9	3.7	3.1

[1)] The analysis covers the sites in Germany, Switzerland and Luxembourg. The total number of tonnes comprises Scope 1-3. This includes direct GHGs (Scope 1) of 1,152 tonnes, indirect GHGs (Scope 2) of 11,797 tonnes and other indirect GHGs (Scope 3) of 3,063 tonnes.
Source: Environmental report 2013, page 47

Paper consumption

Paper consumption is a key environmental factor for service companies. Despite improvements in electronic data processing and further developments in the concept of the paperless office, in general paper consumption at financial service providers has not yet fallen by the amount expected.

Having dropped by 28% to just over 500 tonnes in the previous year, paper consumption rose again in 2013 by 31% to just under 700 tonnes, virtually on a par with the 2011 figure. This in turn was due primarily to the significant expansion of sales activities. At 49%, printed advertising material and publications accounted for the lion's share of paper consumption.

Each year, DekaBank assesses whether recycled paper could be used. However, the outcome has so far always been negative due to the prescribed retention periods and issues of document authenticity, as the quality of documents and signatures cannot be guaranteed over an extended period of time.

Nevertheless, all copying paper and printed advertising material as well as letterhead, printed forms and envelopes bear the FSC label and thus originate from sustainable forestry.

Paper consumption[1)] *(Fig. 17)*

	2009	2010	2011	2012	2013
Tonnes	926	733	728	527	689
Number of employees	3,330	3,337	3,509	3,586	3,596
kg/employee	278	220	208	147	192

[1)] Figures on paper consumption are available for the sites in Germany.
Source: Environmental report 2013, page 30f

Water consumption

Overall, DekaBank's drinking water consumption has fallen sharply in the past few years. Although at 38,000 m³ it was 3% higher in 2013 than in the previous year, it was 19% lower than in 2008. All water is taken from the mains.

All wastewater is sanitary wastewater, which is fed into the respective local sewer system. However, nearly 9% of its water consumption is covered by the use of rainwater. None of our business units has a negative impact on any habitats or bodies of water. No water is recovered and reused at present.

Trend in absolute drinking water consumption *(Fig. 18)*

	Balance sheet year 2010		Balance sheet year 2011		Balance sheet year 2012		Balance sheet year 2013	
	m³	Tolerance relative to 2009	m³	Tolerance relative to 2010	m³	Tolerance relative to 2011	m³	Tolerance relative to 2012
Trianon ML16	17,011	–23%	17,891	5%	18,171	2%	18,651	3%
Prisma HS55	16,462	–8%	16,565	1%	14,292	–14%	16,110	13%
TA 10	1,221	–75%	950	–22%	1,900	100%	840	–56%
Skyper TA 1	1,942	11%	2,071	7%	2,311	12%	2,282	–1%
Total	**36,636**	**–22%**	**37,477**	**2%**	**36,674**	**–2%**	**37,883**	**3%**

Waste

The volume of waste generated was cut markedly in 2011 and 2012. This low level was more or less maintained in 2013, with a slight increase of 0.9% across all buildings.

During 2013, at the Frankfurt site 140.18 tonnes of old files and old files from 240 litre aluminium cases were emptied, shredded, flattened and then processed by the paper industry. In 2013, a lump-sum transport allowance was calculated for the aluminium cases; an exact figure for the weight cannot be given (in 2014 the total amount was 111.52 tonnes with an average weight of 82 kg). A total of 3.12 tonnes of construction rubble and wood were generated in 2013, which was sorted and recycled before being reused, amongst other things, as gravel or wood chips to generate energy. Of the total 189.76 tonnes of waste recovered during 2013, around 20% of recyclable material (for example paper, foil/film, wood etc.) was sorted and the remainder used as fuel.

All waste is recycled or disposed of, as appropriate, by certified specialist disposal companies.

The marked increase in the recycling rate is a very positive development. We did not discharge any waste containing hazardous materials, such as oil or chemicals. In addition, no waste deemed hazardous under the regulations of the Basel Convention was exported.

Trend in absolute volume of waste generated *(Fig. 19)*

	Balance sheet year 2010		Balance sheet year 2011		Balance sheet year 2012		Balance sheet year 2013	
	t	Tolerance relative to 2009	t	Tolerance relative to 2010	t	Tolerance relative to 2011	t	Tolerance relative to 2012
Trianon ML16	134.1	8.1%	112.9	–15.8%	111.2	–1.5%	110.3	–0.8%
Prisma HS55	135.8	–2.0%	124.1	–8.6%	99.6	–19.7%	107.4	7.8%
TA 10	2.8	–30.8%	6.2	123.0%	8.5	37.4%	5.1	–40.0%
Skyper TA 1	37.2	3.5%	32.8	–11.9%	33.8	3.1%	32.6	–3.5%
Total	**309.9**	**2.4%**	**276.0**	**–10.9%**	**253.2**	**–8.3%**	**255.4**	**0.9%**

The substantial decrease seen in the recycling rate in the last few years came to a halt in 2013. The recycling rate was increased in all buildings.

Other environmental initiatives of the Environmental Management unit

The Deka Group's Environmental Management unit is continuing its systematic programme of environmental protection activities with a host of individual measures. Happily, the level of environmental awareness in the relevant units is clearly visible. This is reflected not least in individual initiatives that benefit the Deka Group's comprehensive environmental protection activities as a whole.

As part of the world's largest climate protection campaign "WWF Earth Hour", for example, the lights of Trianon, Prisma and Skyper were switched off for an hour.

Corporate citizenship

Corporate citizenship is a cornerstone of DekaBank's sustainability strategy. As a member of the *Sparkassen-Finanzgruppe*, we focus our activities on the needs of the local area and on serving the common good. DekaBank enters into long-term partnerships with reputable institutions from the fields of the arts, architecture, social projects and academia. Together with other institutions in the *Sparkassen-Finanzgruppe*, DekaBank also supports further nationwide cultural and sporting projects. All its partnerships are built on continuity, as this is the only way to enable close working relationships based on trust.

During the reporting year, DekaBank donated €904,901, mainly to academic institutions and social projects. The amount of funding provided by the partnerships totals €1,037,377.

Sparkassen-Finanzgruppe: DekaBank's social engagement within the association

Between 7 and 9 November, around 8,000 illuminated balloons stretched from Bornholmer Straße past the Brandenburg Gate to the Eastside Gallery, marking the former course of the Berlin Wall. Together with Landesbank Berlin and the German Savings Banks and Giro Association, DekaBank supported the creation of this *Lichtgrenze*, or line of light, which commemorated the peaceful revolution of 9 November 1989. The release of the balloons into the sky on 9 November was a social event that attracted international attention and major media coverage. The popularity of the expression prompted the Society for the German Language (*Gesellschaft für deutsche Sprache* – GfDS) to crown "*Lichtgrenze*" its word of the year for 2014.

DekaBank has been the main sponsor of the *Staatliche Kunstsammlungen Dresden* museums and institutions since 2006, together with the Ostsächsische Sparkasse Dresden, the East German Savings Banks Association (*Ostdeutscher Sparkassenverband*) of all savings banks in Saxony, LBS Ostdeutsche Landesbausparkasse AG, Sachsen Bank, Sparkassen-Versicherung Sachsen and the Cultural Fund of the German Savings Banks and Giro Association. The contract was extended in 2014 and now runs until 2016. The aim is to make people even more aware of the extraordinary significance of this unique cultural heritage. Under this partnership the *Sparkassen-Finanzgruppe* supports not only specific exhibitions, such as "Dionysos. Intoxication and Ecstasy" in 2014, but also training projects for young people.

Represented by Berliner Sparkasse, DekaBank and the Savings Banks' Cultural Fund of the German Savings Banks and Giro Association, the *Sparkassen-Finanzgruppe* has also sponsored the *Staatliche Museen zu Berlin* (Berlin State Museums) since 2011.

The stock exchange simulation is designed to promote knowledge of the world of finance and the capital markets. As the main partner organisation of the *Sparkassen-Finanzgruppe*, since 2014 DekaBank has supported the simulation to help foster a securities culture. The addition to the simulation of a module on sustainability and the extensive didactic concept on financial education led to the project being included in the United Nations' Decade of Education for Sustainable Development (2005-2014). Participants gain financial and social skills and learn the basics of acting sustainably.

The foundation of the DekaBank Staff Committee was formally established on 28 September 2009. From 1999 onwards, the two members of the Administrative Board appointed by the Staff Committee donated their expenses allowance to an internal social fund. The accumulated capital was then used as the basis for the foundation. The members of the Administrative Board have transferred their remuneration directly to the foundation since 2009. The proceeds are donated to employees of the bank who find themselves in emergency situations, or to social, charitable and non-profit institutions. In 2014, the foundation was able to distribute €11,000 in proceeds.

DekaBank's partnerships

We actively embrace our involvement in architecture, the arts, social projects and academia. Because we see it as our special duty to make a commitment, we work closely with reputable institutions and actively involve our colleagues in what we do.

MMK Museum für Moderne Kunst Frankfurt am Main

The *MMK Museum für Moderne Kunst* is one of the world's leading museums of contemporary art. DekaBank has been supporting MMK's efforts to build up its collection since as far back as 2002. As well as its two well-known sites, since October 2014 the museum has had a new annex in the TaunusTurm building complex, MMK 2. DekaBank is a founding partner of MMK 2 and, together with other companies and institutions, covers the operating costs for exhibitions. It is also a patron of MMK 2's opening exhibition, "Boom She Boom. Works from the MMK Collection". MMK 2 is financed exclusively by private companies and foundations, a successful example of an unparalleled public-private partnership and an innovative and economically unique model for the expansion of museum space.

International Highrise Award

The International Highrise Award (IHA) was presented for the sixth time in Frankfurt's St Paul's Church (*Paulskirche*) on 19 November 2014. The firm of architects Boeri Studio and developer Hines Italia SGR S.p.A. from Milan won the award for *"Bosco Verticale"*, a pair of highrise apartment blocks also in Milan. The award thus honoured a project that has played a pioneering role in incorporating greenery into highrise buildings and that can serve as a prototype for the cities of tomorrow.

The IHA has been presented by the City of Frankfurt am Main every two years since 2004. It was launched and is curated and organised in partnership with the *Deutsches Architekturmuseum* (German Museum of Architecture – DAM) and DekaBank, which provides most of the funding for the IHA. The award is adjudicated by an international jury of experts. Celebrating its tenth anniversary, the IHA attracted very positive coverage in the national and international press as well as on television and radio. This year's prizewinner received a congratulatory telegram from Italy's President Napolitano during the press conference.

Academia

For many years now, DekaBank has sponsored Goethe University of Frankfurt am Main, which celebrated its 100th anniversary during the reporting year. As well as supporting the Association of Friends and Sponsors of Goethe University (*Vereinigung von Freunden und Förderern der Goethe-Universität*) since 1968, and the Goethe Finance Association since 2004, DekaBank has also provided sponsorship for the university's Center for Financial Studies since 1998.

In addition, Goethe University was able to award a record 606 scholarships in the 2013/14 academic year, helped by a donation from DekaBank worth the equivalent of 42 such scholarships. This propelled Goethe University ahead of all its other counterparts in Germany. The Germany Scholarships are funded half by the German Federal Ministry of Education and Research (*Bundesministerium für Bildung und Forschung*) and half by private sponsors.

Social projects

DekaBank made 103 donations during the reporting year. The largest of these went to "Die Arche e. V.", a Christian foundation for children and young people in Frankfurt am Main, and to the Don Bosco Mission in Freetown, Sierra Leone, to fight the latest Ebola outbreak.

Further donations were also made on a regional level as part of the campaign known as *"Deka – Engagiert vor Ort"* (Deka – Making a Local Commitment). These went to support projects that are close to employees' hearts or in which they themselves are involved. 2014 was a record year, with 399 project applications made; 25 of these projects received €1,000 each.

DekaBank art collection

DekaBank has been building up its collection of 21st century art since 2003. It currently numbers just under 1,400 paintings, photographs, sculptures and art installations and is one of the most contemporary company art collections in Frankfurt am Main. The international collection reflects the current diversity of artistic forms of expression brought by the 21st century. It focuses on works that address socially relevant themes and invite debate on the current definition of art. Young, up-and-coming talent is an important consideration when new works are acquired.

Guided tours are held regularly for DekaBank's employees and visitors. To make the collection available to a wider audience, 2014 saw DekaBank take part for the tenth time in an initiative by the Ministry of Economic Affairs, Transport and Regional Development (*Ministerium für Wirtschaft, Verkehr und Landesentwicklung*) of the state of Hesse entitled "Private art! Hesse companies display their collections". Works from the DekaBank art collection are also in regular demand as loan collections for exhibitions by museums of international standing.

Communications

Ongoing, open dialogue with the representatives of all key stakeholders lays the foundations for DekaBank's sustainability strategy. The Sustainability Management department acts as a central point of contact for ecological, ethical and social issues.

As the securities service provider for the German savings banks, we utilise our owners' expertise to further develop our business model and maintain close dialogue with all members of the *Sparkassen-Finanzgruppe* – including on sustainability matters – primarily through joint projects and meetings.

DekaBank also holds ad-hoc discussions with representatives of other stakeholder groups on various aspects of sustainability. Suggestions obtained in this way and the results of intensive market research are incorporated into DekaBank's strategic thinking and policy decisions. We explain below the main ways in which we maintain and guarantee an ongoing dialogue with our key stakeholders. More information on this exchange process is available online on our website.

Dialogue with savings banks

To utilise the savings banks' expertise in carrying out our sustainability activities, DekaBank relies on intensive cooperation through specialist advisory committees and sales committees. DekaBank has also been involved in the Sustainability Working Group of the DSGV for many years. Members of the Sustainability Management department are part of the working group. In this way, we ensure that the activities of DekaBank and other members of the *Sparkassen-Finanzgruppe* are complementary and consistent with one another. A particularly in-depth exchange takes place with association partners on how to make banking operations environmentally friendly and how such measures can translate into success. The issue of sustainability is also a key part of the training provided to bankers at savings banks, with DekaBank supporting and advising on the training courses offered at the Savings Banks Academies. At the same time, there is close cooperation on sustainability reporting through regular working groups.

DekaBank conducts surveys of the savings banks every six months. These focus on the savings banks' assessments of their respective market environment, upcoming trends in key framework conditions and their strategy based on these, and also their opinion of DekaBank's current products or initiatives. Different questions are used depending on the prevailing market situation and current events. The most recent survey also garnered the savings banks' opinions on the issue of sustainable investment.

Sustainability test for Depot A accounts

During the reporting year, for the first time DekaBank invited the savings banks to evaluate their own investments with respect to sustainability criteria, as part of the Deka Treasury Compass. For this event, together with the sustainability rating agency imug, DekaBank developed the "Savings Bank Own Investments Filter compact", which defines exclusion criteria for the evaluation of the respective Depot A accounts in the fields of armaments, environment, corruption and human rights. A total of almost 200 savings banks agreed to participate in the sustainability test.

Dialogue with private customers and institutional investors

Dialogue with savings bank customers and institutional investors is a high priority for DekaBank. We conduct detailed customer surveys on a regular basis and discuss the results with the management boards, executive staff and customer advisers of the savings banks. The combined results of this process form the basis for optimising our product and service offering. The insights into investor trends provide important inspiration and ideas for developing our sustainable products.

We are committed to an intensive dialogue with companies, contacting over 2,000 of them every year. The issues discussed vary from industry to industry, with our current focus being corporate governance and environmental protection. Selected speeches given at annual general meetings are published on our corporate website.

Dialogue with employees

Dedicated and satisfied employees, who identify themselves with the company and continually expand their knowledge and skills, are an important success factor. Together with an independent adviser, we therefore conduct regular staff surveys to review their satisfaction with respect to issues such as corporate culture and management.

The employee survey is geared towards obtaining a reliable picture of what staff perceive to be the organisation's greatest strengths, but also the areas in which action is most needed.

Surveys and feedback sessions have been held across the group in a two-year cycle to date. In 2014, the Board of Management and management team of the Group took a thorough look at the results of the most recent session from autumn 2013 and an extremely wide range of initiatives were launched at both Group and specialist department level.

Regular reports on the whole process were published in internal media and employees were kept up to date on the next steps.

DekaBank's environmental management system is also influenced by the ongoing dialogue with our employees. Regular feedback and ideas provided by employees give us new impetus and information that we can use to improve our environmental track record and make sure that our staff are involved in implementing new initiatives. For example, there are regular discussions with employees and trainees on environmental topics at seminars named "Ideas, Complaints, Environmental Management", where DekaBank's environmental management system and sustainability activities are presented. Another source of information is the environmental management system intranet site, which offers all staff the opportunity to learn more about environmental issues and the latest changes in environmental law.

We also encourage employees to come forward with ideas and suggestions for improvements, and reward them for doing so. DekaBank has been piloting a new innovation platform since mid-July 2014. Five other institutions from the *Sparkassen-Finanzgruppe* have now also joined the project. It differs from traditional ideas management in that suggestions are now made, commented upon and appraised via the intranet. Involving over 1,000 of the total 4,200 or so employees, the first pilot phase has been successfully completed. So far 62 employee ideas have been proposed, evaluated and commented upon. In 2015, a pilot run involving all employees is taking place.

Dialogue with employee representatives

Our employees are represented by staff committees and works councils (Germany) and by the Comité Mixte (Luxembourg). Internally, the Disability Officer and Equal Opportunity Officers can also be contacted by employees in the event of problems in the workplace. The management and employee representatives of the Deka Group enjoy a relationship based on trust and open dialogue.

DekaBank is aware that successful change processes depend on openness and transparency. We therefore try to ensure that employee bodies are kept abreast of day-to-day HR activities. All relevant information is passed on to employees as soon as possible by publication in internal company media or via e-mail.

Dialogue with management

In 2014, the departmental heads of the Deka Group were deliberately removed from their day-to-day activities to participate in a two-day offsite event, where they discussed upcoming challenges faced by the Deka Group leadership team. This provided clarity on what the core priorities of product quality, customer focus and cost flexibility signify for Deka as a whole and for each individual team. The event also strengthened and further improved collaboration amongst the leadership team. Due in part to the strong feedback from the participants, the offsite event will be repeated in 2015.

Dialogue with supervisory authorities

As part of the normal execution of its business operations, DekaBank is in regular contact with relevant national and European supervisory authorities. We actively assist with the development of relevant issues and our input is valued by the authorities.

Dialogue with suppliers

Binding guidelines for sustainable procurement on both sides provide the framework for our business relationships with suppliers (read more in the "Sustainable banking" chapter from page 209 onwards). We also conduct regular progress discussions with our contractors on all issues relating to sustainability. We attach great importance to long-term relationships with suppliers and service providers, and they are required to meet the same sustainability criteria as the Deka Group. The guideline "Procurement of Goods and Services" stipulates the procedure to follow in the event of infringements being identified during the supplier risk assessment. If no agreement is reached, the matter must be escalated to the sustainability representative. The same applies if any infringements are noted during the audit.

Communication with associations and organisations

As an member of various associations and organisations, the Deka Group is actively involved in driving forward the debate on conserving resources and structuring business processes in a socially responsible manner. In this way we help to increase the value placed by the public on addressing sustainability issues. We also exchange ideas with other members on relevant topics.

Through its membership of these organisations, DekaBank makes its expertise available to politicians and policymakers exclusively in the interests of the *Sparkassen-Finanzgruppe*. The following institutions are particularly noteworthy in this context: *Bundesverband Investment und Asset Management e.V.* (BVI), *Bundesverband Öffentlicher Banken Deutschlands e.V.* (Association of German Public Banks), CDP Carbon Disclosure Project, CRIC Corporate Responsibility Interface Centre e.V., *Deutsches Aktieninstitut e.V.* (German Equities Institute – DAI), *Deutscher Sparkassen- und Giroverband e.V.* (German Savings Banks and Giro Association – DSGV), the German Sustainability Code (*Deutscher Nachhaltigkeitskodex* – DNK), European Fund and Asset Management Association – EFAMA, the Equator Principles Association, European Association of Public Banks – EAPB, *Forum Nachhaltige Geldanlagen* (Forum for Sustainable Financial Investments), *Institut der deutschen Wirtschaft* (German Institute for Economic Research), *Umweltforum Rhein-Main e.V.* (Rhein-Main Environmental Forum), UN Global Compact, UN-PRI (Principles for Responsible Investment), *Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten e.V.* (Association for Environmental Management and Sustainability in Financial Institutions), WDP Water Disclosure Project, and Zentraler Immobilienausschuss (German Property Federation – ZIA).

Dialogue with non-governmental organisations

DekaBank maintains dialogue with various national and international lobby groups and non-governmental organisations (NGOs) concerned with sustainable business development. The following should be mentioned in particular: Robin Wood e.V., Urgewald e.V., Greenpeace, Netwerk Vlaanderen, Facing Finance e.V., Bank Track, and Profundo.

Dialogue with academic institutions

Regular exchange of ideas and information with academic institutions is of great strategic importance for DekaBank, as it allows us to incorporate the latest theoretical findings into our processes. The Private Institute for Quantitative Capital Market Research (IQ-KAP), set up in 2013 on the initiative of DekaBank, stepped up its work during the reporting year. The Institute is in close contact with the Goethe University of Frankfurt am Main, and the colocated House of Finance which aims to bring together respected academics and asset management practitioners from DekaBank.

More information on DekaBank's dialogue with the academic community can be found in the section on support for academia in the "Corporate citizenship" chapter.

Dialogue with rating agencies

Comparability is also a key criterion in sustainability issues. Rating agencies that specialise in ethical, ecological and social standards provide comparable data and hence make a valuable contribution to the development of sustainable investment. A sustainable approach that has been validated by a good rating enhances financial performance in the long term and is a key factor not least in the competition for asset management mandates from institutional investors and from church and pension funds.

Besides carrying out regular reviews, we maintain dialogue with three specialist rating agencies: imug, oekom research and sustainalytics.

imug

imug Beratungsgesellschaft für sozial-ökologische Innovationen mbH (or imug) is concerned primarily with public-sector and mortgage *Pfandbriefe*, but also institutions providing real estate finance. DekaBank's latest imug rating is "positive" in all three categories (public-sector *Pfandbriefe*, mortgage *Pfandbriefe* and unsecured bonds).

oekom research AG

Within its peer group, "Financials/Public & Regional Banks", the Deka Group improved its overall ranking in oekom research AG's Corporate Rating in December 2014. The peer group is made up of 85 banks across the world. The Deka Group scored an overall mark of "C", an improvement on 2012. This corresponds to "Prime" status at oekom research AG. This strong rating will make the Deka Group's issues and products particularly attractive to investors whose investments must meet certain environmental and social criteria.

sustainalytics

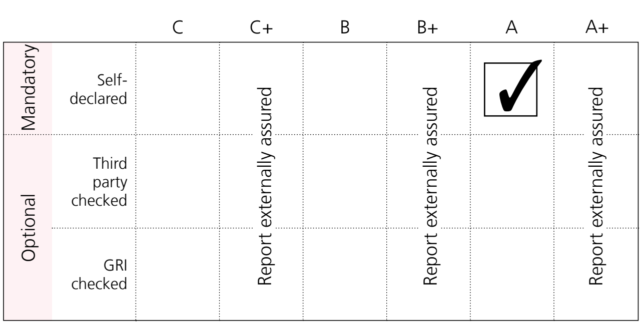
The Dutch rating agency sustainalytics employs a diversified ranking system. With 70 points, we currently rank 44th among 382 rated companies.

About this sustainability report/GRI Content Index

Every year, DekaBank publishes a sustainability report which forms part of the annual report. The sustainability report is prepared on the basis of the Global Reporting Initiative (GRI 3.1) Guidelines, including the Financial Services Sector Supplement.

The present report covers the 2014 financial year and consequently follows on from the previous report published in April 2014 (for the 2013 reporting year). An exception to this is the "Sustainable banking/Environmental management" chapter, which is based on data from the environmental report, also released annually. As gathering and analysing the information it contains is a relatively complex process, the environmental report is generally not published until towards the end of the subsequent financial year. The section concerned thus covers the 2013 financial year.

GRI Application Level *(Fig. 20)*



Information about the GRI Content Index is made available to investors and analysts on our website. The Content Index is an overview of all reported GRI indicators and includes references to DekaBank's respective publications, where the relevant information is provided. In addition, the GRI Content Index comprises an annual presentation of the progress made in respect of the UN Global Compact principles.

Equator Principles Reporting

Project finance reviewed (> USD 10bn) by sector and region *(Fig. 21)*

EP category	Oil & Gas	Commodities	Power	Other
A	–	–	–	–
B	–	–	1	3
C	–	–	1	3
Total	**–**	**–**	**2**	**6**

EP category	Europe (EU)	Europe (Non-EU)	North America	South America	Asia	Middle East & Africa	Australia & Other
A	–	–	–	–	–	–	–
B	3	–	1	–	–	–	–
C	4	–	–	–	–	–	–
Total	**7**	**–**	**1**	**–**	**–**	**–**	**–**

Category A: Projects with potential significant adverse social or environmental impacts which are diverse, irreversible or unprecedented.
Category B: Projects with potential limited adverse social or environmental impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures.
Category C: Projects with minimal or no social or environmental impacts.

Contacts for questions relating to corporate sustainability reporting

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Klaus-Andreas Finger
Deputy Environmental Officer
klaus-andreas.finger@deka.de

Other information

Shareholders, subsidiaries and associated companies

Shareholders of DekaBank *(as of 1 March 2015)*

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 2015)*

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%
Deka Treuhand 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	49.9%
Heubeck AG, Cologne	45.0%
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%
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 (formerly: Deka Investors Investment AG mit TGV), 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	
LBG Leasing Beteiligungs-GmbH, Frankfurt/Main	100.0%
Global Format GmbH & Co. KG, Munich	18.8%
Deutsche Bauernsiedlung – Deutsche Gesellschaft für Landentwicklung GmbH, Frankfurt/Main	12.5%
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%
Deka Treuhand Erwerbsgesellschaft mbH, Frankfurt/Main	100.0%
SIZ Informatikzentrum der Sparkassenorganisation GmbH, Bonn	5.0%
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 March 2015)

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. 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

Hans-Heinrich Hahne
Chairman of the Management Board of Sparkasse Schaumburg, Rinteln
Member of the Credit 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 and Cologne
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 of DekaBank Deutsche Girozentrale, Frankfurt/Main

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

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

Board of Management

Michael Rüdiger
CEO

Oliver Behrens
(to 24 November 2014)
Deputy CEO

Dr. Matthias Danne

Martin K. Müller

Dr. Georg Stocker

Executive Manager

Manfred Karg

Fund-related committees

(as of March 2015)

Securities business division

Advisory Board Retail

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

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

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

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

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

Jürgen Marquardt
Deputy 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

Heinz-Dieter Tschuschke
Chairman of the Management Board of Sparkasse Meschede, Meschede

Guest

Ludger Gooßens
Executive Member of the Management Board of the German Savings Banks and Giro Association e. V., Berlin

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

Advisory Board Institutional

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

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

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

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

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 Landes-sparkasse, 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

Dr. Georg Stocker
Deputy Chairman
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
Andreas Lau
Dr. Ulrich Neugebauer
Dr. Udo Schmidt-Mohr

Landesbank Berlin Investment GmbH

Supervisory Board

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

Dr. Georg Stocker
Deputy Chairman
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Serge Demolière
Member of the Management Board of Berliner Sparkasse, Berlin

Steffen Matthias
Berlin

Martin K. Müller
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Thomas Schneider
DekaBank Deutsche Girozentrale, Frankfurt/Main

Board of Management

Andrea Daniela Bauer
Spokeswoman
Andreas Heß
Dyrk Vieten

DekaBank Deutsche Girozentrale Luxembourg S.A.

Administrative Board

Martin K. Müller
Chairman of the Management Board
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

Wolfgang Dürr
Acting Member of the Administrative Board of DekaBank Deutsche Girozentrale Luxembourg S.A., Luxembourg

Dr. Georg Stocker
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

(End of term of office: May 2019)

Board of Management

Wolfgang Dürr
Patrick Weydert

Real Estate business division

Advisory Board Real Estate

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

Michael Grüninger
Chairman of the Management Board of Sparkasse Stockach, Stockach

Jürgen Hösel
Chairman of the Management Board of Kreissparkasse Peine, Peine

Johannes Hüser
Chairman of the Management Board of Kreissparkasse Wiedenbrück, Rheda-Wiedenbrück

Dirk Köhler
Chairman of the Management Board of Sparkasse Uelzen Lüchow-Dannenberg, Uelzen

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 Schweinfurt, Schweinfurt

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

Dr. Georg Stocker
Deputy Chairman
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

Dr. Georg Stocker
Deputy Chairman
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Hartmut Wallis
Zornheim

Board of Management

Wolfgang G. Behrendt
Burkhard Dallosch
Torsten Knapmeyer
Dr. Albrecht Reihlen

WestInvest Gesellschaft für Investmentfonds mbH

Supervisory Board

Dr. Matthias Danne
Chairman
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Dr. Georg Stocker
Deputy Chairman
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Hartmut Wallis
Zornheim

Board of Management

Burkhard Dallosch
Benjamin Klisa
Torsten Knapmeyer
Mark Wolter

Savings Banks Sales

Regional Fund Committees for Savings Banks

Regional Fund Committee for Savings Banks North/East I

Erzgebirgssparkasse, Annaberg-Buchholz
Sparkasse Celle, Celle
Sparkasse Chemnitz, Chemnitz
Nord-Ostsee Sparkasse, Flensburg
Sparkasse Mittelsachsen, Freiberg
Sparkasse Gifhorn-Wolfsburg, Gifhorn
Sparkasse Göttingen, Göttingen
Saalesparkasse, Halle (Saale)
Sparkasse Harburg-Buxtehude, Hamburg
Sparkasse Hannover, Hanover
Sparkasse Hildesheim, Hildesheim
Förde Sparkasse, Kiel
Sparkasse Leipzig, Leipzig
Sparkasse Lüneburg, Lüneburg
Stadtsparkasse Magdeburg, Magdeburg
Sparkasse Südholstein, Neumünster
Sparkasse Osnabrück, Osnabrück
Sparkasse Vogtland, Plauen
Kreissparkasse Herzogtum Lauenburg, Ratzeburg
Sparkasse Meißen, Riesa
Sparkasse Schaumburg, Rinteln
OstseeSparkasse Rostock, Rostock
Kreissparkasse Syke, Syke
Kreissparkasse Verden, Verden
Sparkasse Zwickau, Zwickau

Regional Fund Committee for Savings Banks North/East II

Stadtsparkasse Bad Pyrmont, Bad Pyrmont
Stadtsparkasse Bad Sachsa, Bad Sachsa
Stadtsparkasse Barsinghausen, Barsinghausen
Kreissparkasse Bautzen, Bautzen
Kreissparkasse Anhalt-Bitterfeld, Bitterfeld-Wolfen
Bordesholmer Sparkasse AG, Bordesholm
Weser-Elbe Sparkasse, Bremerhaven
Sparkasse Jerichower Land, Burg
Stadtsparkasse Burgdorf, Burgdorf
Stadtsparkasse Cuxhaven, Cuxhaven
Stadtsparkasse Dessau, Dessau-Rosslau
Kreissparkasse Grafschaft Diepholz, Diepholz
Sparkasse Elmshorn, Elmshorn
Sparkasse Goslar/Harz, Goslar
Sparkasse Muldental, Grimma
Stadtsparkasse Hameln, Hameln
Sparkasse Hohenwestedt, Hohenwestedt
Sparkasse zu Lübeck AG, Lübeck
Sparkasse Wittenberg, Lutherstadt Wittenberg
Sparkasse Ostprignitz-Ruppin, Neuruppin
Sparkasse Mecklenburg-Strelitz, Neustrelitz
Sparkasse Nienburg, Nienburg
Sparkasse Osterode am Harz, Osterode/Harz
Sparkasse Parchim-Lübz, Parchim
Kreissparkasse Peine, Peine
Sparkasse Altmark West, Salzwedel
Sparkasse Scheeßel, Scheeßel
Sparkasse Mecklenburg-Schwerin, Schwerin
Sparkasse Niederlausitz, Senftenberg
Sparkasse Stade-Altes Land, Stade
Sparkasse Uelzen Lüchow-Dannenberg, Uelzen
Stadtsparkasse Wedel, Wedel
Sparkasse Wilhelmshaven, Wilhelmshaven

Further Members North/East I + II

East German Savings Banks Association, Berlin
Hanseatic Savings Banks and Giro Association, Hamburg
Savings Banks Association Lower Saxony, Hanover
Savings Banks and Giro Association for Schleswig-Holstein, Kiel

Regional Fund Committee for Savings Banks Mid I

Sparkasse Westmünsterland, Ahaus and Dülmen
Taunus Sparkasse, Bad Homburg v. d. Höhe
Sparkasse Mittelmosel – Eifel Mosel Hunsrück, Bernkastel-Kues
Sparkasse Bielefeld, Bielefeld
Sparkasse KölnBonn, Cologne
Stadt- und Kreis-Sparkasse Darmstadt, Darmstadt
Sparkasse Paderborn-Detmold, Detmold and Paderborn
Sparkasse Dortmund, Dortmund
Sparkasse Düren, Düren
Sparkasse Duisburg, Duisburg
Sparkasse Mittelthüringen, Erfurt
Sparkasse Essen, Essen
Frankfurter Sparkasse, Frankfurt/Main
Sparkasse Oberhessen, Friedberg
Sparkasse Fulda, Fulda
Sparkasse Gera-Greiz, Gera
Sparkasse Gießen, Gießen
Kreissparkasse Groß-Gerau, Groß-Gerau
Sparkasse Hagen, Hagen
Sparkasse Hanau, Hanau
Sparkasse Herford, Herford
Kreissparkasse Steinfurt, Ibbenbüren
Kasseler Sparkasse, Kassel
Sparkasse Koblenz, Koblenz
Sparkasse Lemgo, Lemgo
Sparkasse Leverkusen, Leverkusen
Sparkasse Krefeld, Krefeld
Sparkasse Minden-Lübbecke, Minden
Sparkasse Mülheim an der Ruhr, Mülheim/Ruhr
Sparkasse Münsterland Ost, Münster
Sparkasse Neuwied, Neuwied
Kreissparkasse Saarlouis, Saarlouis
Sparkasse Langen-Seligenstadt, Seligenstadt
Sparkasse Siegen, Siegen
Stadt-Sparkasse Solingen, Solingen
Sparkasse Trier, Trier
Sparkasse Hilden-Ratingen-Velbert, Velbert
Sparkasse Wetzlar, Wetzlar
Nassauische Sparkasse, Wiesbaden
Stadtsparkasse Wuppertal, Wuppertal

Regional Fund Committee for Savings Banks Mid II

Sparkasse Attendorn-Lennestadt-Kirchhundem, Attendorn
Sparkasse Wittgenstein, Bad Berleburg
Sparkasse Bad Hersfeld-Rotenburg, Bad Hersfeld
Stadtsparkasse Bad Honnef, Bad Honnef
Stadtsparkasse Bad Oeynhausen, Bad Oeynhausen
Sparkasse Bensheim, Bensheim
Stadtsparkasse Blomberg/Lippe, Blomberg
Stadtsparkasse Bocholt, Bocholt
Sparkasse Bottrop, Bottrop
Stadtsparkasse Delbrück, Delbrück
Wartburg-Sparkasse, Eisenach
VerbundSparkasse Emsdetten-Ochtrup, Emsdetten
Sparkasse Odenwaldkreis, Erbach
Sparkasse Finnentrop, Finnentrop
Sparkasse Gronau, Gronau
Sparkasse Grünberg, Grünberg
Sparkasse Gütersloh, Gütersloh
Stadt-Sparkasse Haan (Rheinl.), Haan
Kreissparkasse Halle (Westfalen), Halle/Westphalia
Sparkasse Starkenburg, Heppenheim
Kreissparkasse Saarpfalz, Homburg
Sparkasse Arnstadt-Ilmenau, Ilmenau
Sparkasse Iserlohn, Iserlohn
Sparkasse Jena-Saale-Holzland, Jena
Sparkasse Waldeck-Frankenberg, Korbach
Stadtsparkasse Lengerich, Lengerich
Sparkasse Lüdenscheid, Lüdenscheid
Sparkasse Mainz, Mainz
Kreissparkasse Mayen, Mayen
Sparkasse Neunkirchen, Neunkirchen
Sparkasse Olpe-Drolshagen-Wenden, Olpe
Stadtsparkasse Rahden, Rahden
Sparkasse Rietberg, Rietberg
Kreissparkasse Saalfeld-Rudolstadt, Saalfeld
Kreissparkasse Schlüchtern, Schlüchtern
Sparkasse Sonneberg, Sonneberg
Sparkasse Sprockhövel, Sprockhövel
Kreissparkasse St. Wendel, St. Wendel
Stadtsparkasse Versmold, Versmold
Verbands-Sparkasse Wesel, Wesel

Further Members Mid I + II

Rhineland Savings Banks and Giro Association, Düsseldorf
Savings Banks and Giro Association Hesse-Thuringia, Frankfurt/Main and Erfurt
Savings Banks Association Rhineland-Palatinate, Budenheim
Savings Banks Association Westphalia-Lippe, Münster
Savings Banks Association Saar, Saarbrücken

Regional Fund Committee for Savings Banks South I

Kreissparkasse Ostalb, Aalen and Schwäbisch Gmünd
Vereinigte Sparkassen Stadt und Landkreis Ansbach, Ansbach
Stadtsparkasse Augsburg, Augsburg
Sparkasse Bad Tölz-Wolfratshausen, Bad Tölz
Sparkasse Zollernalb, Balingen
Kreissparkasse Biberach, Biberach
Kreissparkasse Böblingen, Böblingen
Sparkasse Kraichgau, Bruchsal
Stadt- und Kreissparkasse Erlangen, Erlangen
Kreissparkasse Esslingen-Nürtingen, Esslingen
Sparkasse Freiburg-Nördlicher Breisgau, Freiburg
Sparkasse Bodensee, Friedrichshafen and Konstanz
Kreissparkasse Göppingen, Göppingen
Sparkasse Heidelberg, Heidelberg
Kreissparkasse Heilbronn, Heilbronn
Sparkasse Allgäu, Kempten
Kreissparkasse Ludwigsburg, Ludwigsburg
Sparkasse Rhein Neckar Nord, Mannheim
Sparkasse Memmingen-Lindau-Mindelheim, Memmingen
Sparkasse Offenburg/Ortenau, Offenburg
Sparkasse Passau, Passau
Sparkasse Pforzheim Calw, Pforzheim
Kreissparkasse Ravensburg, Ravensburg
Kreissparkasse Reutlingen, Reutlingen
Kreissparkasse Rottweil, Rottweil
Sparkasse Schwäbisch Hall - Crailsheim, Schwäbisch Hall
Baden-Württembergische Bank, Stuttgart
Sparkasse Tauberfranken, Tauberbischofsheim
Kreissparkasse Tuttlingen, Tuttlingen
Sparkasse Schwarzwald-Baar, Villingen-Schwenningen
Kreissparkasse Waiblingen, Waiblingen
Sparkasse Hochrhein, Waldshut-Tiengen
Sparkasse Mainfranken Würzburg, Würzburg

Regional Fund Committee for Savings Banks South II

Sparkasse Aichach-Schrobenhausen, Aichach
Sparkasse Amberg-Sulzbach, Amberg
Sparkasse Bad Kissingen, Bad Kissingen
Sparkasse Bonndorf-Stühlingen, Bonndorf
Sparkasse Bühl, Bühl
Sparkasse im Landkreis Cham, Cham
Sparkasse Deggendorf, Deggendorf
Kreis- und Stadtsparkasse Dinkelsbühl, Dinkelsbühl
Sparkasse Rottal-Inn, Eggenfelden
Sparkasse Engen-Gottmadingen, Engen
Sparkasse Forchheim, Forchheim
Kreissparkasse Freudenstadt, Freudenstadt
Sparkasse Freyung-Grafenau, Freyung
Sparkasse Gengenbach, Gengenbach
Sparkasse Haslach-Zell, Haslach/Kinzigtal
Kreissparkasse Heidenheim, Heidenheim
Kreissparkasse Höchstadt a. d. Aisch, Höchstadt/Aisch
Sparkasse Hanauerland, Kehl
Sparkasse Hochschwarzwald, Kirchzarten and Titisee-Neustadt
Sparkasse Lörrach-Rheinfelden, Lörrach
Stadt- und Kreissparkasse Moosburg a. d. Isar, Moosburg
Sparkasse Neckartal-Odenwald, Mosbach
Sparkasse Markgräflerland, Müllheim and Weil/Rhein
Sparkasse Neuburg-Rain, Neuburg
Sparkasse Neumarkt i. d. OPf.-Parsberg, Neumarkt/OPf.
Sparkasse Rothenburg o. d. T., Rothenburg
Sparkasse Schopfheim-Zell, Schopfheim
Hohenzollerische Landesbank Kreissparkasse Sigmaringen, Sigmaringen
Sparkasse Singen-Radolfzell, Singen
Sparkasse Staufen-Breisach, Staufen
Kreis- und Stadtsparkasse Wasserburg am Inn, Wasserburg/Inn
Sparkasse Oberpfalz Nord, Weiden/OPf.
Sparkasse Wolfach, Wolfach

Further Members South I + II

Savings Banks Association Bavaria, Munich
Savings Banks Association Baden-Wuerttemberg, Stuttgart

Glossary

Added value contribution
Sum of economic result and payments to the alliance partners. The added value contribution is an indicator of the added value that the Deka Group generates for the savings banks which are its owners.

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.

Advanced measurement approach (AMA) for operational risks
With this approach, the regulatory equity cover for operational risks is calculated using an internal risk model. Equity cover is determined on a VaR basis with a confidence level of 99.9% and a monitoring period of one year.

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.

Asset management funds
Investment funds that invest indirectly in securities, i.e. via other funds. The investment policy of asset management funds is mostly geared to the steady reproduction of a certain portfolio structure on the basis of a defined chance/risk profile.

Capital-protected funds/Guarantee funds
Investment funds that cannot fall below a defined minimum value on maturity. Investors are usually guaranteed to receive at least the capital they paid in (minus front-end load) at the end of a set period.

Confidence level
Probability that a potential loss will not exceed an upper loss limit defined by means of the value-at-risk (VaR).

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.

Correlation
A correlation reveals the extent of synchronisation by indicating both the strength and direction of the relationship between two risk factors. The standard sizes of a correlation range in value between –1 (perfect negative correlation) and +1 (perfect positive correlation).

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.

Credit valuation adjustment (CVA)
The CVA risk is a new type of risk introduced as part of the Capital Requirements Regulation (CRR). It must be calculated and backed with equity for all over-the-counter (OTC) derivatives not settled via an eligible central counterparty (CCP). It represents the risks of derivative contracts falling in value that result from a deterioration in the counterparty's creditworthiness (= migration risk).

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.

ECA cover
Cover for receivables under export credit agreements provided by a state-organised export credit agency (ECA). With regard to export financing, the Deka Group focuses on ECA-covered business.

Economic result
As a central control variable, 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. 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.

Equity method
The shares in associated companies or joint ventures are recognised in the consolidated balance sheet of Deka Group at historical cost as at the date when significant influence was gained. In subsequent years, the equity figure carried in the balance sheet is updated by the Group share of changes in the associated company's equity. The proportional net income of the relevant company is posted to the statement of profit or loss and other comprehensive income as income from equity investments.

Exchange traded fund (ETF)
Exchange traded investment fund, which is usually managed passively and often reflects a market index (index fund). ETFs are suitable for implementing different investment concepts and they facilitate targeted strategies, such as core-satellite investments, reporting portfolios as liabilities and interest management. They offer added value, particularly for institutional investors.

Exposure
In the monitoring of credit risks, exposure is understood as the sum of all risk positions involved in the transactions of an economic borrower group with the constituent partners.

Fair value
The amount at which an asset is exchanged between knowledgeable, willing parties in an arm's length transaction or the amount at which a liability can be paid. Depending on the case in question, the value concept is fleshed out by measures of value, such as market value, or in the absence of such a benchmark, by internal valuation models.

Fair value hedge
This primarily concerns fixed-interest items (e.g. loans or securities) that can be hedged against changes in fair value by derivatives.

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.

Fund-based asset management
Generic term for structured investment products such as asset management funds and fund-linked asset management products.

Funding matrix (FM)
The funding matrix divides the incoming and outgoing cash flows from all transactions into maturity bands based on maturity dates for all portfolios and adds these to the net payment flows. This is compared to the liquidity potential and forms the balance.

Hybrid capital
Mixed form of borrowed capital and equity making it possible to find an optimum position in balancing interests between the desire to assume risk and the constraints placed on corporate management. Typical representatives of hybrid capital are subordinated loans, silent capital contributions or participating certificates. Hybrid capital also includes the AT1 bond issued by DekaBank.

IFRS (International Financial Reporting Standards)
International accounting regulations under which the Deka Group prepares its consolidated financial statements. They are issued by the International Accounting Standards Board (IASB) and enable the preparation of internationally comparable annual and consolidated financial statements irrespective of national legal provisions. In addition to the standards designated as IFRS, "IFRS" also include the existing International Accounting Standards (IAS) and the interpretations of the Standing Interpretation Committee (SIC) and the International Financial Reporting Interpretation Committee (IFRIC), as well as the Standards and Interpretations to be published by the IAS Board in the future.

Impairment
Unplanned write-down of asset values such as goodwill, receivables and property, plant and equipment due to anticipated decline in value of the corresponding assets.

Master KVG
An investment company functioning as a specialised service KVG (*Kapitalverwaltungsgesellschaft* – capital management company) in which it outsources portfolio management tasks for individual mandates to various external asset managers but prepares a consistent series of reports for institutional investors. This enables institutional investors to bundle their administered assets with a single investment company.

Multi asset fund
Mixed fund which invests in a broad mix of different asset classes – for example, equities, fixed-interest securities and commodities – and uses a comprehensive range of instruments, such as direct investments, funds and derivatives. The portfolios of fund products can therefore be aligned with the most attractive investment options in the various market phases.

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, certificates 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.

OR claim
From the standpoint of the Deka Group, an OR claim is an unintended event which is associated with a negative change in assets (payment-related amounts, internal use of resources and/or opportunity costs) and which primarily results from the materialisation of an operational risk.

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 IV (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.

Rating
Standardised creditworthiness/risk assessment of companies, countries or the debt instruments that they issue based on standardised qualitative and quantitative criteria. From a bank's point of view, the result of the rating process provides the basis for establishing the probability of default, which must in turn be incorporated in calculating equity requirements for the credit risk. Ratings can be issued by the bank itself (internal ratings) or by specialised rating agencies such as Standard & Poor's or Moody's (external ratings).

Repo/lending transactions
Repo transactions are securities repurchase agreements. As part of repo transactions, securities are sold and at the same time repurchase is agreed at a fixed date and price stipulated ex ante. Securities lending involves lending securities for a specific period of time in return for payment. In some cases, the lender makes collateral available.

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 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.

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.

Self-assessment
Within the scope of the Deka Group's scenario-based self-assessment, assessors regularly identify operational risks on a structured basis in the form of loss scenarios and, using interval estimates, assess the probability of those scenarios occurring as well as the amount of the loss.

Spread (bid-ask spread)
Difference between the bid price (purchase price) and the ask price (selling price) of certain financial products (e.g. foreign currency, certificates, futures etc.).

Syndication/syndicated loan
A loan collectively awarded by a group of banks (consortium), otherwise known as a consortium loan. Syndication provides an opportunity for several banks to share the overall risk involved in a loan.

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 master funds.

Value-at-risk
The value-at-risk identifies the maximum possible loss that might arise within a prescribed period (= holding period, for example 10 days) and confidence level (for example 95%) in the event of the assumed changes in market parameters (interest rates, currencies and share prices etc.).

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.

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The Annual Report 2014 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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This report was prepared in March 2015

Concept and design
ergo Unternehmenskommunikation GmbH & Co. KG,
Cologne, Frankfurt/Main, Berlin, Munich

Photography and illustrations
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Veronique Stohrer, Stuttgart

Printed by
Druckhaus Becker GmbH, Ober-Ramstadt

ISSN 1866 - 6523

Financial calendar

25 August 2015: Interim Report as at 30 June 2015

The publication date is preliminary and subject to change.

Gender clause
In this annual report, words in the masculine include words in the feminine; in parts of the report, the masculine form has solely been used to make the document easier to read.

Disclaimer
The management report as well as the Annual Report in other respects contain forward-looking statements as well as expectations and forecasts. These are based on the information available to us at the time of publication, which we have deemed to be reliable after careful consideration. We do not assume an obligation to update based on new information and future events after the publication of this information. We have derived our estimations and conclusions from these forward-looking statements, expectations and forecasts. We expressly point out that all of our future-oriented statements are associated with known or unknown risks or imponderables and are based on conclusions relating to future events, which depend on risks, uncertainties and other factors that are outside of our area of influence. Such developments can result from, among other things, a change in the general economic situation, the competitive situation, the development of the capital markets, changes in the tax law and legal framework and from other risks. The events actually occurring in the future may thus turn out to be considerably different from our forward-looking statements, expectations, forecasts and conclusions. We can therefore assume no liability for their correctness and completeness or for the actual occurrence of the information provided. The English translation of the Deka Group Annual Report is provided for convenience only. The German original is definitive.

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