DekaBank
Deutsche Girozentrale
Annual financial statements 2014

Participation.
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Finanzgruppe

DekaBank

Content

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 structure and content of the following sections describing the business model and strategy correspond to the relevant sections published in the Group management report of the Deka Group. The business model and strategy are geared to the Deka Group and the system of Group management by business division and thus encompass all business divisions and legal entities. Management is not exercised at the level of DekaBank as a single entity, hence no separate corresponding section has been prepared at individual Bank level.

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. DekaBank also has an international branch in Luxembourg. 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 structure and content of the section describing management of risk and profit correspond to the relevant section published in the Group management report of the Deka Group. Risk and profit management is geared to the Deka Group and the system of Group management by business division and therefore encompasses all business divisions and legal entities. Because financial and non-financial performance indicators are defined and managed only at Group level and not at Bank level, no separate section has been prepared for DekaBank.

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] of the Deka Group consolidated financial statements, which shows the measurement and reporting differences in the "reconciliation" column. This ensures that it is possible to reconcile the figures presented with net income before tax. Differences between IFRS-net income before tax in the Deka Group consolidated financial statements and HGB-net income before tax of DekaBank result mainly from different evaluation in German Commercial Code (HGB) and IFRS as from well as consolidation effects.

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

The structure and content of the section describing the comparison of forecast and actual growth correspond to the relevant section published in the Group management report of the Deka Group. Risk and profit management is geared to the Deka Group and the system of Group management by business division and therefore encompasses all business divisions and legal entities.

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 DekaBank

DekaBank once again recorded a satisfactory profit in the past financial year, with the sum total of net interest and commission income, the trading profit and other operating income amounting to €1,141m (previous year: €1,287m).

Net income from interest and equity investments fell by €165m to €409m. Net interest income was down 71% year on year to €69m, due primarily to market conditions, while net income from equity investments was more or less on a par with the previous year at €339m. Net commission income rose by €28m to €186m, with the trading profit amounting to €210m (previous year: €228m).

General administrative expenses including depreciation fell by €13m to €656m over the past financial year, with €326m relating to personnel expenses (previous year: €302m) and €330m to operating expenses including depreciation of property, plant and equipment (previous year: €367m). The result before risk provisioning amounted to €405m, down €32m on the previous year. The overall valuation result from the lending, securities and investment business for the past financial year stood at €106m (previous year: €41m). This positive valuation result reflects lower year-on-year provisions for loan losses due to less being set aside for specific provisions, as well as, in particular, an increase in the value of the securities in the liquidity reserve.

After deducting taxes on profits and making the allocation to the fund for general banking risks to strengthen its core capital, DekaBank achieved net income after tax of €121m (previous year: €107m).

Profit performance in the DekaBank *(Fig. 4)*

€m	2014	2013	Change	
Selected items				
Net interest income and net income from equity investments	409	574	–165	–28.7 %
Net commission income	186	158	28	17.7 %
Trading result	210	228	–18	–7.9 %
General administrative expenses (including depreciation)	656	669	–13	–1.9 %
Risk provision/valuation	106	41	65	158.5 %
Income tax	148	145	3	2.1 %
Net income after tax	**121**	**107**	14	13.1 %

Business development in the business divisions

Business development 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%

Business development 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. 7)*

€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. 8)*

€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.

Business development 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.

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.

Business development 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.

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.

Business development in non-core business

The proven strategy of reducing portfolios whilst safeguarding assets in non-core business was maintained consistently during the year under review. 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.

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

DekaBank's business volume, which comprises its total balance sheet assets and off-balance-sheet transactions, shrank by €5.1bn to €116.9bn in 2014 (previous year: €122.0bn). Total assets dropped by €4.7bn from €117.3bn to €112.6bn. Receivables due from customers fell by €0.3bn to €15.0bn, thus representing around 13% of total assets. Receivables due from banks were down by €1.9bn to €18.0bn (previous year: €19.9bn) and equated to around 16% of total assets, as in the previous year. Assets held for trading shrank by €5.2bn to €55.5bn.

Amounts due to customers increased to €19.0bn (previous year: €16.4bn) while those due to banks fell by €4.6bn to €17.5bn. Securitised liabilities decreased by €1.3bn to €26.8bn. Liabilities held for trading stood at €43.2bn (previous year: €45.3bn). Balance sheet equity amounted to €0.9bn at the reporting date (previous year: €1.2bn), equating to 0.8% of total assets (previous year: 1.0%). This fall is due to the partial revaluation of silent capital contributions with the issue of Additional Common Equity Tier 1 capital in the form of a bearer bond (AT1 capital). Whereas the silent capital contribution had been reported under equity on the balance sheet in the previous year, the bearer bond is to be reported under subordinated liabilities at DekaBank level.

Balance sheet changes in the DekaBank *(Fig. 9)*

€m	31.12.2014	31.12.2013	Change	
Balance sheet total	**112,646**	**117,287**	–4,641	–4.0 %
Selected items on the assets side				
Due from banks and customers	33,000	35,128	–2,128	–6.1 %
Bonds and other fixed interest securities	18,589	16,199	2,390	14.8 %
Trading portfolio	55,489	60,650	–5,161	–8.5 %
Selected items on the liabilities side				
Due to banks and customers	36,477	38,534	–2,057	–5.3 %
Securitised liabilities	26,787	28,091	–1,304	–4.6 %
Trading portfolio	43,225	45,271	–2,046	–4.5 %

Change in regulatory capital (own funds)

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

Capital adequacy is determined in accordance with the CRR/CRD IV. 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. 10)*

	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

The structure and content of the section containing the forecast and opportunities report correspond to the relevant section published in the Group management report of the Deka Group. Group and business division planning is geared to the Deka Group and the system of Group management by business division and hence encompasses all business divisions and legal entities. It therefore also includes DekaBank as a single entity. For this reason, no forecast and opportunities report has been prepared at individual Bank level.

Forecast report

Forward-looking statements

The Deka Group plans its future business development on the basis of assumptions that seem most probable from a current perspective. However, plans and statements about growth during 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. 11)*

€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

The structure and content of the following risk report correspond to the risk report published in the Group management report of the Deka Group. Risk management and risk control are geared to the Deka Group and thus encompass all business divisions and legal entities, including DekaBank as a single entity. As a result, no risk report has been prepared at individual Bank level.

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.

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.

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

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

		Market price risk	Liquidity risk	Counterparty risk	Operational risk	Business risk	Property risk/ property fund risk	Shareholding risk
Credit Risk Office (Corporate Centre)	- Administrative office for early risk identification - Market independent second recommendation - Reviews and/or approves ratings - Checks certain collateral - Monitors management of non-performing and troubled loans			●				
	- Identifies, measures and manages operational risks on a decentralised basis				●			
Country Risk Committee	- Assesses country risks			●				
Monitoring Committee	- Monitors and manages exposure at risk of default			●				
Rating Committee	- Enhances and maintains internal rating procedures			●				
Shareholdings (Corporate Centre Corporate Development)	- Manages equity investment portfolio							●
	- Identifies, measures and manages operational risks on a decentralised basis				●			
Compliance (Corporate Centre)	- 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)	●	●	●	●	●	●	●

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.

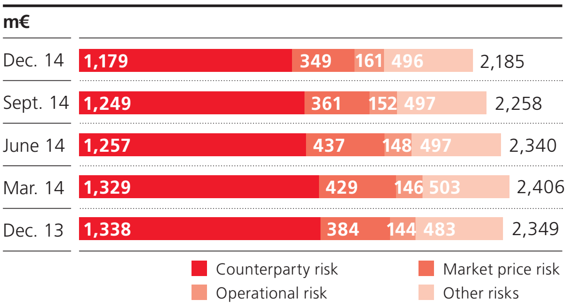
The annual review of the stress scenarios as prescribed by regulators has shown that the existing scenarios continue to be useful and appropriate. The scenario parameters were updated to take into account the current market environment.

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. 13)*



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

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. 15)*

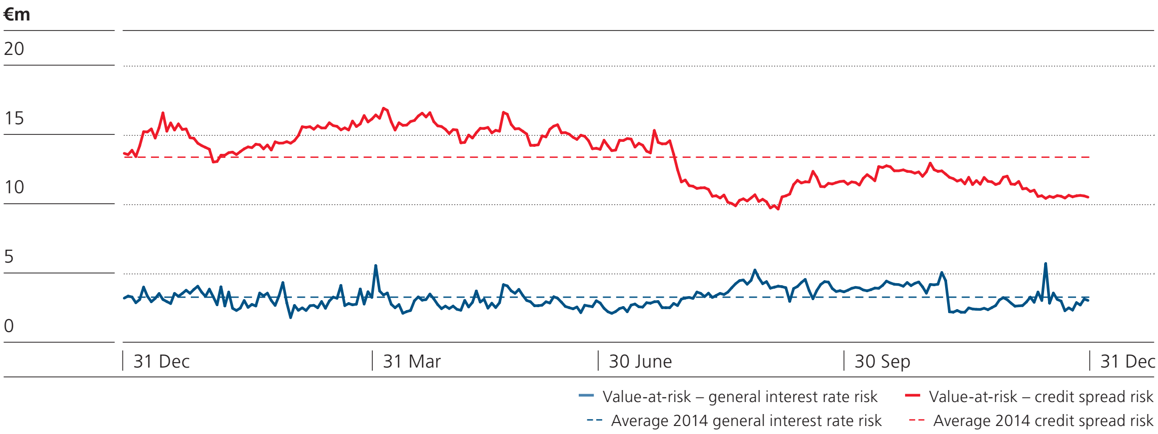
€m	31 Dec 2014			31 Dec 2013			
Category	**Treasury and Capital Markets business division**	**Non-core business**	**Treasury, Capital Markets business division and non-core business**	**Treasury and Capital Markets business division**	**Non-core business**	**Treasury, Capital Markets business division 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

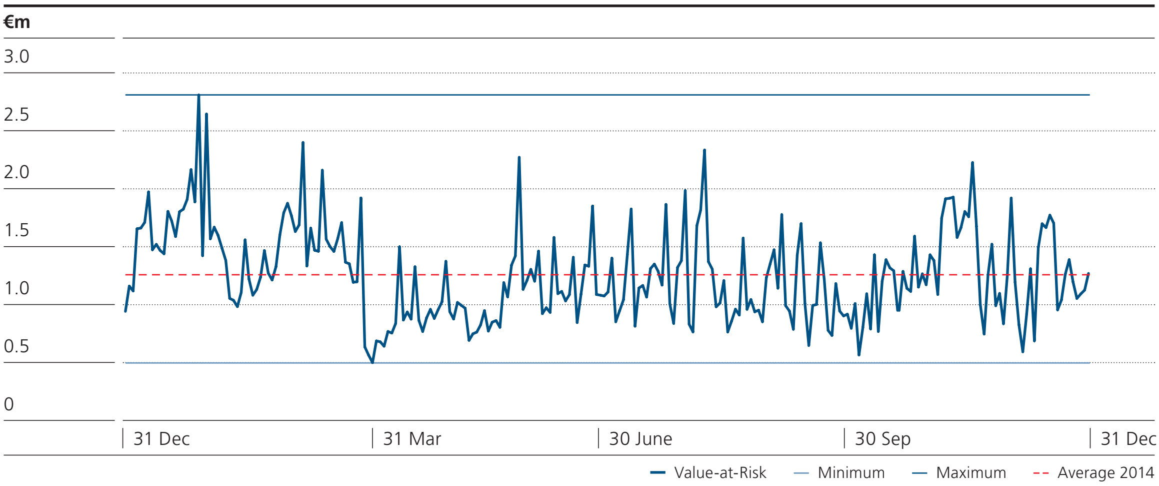
Capital Markets trading book totalled €10.5m (2013: €13.8m). The VaR for general interest rate risk was €9.5m as at 31 December 2014. The increase relative to the end of 2013 (€6.9m) is attributable to work undertaken to refine the range of yield curves, which had the effect of increasing risk. The build-up 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. 16)*



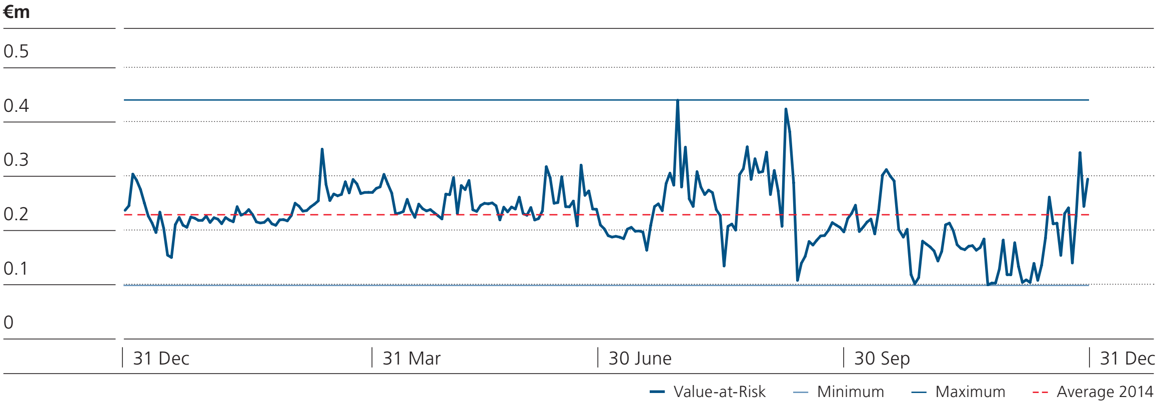
The VaR for share price risk was €1.6m (end of 2013: €3.8m) and was therefore once again insignificant. Risk positions in the Treasury banking book were disposed of in full in the fourth quarter. Share price risk in the Capital Markets business division trading book totalled €1.3m (2013: €1.0m).

Value-at-risk – Share price risk in the Capital Markets trading book over the course of the year 2014 *(Fig. 17)*



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. 18)*



Counterparty risks

Strategic framework and responsibilities

The credit risk strategy stipulates the parameters for all Deka Group transactions that involve counterparty risk. It serves in particular as the foundation for the Group's counterparty risk principles for loans as defined by Section 19(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. 19)*

€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**

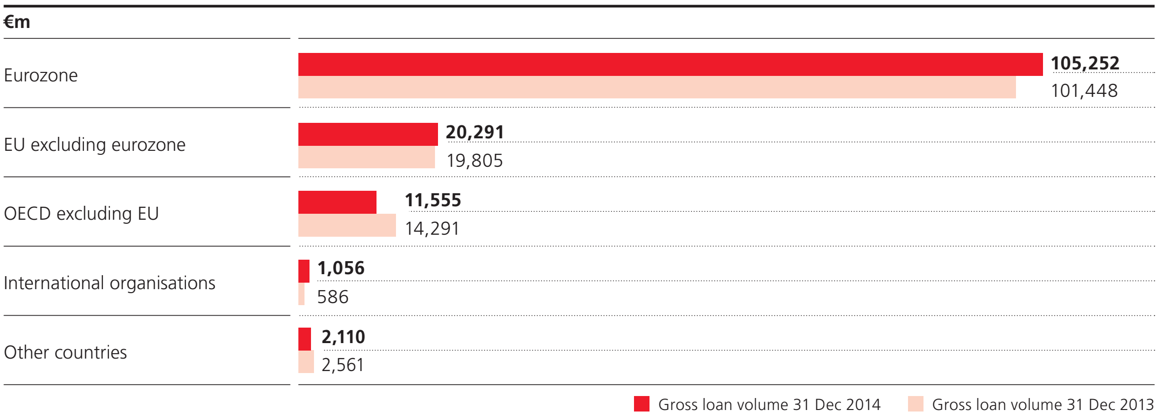
Because of the extensive collateral involved, the change in net loan volume was less pronounced than the change in the gross figure. As at 31 December 2014 it totalled €54.6bn, compared to €53.5bn at the end of 2013. Although the level of collateralisation meant that the change in gross volumes in the 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. 20)*

€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. 21)*



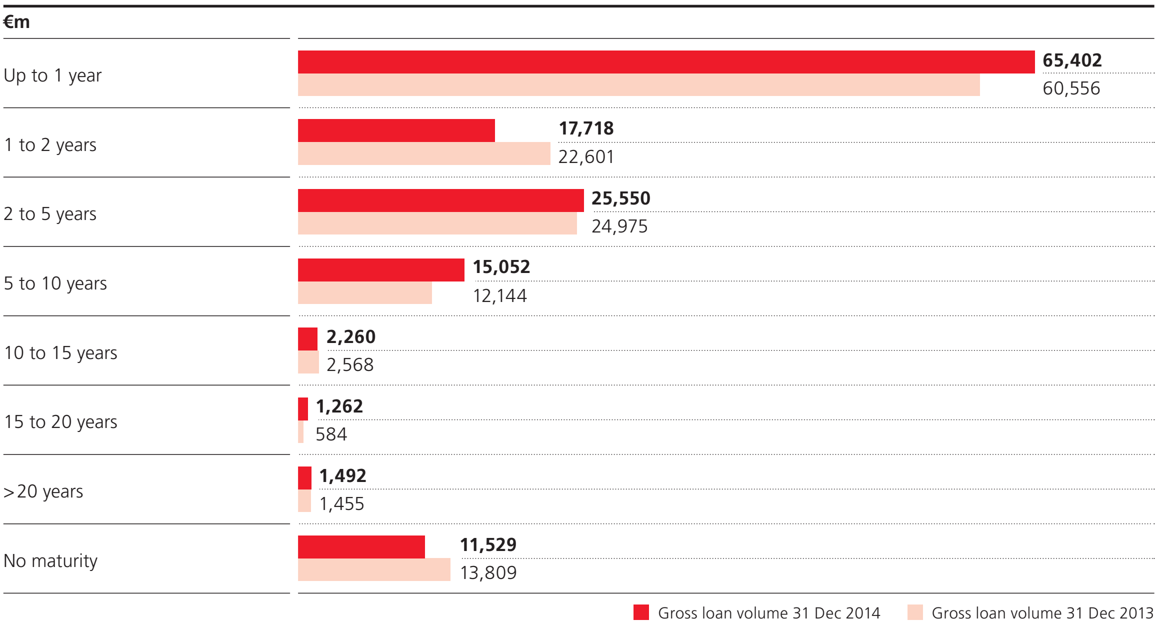
The loan volume relating to borrowers in Italy, Spain, Ireland and Portugal fell to €3.6bn compared with the figure of €4.0bn at the end of 2013. This corresponds to a 2.6% share (end of 2013: 2.9%) of overall gross loan volume. As was already the case at the end of 2013, there was no loan volume relating 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. 22)*

€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. 23)*



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. 24)*

€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. 25)*

€m	Financial institutions	Funds	Transport and export finance	Energy and utility infrastructure	Property risk	Public infrastruc-ture	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 credit-worthiness 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.

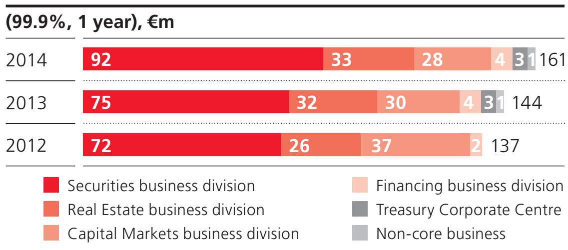
Risk Control also prepares monthly reports that explain the relationship between changes in the loss potential of the events in the scenario analyses and the trends of risk indicators incorporated into these analyses. In this way it helps to ensure that targeted risk management measures are established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

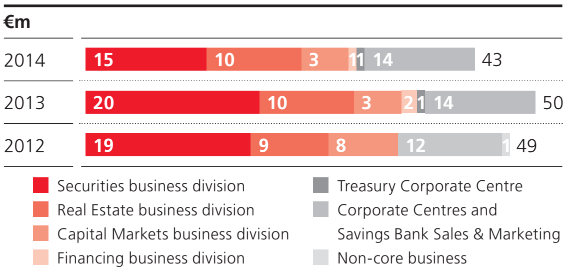
Value-at-risk *(Fig. 26)*



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. 27)*



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, overcoverage 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. 28)*

€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).

Annual financial statements

Balance sheet as at 31 December 2014

Assets	€	€	€	31.12.2014 €	31.12.2013 €'000
1. Cash reserves					
a) Cash on hand			19,931.06		19
b) Balances with central banks			724,033,116.32	724,053,047.38	426,414
of which:					
with Deutsche Bundesbank	724,033,116.32				(426,414)
2. Due from banks					
a) due on demand			3,579,263,457.37		3,277,670
b) other claims			14,415,970,671.72	17,995,234,129.09	16,584,744
of which:					
public sector loans	2,193,287,124.50				(4,441,519)
3. Due from customers				15,004,931,188.30	15,265,081
of which:					
mortgage loans	947,526,134.67				(872,408)
public sector loans	2,757,021,008.12				(3,287,981)
other loans secured by mortgages	1,209,809.72				(106,763)
4. Bonds and other fixed-interest securities					
a) Bonds and debt securities					
aa) from public sector issuers		5,536,593,395.66			3,919,229
of which:					
eligible as collateral with Deutsche Bundesbank	5,299,665,974.67				(3,729,743)
ab) from other issuers		11,544,371,720.82	17,080,965,116.48		10,314,465
of which:					
eligible as collateral with Deutsche Bundesbank	8,923,666,697.85				(7,138,392)
b) own bonds			1,508,328,410.49	18,589,293,526.97	1,965,079
Nominal amount	1,509,125,000.00				(1,964,144)
5. Shares and other non fixed-interest securities				3,926,977,108.36	3,851,013
6. Trading portfolio				55,488,850,538.16	60,649,580
7. Equity investments				57,857,742.24	62,214
of which:					
in banks	2,789,404.99				(2,789)
8. Shares in affiliated companies				447,615,174.44	368,245
of which:					
in banks	55,866,740.60				(72,158)
in financial services providers	11,747,400.00				(11,687)
9. Trust assets				141,913,214.74	175,911
10. Intangible assets					
a) Concessions, industrial property rights, and similar rights and values as well as licences there to, acquired for a consideration			23,638,821.00		29,769
b) Advance payments			2,290,427.67	25,929,248.67	2,290
11. Tangible assets				17,424,161.92	17,741
12. Other assets				188,106,329.15	325,035
13. Prepaid expenses and accrued income					
a) from underwriting and lending business			13,579,616.74		17,449
b) other			24,370,226.58	37,949,843.32	29,381
14. Excess of plan assets over pension liabilities				0.00	5,448
Total assets				**112,646,135,252.74**	**117,286,777**

Liabilities	€	€	€	31.12.2014 €	31.12.2013 €'000
1. Due to banks					
a) due on demand			1,798,190,457.46		4,234,029
b) with agreed maturity or period of notice			15,706,229,375.45	17,504,419,832.91	17,944,554
of which:					
registered mortgage Pfandbriefe	60,230,826.03				(60,194)
registered public sector Pfandbriefe	414,665,596.28				(835,837)
2. Due to customers					
Other liabilities					
a) due on demand			5,986,787,846.12		4,202,813
b) with agreed maturity or period of notice			12,985,336,090.71	18,972,123,936.83	12,152,379
of which:					
registered public sector Pfandbriefe	3,266,866,888.17				(3,952,596)
3. Securitised liabilities					
a) bonds issued			20,818,604,686.54		23,269,645
of which:					
mortgage Pfandbriefe	55,159,565.07				(25,148)
public sector Pfandbriefe	839,715,051.94				(2,565,568)
b) other securitised liabilities			5,967,913,073.92	26,786,517,760.46	4,821,090
of which:					
money market paper	5,967,913,073.92				(4,281,090)
4. Trading portfolio				43,225,289,595.69	45,270,677
5. Trust liabilities				141,913,214.89	175,911
6. Other liabilities				614,641,791.17	182,315
7. Accruals and deferred income					
a) from underwriting and lending business			10,252,369.90		10,858
b) other			11,050,461.59	21,302,831.49	20,598
8. Provisions					
a) provisions for pensions and similar obligations			875,595.45		4,244
b) provisions for taxes			114,172,987.94		99,904
c) other provisions			438,732,947.01	553,781,530.40	590,582
9. Subordinated liabilities				1,409,737,559.79	846,686
10. Profit participation capital				0.00	20,000
of which:					
due in less than two years	0.00				(20,000)
11. Fund for general banking risks				2,548,177,580.27	2,283,015
of which:					
special item pursuant to Section 340e (4) HGB	117,326,000.00				(94,006)
12. Equity					
a) Subscribed capital					
aa) subscribed capital		191,729,340.56			191,729
ab) silent capital contributions		256,210,457.03	447,939,797.59		552,360
b) Capital reserve			189,366,198.03		189,366
c) Retained earnings					
ca) reserves required by the Bank's statutes		51,283,598.27			51,284
cb) other retained earnings		114,068,590.47	165,352,188.74		114,069
d) Net income			65,571,434.48	868,229,618.84	58,669
Total liabilities				**112,646,135,252.74**	**117,286,777**

1. Contingent liabilities					
Liabilities from guarantees and warranty agreements				1,949,368,183.97	2,110,501
2. Other liabilities					
Irrevocable lending commitments				453,544,337.60	826,894

Income statement for the period 1 January to 31 December 2014

Expenses and income	€	€	€	2014 €	2013 €'000
1. Interest income from					
a) Lending and money market transactions		1,216,606,326.63			2,098,660
b) Fixed-income securities and debt register claims		278,481,015.33	1,495,087,341.96		312,560
2. Interest expenses			1,452,891,872.52	42,195,469.44	2,247,681
3. Current income from					
a) Shares and other non fixed-interest securities			27,144,172.95		72,692
b) Equity investments			2,738,991.71		2,020
c) Shares in affiliated companies			127,186,863.80	157,070,028.46	164,120
4. Income from profit pooling, profit transfer and partial profit transfer agreements				210,072,590.16	172,063
5. Commission income			777,048,682.35		759,546
6. Commission expenses			590,962,128.60	186,086,553.75	601,843
7. Net income/expenses from trading portfolio				209,875,397.37	227,692
8. Other operating income				336,289,805.75	328,225
9. General administrative expenses					
a) Personnel expenses					
aa) Wages and salaries		252,568,729.13			240,670
ab) Social security contributions and expenses for pensions and other employee benefits		73,882,634.56	326,451,363.69		61,005
of which:					
for retirement pensions	44,684,475.92				(33,861)
b) Other administrative expenses			315,933,373.60	642,384,737.29	350,400
10. Write-downs and valuation allowances on intangible assets and tangible assets				13,936,345.68	16,822
11. Other operating expenses				79,868,058.98	181,620
12. Income from write-ups to claims and certain securities and from reversals of provisions for loan losses				118,611,700.34	35,604
13. Allocations to the funds for general banking risks				241,843,042.33	225,895
14. Write-downs and valuation allowances on equity investments, shares in affiliates and securities held as fixed assets				12,755,182.87	0
15. Income from write-ups to equity investments, shares in affiliates and securities held as fixed assets				0.00	5,192
16. Expenses due to assumption of losses				727,447.92	926
17. Profit or loss on ordinary activities				268,686,730.20	251,512
18. Income taxes				148,178,601.36	144,682
19. Income transferred under profit pooling, profit transfer or partial profit transfer agreements				54,936,694.36	48,161
20. Net income				65,571,434.48	58,669

Notes

General information

1 Preparation of the annual financial statements

The annual financial statements of DekaBank Deutsche Girozentrale for the year ended 31 December 2014 have been prepared in accordance with the provisions of the German Commercial Code (HGB) and the Regulation on Accounting Principles Relating to Financial Institutions and Financial Services Institutions (RechKredV). The provisions of the Pfandbrief Act were also taken into account. The balance sheet structure prescribed for commercial banks was expanded to include line items relating to banks active in the Pfandbrief business.

2 Accounting and valuation methods

General information

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

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

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

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

Unlike in the previous year, amounts due from and to central counterparties without the explicit status of “bank” were reported under the balance sheet items “Due from customers” and “Due to customers” respectively in the 2014 annual financial statements. The previous year’s figures have been restated accordingly.

Valuation of securities portfolios and derivatives

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

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

Valuation models, which are deemed to be appropriate for the respective financial instruments, are used where no prices are available from an active market. Observable market data is always used as the basis where available. However, the availability of observable stock market prices, valid prices or market data varies from financial instrument to financial instrument and can change over time. Furthermore, the valuation models are periodically readjusted and validated as required. Depending on the financial instrument and market situation, it may be necessary to include assumptions and assessments by the Bank in the valuation. The Bank also selects suitable modelling techniques, appropriate parameters and assumptions. Where there are no prices from active markets, the fair value is therefore deemed to be the model value as at the reporting date, which reflects a realistic estimate of how the market would probably value the financial instrument.

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

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

Interest rate swaps and interest rate/currency swap agreements as well as unlisted interest rate futures are measured on the basis of the discounted cash flow model using the market interest rates applying to the remainder of the term of the financial instruments. The tenor structures of the individual interest rates are taken into account by means of separate curves. In the case of instruments denominated in EUR, CHF, GBP, JPY and USD, discounting is carried out with the currency-specific interest rate curve, which is also used for the corresponding bootstrapping of the forward interest rate curves. The respective standard swap curves are used for all other currencies.

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

Fair values of single name and index credit default swaps are determined using a standard hazard rate model calibrated to the respective par CDS spreads. For tranched basket credit swaps, a Gaussian Copula model is used, whose parameters are determined on the basis of iTraxx and CDX index tranche spreads.

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

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

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

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

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

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

Currency translation

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

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

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

Fixed assets

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

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

Provisions for loan losses

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

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

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

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

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

Provisions

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

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

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

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

Deferred taxes

Deferred tax assets are not reported, since the existing asset surplus, utilising the option under Section 274 HGB, is not recognised. Deferred tax assets result primarily from profits retained but already allocated for income tax purposes at the level of special funds, and from measurement differences in other provisions and pension provisions. As at the reporting date, measurement differences between the commercial balance sheet and tax balance sheet leading to the recognition of deferred tax liabilities exist to only a very limited extent. DekaBank's combined tax rate (31.9%) is used to measure deferred taxes.

3 Derivative transactions

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

Derivative transactions – volume – trading portfolio

	Nominal values		Full fair values positive market values		Full fair values negative market values	
€m	**31.12.2014**	**31.12.2013**	**31.12.2014**	**31.12.2013**	**31.12.2014**	**31.12.2013**
Interest rate risks						
OTC products						
Interest rate swaps	361,645.5	378,551.3	11,998.4	5,664.0	10,978.2	4,907.6
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	255.9	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	14.6
Other interest rate futures	2,303.1	2,569.2	6.5	57.5	207.5	134.4
Stock exchange traded products						
Interest rate futures/options on interest rate futures	18,528.6	21,755.4	1.4	2.9	8.2	3.3
Sub-total	**424,870.3**	**420,055.5**	**12,498.7**	**5,761.2**	**11,699.0**	**5,117.5**
Currency risks						
OTC products						
Foreign exchange future contracts	5,579.9	4,967.2	45.7	97.8	117.4	31.4
Interest rate/currency swaps	2,343.4	1,420.1	89.4	24.0	166.7	27.2
Sub-total	**7,923.3**	**6,387.3**	**135.1**	**121.8**	**284.1**	**58.6**
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	2,109.6	2,334.1	2,208.7	3,076.1	—	—
Sales	7,530.4	1,415.2	—	—	2,888.2	4,006.8
Credit derivatives	9,407.0	9,115.5	106.8	96.9	69.2	78.9
Other forward contracts	3,583.1	1,894.2	31.8	5.6	46.8	165.7
Stock exchange traded products						
Share options	21,845.8	28,746.4	1,777.0	2,346.5	2,021.6	3,657.1
Share futures	139.7	447.0	12.7	12.9	9.8	13.2
Sub-total	**44,681.3**	**44,037.2**	**4,137.9**	**5,538.1**	**5,036.5**	**7,926.2**
Total	**477,474.9**	**470,480.0**	**16,771.7**	**11,421.1**	**17,019.6**	**13,102.3**
Amount carried in balance sheet:			12,308.9	10,952.5	12,392.8	12,651.1

The lower carrying amount of derivatives in the trading portfolio compared with market values is due to the offsetting of market values against the variation margin. On the assets side, the received variation margin reduces market values by some €4.5bn (previous year: €468.6m). Of this amount, only €14.1m relates to futures, the rest to interest rate swaps. On the other hand, the paid variation margin reduces market values on the liabilities side by around €4.6bn (previous year: €451.2m). Here too, the bulk of this figure relates to interest rate swaps, with futures accounting for a mere €18.0m. The sharp rise is due to the derivatives being settled via a central counterparty and that the market values of interest rate swaps only change as the interest rate does. The market values from the central counterparty form the basis for calculating the variation margin.

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

	Interest rate risks		Currency risks		Share and other price risks	
€m	**31.12.2014**	**31.12.2013**	**31.12.2014**	**31.12.2013**	**31.12.2014**	**31.12.2013**
Residual term to maturity						
less than 3 months	66,171.9	110,303.6	2,671.1	2,353.4	6,121.4	13,270.7
from 3 months to 1 year	65,884.9	71,072.5	3,084.0	2,682.2	10,044.9	8,193.9
from 1 year to 5 years	152,049.8	133,840.4	1,789.7	532.9	20,503.8	20,593.3
more than 5 years	140,763.7	104,839.0	378.5	818.8	8,011.2	1,979.3
Total	**424,870.3**	**420,055.5**	**7,923.3**	**6,387.3**	**44,681.3**	**44,037.2**

Derivative transactions – classification by counterparties – trading portfolio

	Nominal values		Full fair values positive market values		Full fair values negative market values	
€m	**31.12.2014**	**31.12.2013**	**31.12.2014**	**31.12.2013**	**31.12.2014**	**31.12.2013**
Banks in the OECD	189,643.5	229,486.9	8,695.0	7,859.9	8,474.3	8,614.0
Public sector entities in the OECD	21,776.8	9,493.3	1,008.9	260.5	384.3	147.0
Other counterparties	266,054.6	231,499.8	7,067.8	3,300.7	8,161.0	4,341.3
Total	**477,474.9**	**470,480.0**	**16,771.7**	**11,421.1**	**17,019.6**	**13,102.3**

Derivative transactions – volume – non-trading portfolio

	Nominal values		Full fair values positive market values		Full fair values negative market values	
€m	**31.12.2014**	**31.12.2013**	**31.12.2014**	**31.12.2013**	**31.12.2014**	**31.12.2013**
Interest rate risks						
OTC products						
Interest rate swaps	48,754.1	45,442.8	1,333.6	1,231.3	1,149.4	1,271.5
Forward Rate Agreements	—	—	—	—	—	—
Other interest rate futures	—	25.0	—	0.6	—	—
Stock exchange traded products						
Interest rate futures/options on interest rate futures	132.3	84.2	0.2	0.3	1.3	—
Sub-total	**48,886.4**	**45,552.0**	**1,333.8**	**1,232.2**	**1,150.7**	**1,271.5**
Currency risks						
OTC products						
Foreign exchange future contracts	5,991.0	5,153.9	131.3	35.3	26.6	98.5
Interest rate/currency swaps	6,182.7	6,752.5	148.2	333.5	781.9	367.2
Sub-total	**12,173.7**	**11,906.4**	**279.5**	**368.8**	**808.5**	**465.7**
Share and other price risks						
OTC products						
Share options						
Purchases	26.0	26.1	2.7	3.5	—	—
Sales	—	—	—	—	—	—
Credit derivatives	90.0	581.5	—	3.1	3.0	3.3
Other forward contracts	—	—	—	—	—	—
Stock exchange traded products						
Share options	156.0	156.8	0.5	1.1	26.5	27.1
Share futures	30.9	38.1	—	—	0.8	1.6
Sub-total	**302.9**	**802.5**	**3.2**	**7.7**	**30.3**	**32.0**
Total	**61,363.0**	**58,260.9**	**1,616.5**	**1,608.7**	**1,989.5**	**1,769.2**

Derivatives in the non-trading portfolio are generally valued individually in line with the imparity principle. Provisions for possible losses from pending derivative transactions are generally created by recognition of negative market values, on the other hand a claim surplus is not capitalised. Derivatives allocated to the interest book undergo loss-free valuation pursuant to IDW RS BFA 3 together with other financial instruments of the interest book. Against this background, the above-mentioned market values are not the carrying values of derivatives in the non-trading portfolio. Paid or received option premiums and margins for derivative financial instruments of the non-trading portfolio are recognised under other assets or other liabilities. Furthermore, a provision for possible losses in the amount of €18.8m was recognised as at the reporting date.

Under EU Regulation No. 648/2012 (EMIR), since 2012 there has been a requirement to perform certain OTC derivate transactions through a central counterparty. The daily settlement of gains and losses to be carried out in this process (variation margin) results in a net receivable for the non-trading portfolio of €46.2m. This is recognised in amounts due from customers.

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

	Interest rate risks		Currency risks		Share and other price risks	
€m	**31.12.2014**	**31.12.2013**	**31.12.2014**	**31.12.2013**	**31.12.2014**	**31.12.2013**
Residual term to maturity						
less than 3 months	25,121.0	18,287.3	2,880.1	2,321.9	30.9	73.1
from 3 months to 1 year	7,179.9	4,265.9	4,085.9	4,219.8	165.5	381.5
from 1 year to 5 years	10,771.5	15,764.3	3,889.8	4,771.8	106.5	247.9
more than 5 years	5,814.0	7,234.5	1,317.9	592.9	—	100.0
Total	**48,886.4**	**45,552.0**	**12,173.7**	**11,906.4**	**302.9**	**802.5**

Derivative transactions – classification by counterparties – non-trading portfolio

	Nominal values		Full fair values positive market values		Full fair values negative market values	
€m	**31.12.2014**	**31.12.2013**	**31.12.2014**	**31.12.2013**	**31.12.2014**	**31.12.2013**
Banks in the OECD	24,792.6	33,119.4	1,205.3	1,386.8	1,752.6	1,565.7
Public sector entities in the OECD	354.5	380.7	9.6	18.9	15.5	17.6
Other counterparties	36,215.9	24,760.8	401.6	203.0	221.4	185.9
Total	**61,363.0**	**58,260.9**	**1,616.5**	**1,608.7**	**1,989.5**	**1,769.2**

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

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

Name, location	**Equity interest in %**	**Equity [1] €'000**	**Result [2] €'000**
Shares in affiliated companies			
DekaBank Deutsche Girozentrale Luxembourg S.A., Luxembourg	100.00	549,811.2	125,990.0
Deka Investment GmbH, Frankfurt/Main	100.00	93,183.1	121,185.3 [3]
Deka Immobilien GmbH, Frankfurt/Main	100.00	38,764.7	27,629.1 [3]
Deka Immobilien Investment GmbH, Frankfurt/Main	100.00	31,245.1	31,277.2 [3]
Landesbank Berlin Investment GmbH, Berlin	100.00	10,660.0	24,973.5 [3]
ExFin AG i.L., Zurich (formerly: Deka(Swiss) Finanz AG)	100.00	27,780.4	–5,430.1
Deka Grundstücksverwaltungsgesellschaft I (GbR), Frankfurt/Main	100.00	19,116.5	493.8
Aked Vorratsgesellschaft mbH, Frankfurt/Main (formerly: Gesellschaft für Mittelstandskreditfonds der Sparkassen-Finanzgruppe mbH)	100.00	1,801.7	36.5
Deutsche Landesbankenzentrale AG, Berlin	100.00	1,522.1	8.7
Deka Real Estate Lending k.k., Tokyo	100.00	1,235.6	–815.4

Name, location	Equity interest in %	Equity [1] €'000	Result [2] €'000
Deka Beteiligungsgesellschaft mbH, Frankfurt/Main	100.00	1,037.4	11.0
Deka Investors Spezial InvAG m.v.K. u. TGV (TGV Unternehmensaktien), Frankfurt/Main (formerly: Deka Investors Investment AG)	100.00	282.6	–7.6
DKC Deka Kommunal Consult GmbH, Düsseldorf	100.00	203.2	–715.9 [3]
Deka Treuhand GmbH, Frankfurt/Main	100.00	85.0	13.8
Deka Vermögensverwaltungs GmbH, Frankfurt/Main	100.00	65.4	–1.1 [3]
Privates Institut für quantitative Kapitalmarktforschung der DekaBank GmbH, Frankfurt/Main	100.00	49.3	–1.2 [3]
LBG Leasing Beteiligungs-GmbH, Frankfurt/Main	100.00	32.1	0.0
Deka Treuhand Erwerbsgesellschaft mbH, Frankfurt/Main	100.00	25.0	–8.5 [3]
Deka Vorratsgesellschaft 01 mbH, Frankfurt/Main	100.00	25.0	–0.8 [3]
Deka Verwaltungs GmbH, Frankfurt/Main	100.00	22.8	0.2
WestInvest Gesellschaft für Investmentfonds mbH, Düsseldorf	99.74	11,338.6	5,857.4 [3]
WIV GmbH & Co. Beteiligungs KG, Frankfurt/Main	94.90	12,848.6	748.6
WIV Verwaltungs GmbH, Frankfurt/Main	94.90	59.9	2.1
Equity investments			
S PensionsManagement GmbH, Cologne	50.00	114,969.6	–252.2
Deka-Neuburger Institut für wirtschaftsmathematische Beratung GmbH, Frankfurt/Main	50.00	14.8	–1.4
Dealis Fund Operations GmbH, Frankfurt/Main	49.90	19,474.3	4,203.2
S Broker AG & Co. KG, Wiesbaden	30.64	28,066.0	259.1
Indirect equity investments and shares in affiliated companies			
Deka International S.A., Luxembourg	100.00	148,160.4	70,697.0
Roturo S.A., Luxembourg	100.00	18,426.8	13,900.0
International Fund Management S.A., Luxembourg	100.00	17,741.3	8,082.0
VM Bank International S.A. i.L., Luxembourg	100.00	6,969.5	418.2
Deka Immobilien Luxembourg S.A., Luxembourg	100.00	729.2	186.8
Deka Immobilien Beteiligungsgesellschaft mbH, Frankfurt/Main	100.00	147.8	2.2
Perfeus S.A., Luxembourg	100.00	37.8	4.2
Datogon S.A., Luxembourg	100.00	36.9	–3.0
Europäisches Kommunalinstitut S.à.r.l., Luxembourg	100.00	14.9	–0.7
Sparkassen Pensionskasse AG, Cologne	50.00	81,114.0	2,779.0
Sparkassen Pensionsfonds AG, Cologne	50.00	7,341.0	–525.0
Sparkassen PensionsBeratung GmbH i.L., Cologne	50.00	60.0	–13.0
Heubeck AG, Cologne	45.00	4,588.0	398.0
Dr. Heubeck Ges. mbH, Vienna	45.00	134.0	20.0
Compendata Gesellschaft zur Verwaltung von Vorsorgeeinrichtungen mbh, Cologne	45.00	127.0	54.0
Richttafeln-Unterstützungskasse GmbH, Cologne	45.00	77.0	18.0
Heubeck Richttafeln GmbH, Cologne	45.00	39.0	–37.0
S Broker Management AG, Wiesbaden	30.64	82.9	7.3
DPG Deutsche Performancemessungs-Gesellschaft für Wertpapierportfolios mbH, Frankfurt/Main	20.00	4,452.3	777.3

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

Off-balance sheet contingent liabilities

5 Letter of comfort

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

6 Other financial commitments

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

There is an obligation to put up additional capital amounting to €20.9m for Liquiditäts-Konsortialbank GmbH i.L., Frankfurt/Main (previous year: €20.9m).

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

There is an additional funding obligation for the security reserve of the Landesbanken and Girozentralen of €32.4m (previous year: €41.6m).

Notes to the balance sheet

7 Due from banks

€m	31.12.2014	31.12.2013
This item includes:		
Loans to		
affiliated companies	263.9	530.2
companies in which an interest is held	—	1.5
Subordinated loans	—	—
Sub item b. (other claims) – breaks down according to residual term to maturity as follows:		
less than three months	1,042.8	2,189.5
from three months to one year	3,310.5	2,609.1
from one year to five years	6,279.5	10,831.4
more than five years	3,783.1	954.7
	14,415.9	**16,584.7**
Used as cover funds	**3,432.2**	**5,582.5**

8 Due from customers

€m	31.12.2014	31.12.2013
This item includes:		
Loans to		
affiliated companies	210.8	153.0
companies in which an interest is held	97.7	59.7
Subordinated loans	—	—
This item breaks down by residual term to maturity as follows:		
with indefinite term to maturity	890.7	458.2
less than three months	919.1	793.8
from three months to one year	1,745.6	1,770.5
from one year to five years	7,331.7	8,368.9
more than five years	4,117.8	3,873.7
	15,004.9	**15,265.1**
Used as cover funds	**3,421.7**	**4,203.6**

9 Bonds and other fixed-interest securities

€m	31.12.2014	31.12.2013
The marketable securities comprising this item include:		
listed	17,918.5	14,231.5
unlisted	670.8	1,967.3
Subordinated securities	**31.6**	**27.8**
Due within one year	**5,057.6**	**1,435.9**
Used as cover funds	**410.0**	**1,604.8**
Book value of securities valued according to the diluted lower of cost or market principle	3,320.1	3,531.0
Book value of securities reported at more than fair value	466.8	644.6
Market value of securities reported at more than fair value	455.1	618.3

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

10 Shares and other non-fixed interest securities

€m	31.12.2014	31.12.2013
The marketable securities comprising this item include:		
listed	0.2	0.0
unlisted	1,152.7	907.3
Subordinated securities	**5.2**	**5.2**

11 Trading portfolio (assets)

This item breaks down as follows:

€m	31.12.2014	31.12.2013
Derivative financial instruments	12,308.9	10,952.6
Receivables	17,406.2	25,971.1
Bonds and other fixed-interest securities	20,900.5	21,300.2
Shares and other non fixed-interest securities	4,894.6	2,450.2
Other assets	2.6	1.2
Risk mark-down	−23.9	−25.7
	55,488.9	**60,649.6**

12 Equity investments

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

13 Shares in affiliated companies

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

14 Trust assets

The reported trust assets comprise amounts due from banks of €68.8m and amounts due from customers of €73.1m.

15 Tangible assets

€m	31.12.2014	31.12.2013
This item includes:		
Land and buildings used for the Bank's business activities	2.7	2.7
Office equipment	14.7	15.0

16 Changes in fixed assets

€m						Book value	
Asset items	Cost of acquisition/ production	Additions	Disposals	Accumulated depreciation/ amortisation	Depreciation/ amortisation for the year	31.12.2014	31.12.2013
		Changes +/- [1]					
Equity investments			−4.3			57.9	62.2
Shares in affiliated companies			79.4			447.6	368.2
Securities held as fixed assets			−210.9			3,320.1	3,531.0
Intangible assets	119.9	6.4		100.4	12.6	25.9	32.1
Tangible assets	62.7	1.0	0.1	46.2	1.4	17.4	17.7
Total						**3,868.9**	**4,011.2**

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

17 Other assets

€m	31.12.2014	31.12.2013
This item includes amongst others:		
Tax refund claims	120.6	162.9
Premiums paid and margins for derivative financial instruments	15.6	15.4
Overpaid profit shares of the atypical silent partners	6.9	20.3

18 Prepaid expenses and accrued income

€m	31.12.2014	31.12.2013
This item includes:		
Premium/discount from underwriting and lending business	13.6	17.4
Prepaid expenses and accrued income – derivative financial instruments	4.1	7.4

19 Genuine repurchase agreements

As at 31 December 2014, the book value of lent securities or securities sold under repurchase agreements amounts to €3,616.5m (previous year: €2,707.2m). Pass-through securities lending transactions of €6,993.0m (previous year: €7,248.4m) were also carried out.

20 Collateral transfer for own liabilities

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

€m	31.12.2014	31.12.2013
Due to banks	137.1	301.1
Due to customers	0.0	186.4
Trading portfolio (liabilities)	18,798.9	20,773.5

The collateral was provided mainly for borrowings as part of genuine repurchase agreements and for open market transactions with Deutsche Bundesbank. In addition, securities with a book value of €2,311.3m (previous year: €1,532.6m) were pledged as collateral for transactions on German and foreign futures exchanges.

21 Investment Shares

€m	Book value 31.12.2014	Market value 31.12.2013	Difference market value – book value	Distribution 2014	Daily redemption possible	Omitted depreciation
Equity funds	129.1	131.5	2.4	0.8	Yes	No
Bond funds	1,269.5	1,305.7	36.2	15.3	Yes	No
Mixed funds	2,475.3	2,851.8	376.5	0.7	Yes	No
Funds of funds	65.7	66.4	0.7	0.7	Yes	No
Other funds	290.6	323.0	32.4	3.0	No	No
Total	**4,230.2**	**4,678.4**	**448.2**			

22 Due to banks

€m	31.12.2014	31.12.2013
This item includes:		
Liabilities to		
affiliated companies	749.3	3,065.5
companies in which an interest is held	0.0	0.0
Sub item b (with agreed maturity or period of notice) breaks down by residual term to maturity as follows:		
less than three months	4,586.3	6,949.4
from three months to one year	7,357.2	6,463.2
from one year to five years	1,898.6	2,808.5
more than five years	1,864.1	1,723.4
	15,706.2	**17,944.5**

23 Due to customers

€m	31.12.2014	31.12.2013
This item includes:		
Liabilities to		
affiliated companies	297.4	274.0
companies in which an interest is held	123.7	166.5
Sub item b (with agreed maturity or period of notice) breaks down by residual term to maturity as follows:		
less than three months	5,591.6	3,276.9
from three months to one year	2,780.9	2,174.3
from one year to five years	2,059.7	3,704.8
more than five years	2,553.1	2,996.4
	12,985.3	**12,152.4**

24 Securitised liabilities

€m	31.12.2014	31.12.2013
Proportion of sub item a (issued bonds) maturing in the following year	**16,036.9**	**4,818.7**
Sub item b (other securities liabilities) breaks down by residual term to maturity as follows:		
less than three months	5,775.6	4,821.1
from three months to one year	192.3	—

25 Trading portfolio (liabilities)

This item breaks down as follows:

€m	31.12.2014	31.12.2013
Derivative financial instruments	12,392.8	12,651.1
Liabilities	30,832.5	32,619.6
	43,225.3	**45,270.7**

26 Trust liabilities

Trust liabilities comprise €68.8m in amounts due to banks and €73.1m in amounts due to customers.

27 Other liabilities

€m	31.12.2014	31.12.2013
This item includes:		
Foreign exchange equalisation items	421.2	6.6
Bonuses for sales offices	75.4	51.8
Premiums received and margins for derivative financial instruments	30.0	30.5
Trade payables	29.3	35.0
Due to custodial customers	8.3	11.6

28 Provisions for pensions and similar commitments

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

in %	31.12.2014
Pension trend for adjustments according to Section 16 (2) Company Pensions Fund Act (BetrAVG)	2.00
Pension adjustment with overall trend updating	2.50
Salary trend	2.50

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

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

Provisions for pensions and similar commitments are discounted at the average market interest rate of the past seven years published by Deutsche Bundesbank for an assumed residual time to maturity of 15 years. This interest rate stands at 4.54%.

€m	31.12.2014
Pension provisions	**0.9**
Acquisition cost of plan assets	265.9
Fair value of plan assets	355.8
Settlement amount of offset liabilities	356.7
Income from plan assets	29.2
Expenses for adding interest	14.9

The valuation of cover assets at fair value produces an amount that exceeds the historical cost of these assets of €89.9m, which is not blocked for distribution in accordance with Section 268 (8) HGB, since the free reserves of the company exceed this figure.

29 Accruals and deferred income

€m	31.12.2014	31.12.2013
This item includes:		
Premiums/discounts from underwriting and lending business	10.3	10.9
Accruals and deferred income – derivative financial instruments	5.3	6.1

30 Subordinated liabilities

€m	31.12.2014	31.12.2013
Expenses from subordinated liabilities	41.2	36.3
Accrued interest on subordinated liabilities	21.1	18.9

Borrowings structured as follows:

Year of emission	Nominal amount in €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
2014	473.6	6.00	—

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

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

31 Equity

The equity reported in the balance sheet breaks down as follows:

€m	31.12.2014	31.12.2013
a) Subscribed capital		
Subscribed capital	191.7	191.7
Typical silent capital contributions	203.8	500.0
Atypical silent capital contributions	52.4	52.4
b) Capital reserves	189.4	189.4
c) Retained earnings		
Reserves required by the Bank’s statutes	51.3	51.3
Other retained earnings	114.1	114.1
Balance sheet equity	**802.7**	**1,098.9**

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. AT1 bonds are to be reported under subordinated liabilities in the HGB balance sheet. 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 Perpetuals amounted to €19.2m (previous year: €19.6m) and are shown in the net interest income.

32 Contingent and other liabilities

The off-balance sheet contingent liabilities amounting to €1,949.4m (previous year: €2,110.5m) include guarantees and sureties as well as liabilities under CDS transactions as protection seller. The item primarily includes liabilities arising from warranty obligations in the amount of €1,801.7m (previous year: €1,502.6m). There are also irrevocable loan commitments of €453.5m (previous year: €826.9m). Based on the credit rating analyses carried out, it can essentially be assumed that borrowers will meet their commitments and no utilisation is therefore expected. Loan provisions were recognised in individual cases where the default of the borrower is likely.

33 Foreign currency volumes

€m	31.12.2014	31.12.2013
Foreign currency assets	10,591.2	10,922.8
Foreign currency liabilities	7,052.6	6,274.1

Notes to the income statement

34 Net income from the trading portfolio

€23.3m (previous year: €25.3m) of the net income from the trading portfolio totalling €209.9m (previous year: €227.7m) was transferred to the fund for general banking risks in the reporting year.

35 Other operating income

Other operating income consists mainly of €282.4m from Group offsetting and €39.6m from the reversal of provisions (including interest effect).

36 Other operating expenses

This item includes €44.2m resulting from currency translation in the non-trading book, €21.6m in transfers to provisions (including interest effect) and €7.7m from Group offsetting.

37 Auditor's fees

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

38 Income taxes

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

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

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

39 Management and intermediary services provided for third parties

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

Information relating to Pfandbrief business

40 Calculation of cover for mortgage and public sector lending business

Mortgage Pfandbriefe

Total amounts by nominal value and net present value

	Nominal value		Net present value		Risk-adjusted present value + 250 BP		Risk-adjusted present value – 250 BP	
€m	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Outstanding mortgage Pfandbriefe	115.0	85.0	116.9	85.9	109.6	80.9	117.7	91.9
Cover pool mortgage Pfandbriefe	322.9	273.3	343.3	288.5	332.2	276.3	344.7	303.6
Overcollateralization	207.9	188.3	226.4	202.6	222.6	195.4	227.0	211.7
Overcollateralization as a % of outstanding	181	222	194	236	203	242	193	230

Total amounts by nominal value and net present value

	Risk-adjusted net present value Currency stress	
€m	**2014**	**2013**
Outstanding mortgage Pfandbriefe	109.6	80.9
Cover pool mortgage Pfandbriefe	332.2	276.3
Overcollateralization	222.6	195.4
Overcollateralization as a % of outstanding	203	242

Outstanding and cover pool Pfandbriefe are denominated exclusively in euros.

vdp credit quality differentiation model

Overcollateralization based on the vdp's credit quality differentiation model	Nominal value		Net present value	
€m	**2014**	**2013**	**2014**	**2013**
Overcollateralization	207.9	188.3	226.4	202.6
Overcollateralization according to the vdp's credit quality differentiation model	207.9	188.3	226.4	202.6
Overcollateralization as a % of outstanding	181	222	194	236

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

N.B. The net present value is calculated in accordance with the static approach pursuant to the Pfandbrief Net Present Value Directive (PfandBarwertV).

Maturity structure

<table>
<tr><th>Maturity ranges</th><th colspan="2">Outstanding mortgage Pfandbriefe</th><th colspan="2">Cover pool mortgage Pfandbriefe</th></tr>
<tr><th>€m</th><th>2014</th><th>2013</th><th>2014</th><th>2013</th></tr>
<tr><td>up to 6 months</td><td>0.0</td><td rowspan="2">0.0</td><td>43.7</td><td rowspan="2">23.7</td></tr>
<tr><td>> 6 months to 12 months</td><td>0.0</td><td>75.6</td></tr>
<tr><td>> 12 months to 18 months</td><td>10.0</td><td rowspan="2">0.0</td><td>0.0</td><td rowspan="2">120.2</td></tr>
<tr><td>> 18 months to 2 years</td><td>20.0</td><td>0.0</td></tr>
<tr><td>> 2 years to 3 years</td><td>55.0</td><td>30.0</td><td>108.7</td><td>0.0</td></tr>
<tr><td>> 3 years to 4 years</td><td>0.0</td><td>55.0</td><td>29.3</td><td>60.1</td></tr>
<tr><td>> 4 years to 5 years</td><td>30.0</td><td>0.0</td><td>25.6</td><td>29.3</td></tr>
<tr><td>> 5 years to 10 years</td><td>0.0</td><td>0.0</td><td>40.0</td><td>40.0</td></tr>
<tr><td>> 10 years</td><td>0.0</td><td>0.0</td><td>0.0</td><td>0.0</td></tr>
<tr><td>Total</td><td>115.0</td><td>85.0</td><td>322.9</td><td>273.3</td></tr>
</table>

Total amount of additional cover pool assets

€m	2014	2013
Total additional cover pool assets according to Section 19 (1) nos. 1 - 3 PfandBG	40.0	48.7
Thereof additional cover pool assets according to Section 19 (1) no. 1 PfandBG	0.0	0.0
Thereof additional cover pool assets according to Section 19 (1) no. 2 PfandBG:		
based in: Germany	40.0	48.7
Thereof exposure in covered bonds according to Article 129 Regulaton (EU) no. 575/2013	0.0	0.0
Thereof additional cover pool assets according to Section 19 (1) no. 3 PfandBG:	Total bonds according to Section 20 (1) PfandBG	
	2014	2013
	0.0	0.0

Information according to Section 28 (1) sentence 1 nos. 7 and 8 PfandBG

€m	2014	2013
Cover pool assets that exceed the limits of Section 13 (1) PfandBG (Section 28 (1) sentence 1 no. 7 PfandBG)	0.0	0.0
Cover pool assets that exceed the limits of Section 19 (1) no. 2 PfandBG (Section 28 (1) sentence 1 no. 8 PfandBG)	0.0	0.0
Cover pool assets that exceed the limits of Section 19 (1) no. 3 PfandBG (Section 28 (1) sentence 1 no. 8 PfandBG)	0.0	0.0

Fixed interest cover pool assets and Pfandbriefe

Fixed interest assets to the respective total amounts	Total		Thereof nominal value of fixed interest assets		Thereof percentage of fixed interest assets	
€m	2014	2013	2014	2013	2014	2013
Outstanding mortgage Pfandbriefe	115.0	85.0	95.0	65.0	82.6	76.5
Cover pool mortgage Pfandbriefe	322.9	273.3	90.0	113.7	27.9	41.6

Volume-weighted average maturity

Information on claims according to Section 12 PfandBG	Average in years	
€m	2014	2013
Volume-weighted average of the maturity that has elapsed since the loan was granted according to Section 28 (1) sentence 1 no. 11 PfandBG	4.2	3.9

Average weighted mortgage loan-to-value

Information on claims according to Section 12 PfandBG	Average in percent	
€m	2014	2013
Mortgage loan-to-value according to Section 28 (1) sentence 1 no. 11 PfandBG	42.6	42.9

Breakdown of cover pool assets by country by size

Total amounts	Federal Republic of Germany		France		Total	
€m	2014	2013	2014	2013	2014	2013
Less than 0.3m [1]	0.0	0.0	0.0	0.0	0.0	0.0
From 0.3m to 5m [1]	0.0	0.0	0.0	0.0	0.0	0.0
From 1.0m to 10m [1]	25.0	25.0	0.0	0.0	25.0	25.0
> 10m [1]	77.7	92.7	180.2	106.9	257.9	199.6
Other cover	40.0	48.7	0.0	0.0	40.0	48.7
Total	**142.7**	**166.4**	**180.2**	**106.9**	**322.9**	**273.3**

[1] Secured by mortgages

Breakdown of cover pool assets by type of use

Total amounts	Federal Republic of Germany		France		Total	
€m	2014	2013	2014	2013	2014	2013
Commercial use	102.7	117.7	180.2	106.9	282.9	224.6
Other cover [1]	40.0	48.7	0.0	0.0	40.0	48.7
Total	**142.7**	**166.4**	**180.2**	**106.9**	**322.9**	**273.3**

[1] including statutory overcollateralization/safeguarding liquidity

Breakdown of cover pool assets by type of building

Total amounts	Federal Republic of Germany		France		Total	
€m	2014	2013	2014	2013	2014	2013
Office buildings	19.0	19.0	180.2	106.9	199.2	125.9
Retail buildings	64.3	64.3	0.0	0.0	64.3	64.3
Other commercial buildings	19.4	34.4	0.0	0.0	19.4	34.4
Other cover	40.0	48.7	0.0	0.0	40.0	48.7
Total	**142.7**	**166.4**	**180.2**	**106.9**	**322.9**	**273.3**

[1] including statutory overcollateralizaion/safeguarding liquidity

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

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

As in the previous year, no foreclosure sales were carried out in financial year 2014.

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

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

Public sector Pfandbriefe

Total amounts by nominal value and present value

	Nominal value		Present value		Risk-adjusted present value + 250 BP		Risk-adjusted present value – 250 BP	
€m	2014	2013	2014	2013	2014	2013	2014	2013
Outstanding public sector Pfandbriefe	4,436.8	7,582.6	5,142.3	8,252.0	4,684.3	7,855.2	5,278.7	8,949.2
Cover pool public sector Pfandbriefe	6,940.9	11,117.6	7,562.2	11,829.7	7,179.4	11,317.1	7,674.8	12,274.3
Overcollateralization	2,504.1	3,535.0	2,419.9	3,577.7	2,495.1	3,461.9	2,396.1	3,325.1
Overcollateralization as a % of outstanding	56	47	47	43	53	44	45	37

Total amounts by nominal value and present value

€m	Risk-adjusted net present value Currency stress 2014	2013
Outstanding public sector Pfandbriefe	5,389.4	—
Cover pool public sector Pfandbriefe	7,691.5	—
Overcollateralization	2,301.1	—
Overcollateralization as a % of outstanding	43	—

Foreign currencies

	Net present value for each foreign currency in €m		Exchange rate		Net present value in €m	
	2014	2013	2014	2013	2014	2013
USD	–75.8	—	1.2141	—	–62.4	—

vdp credit quality differentiation model

Overcollateralization based on the vdp's credit quality differentiation model	Nominal value		Present value	
€m	2014	2013	2014	2013
Overcollateralization	2,504.1	3,535.0	2,419.9	3,577.7
Overcollateralization according to the vdp's credit quality differentiation model	2,504.1	3,535.0	2,419.9	3,577.7
Overcollateralization as a % of outstanding	56	47	47	43

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

N.B. The net present value is calculated in accordance with the static approach pursuant to the Pfandbrief Net Present Value Directive (PfandBarwertV)

Maturity structure

Maturity ranges	Outstanding public sector Pfandbriefe		Cover pool public sector Pfandbriefe	
€m	2014	2013	2014	2013
up to 6 months	714.5	3,126.8	1,507.2	3,177.5
> 6 months to 12 months	682.2		1,761.2	
> 12 months to 18 months	328.7	1,576.9	216.4	3,841.8
> 18 months to 2 years	77.0		182.5	
> 2 years to 3 years	339.9	199.7	451.5	382.0
> 3 years to 4 years	459.5	338.4	685.7	464.8
> 4 years to 5 years	512.5	457.9	316.7	885.7
> 5 years to 10 years	900.9	1,311.6	1,316.0	1,599.0
> 10 years	421.6	571.3	503.7	766.8
Total	**4,436.8**	**7,582.6**	**6,940.9**	**11,117.6**

Total amount of additional cover pool assets

€m	2014	2013
Total additional cover pool assets according to Section 20 (2) PfandBG	175.0	315.0
Thereof additional cover pool assets according to Section 20 (2) no. 1 PfandBG	0.0	0.0
Thereof additional cover pool assets according to Section 20 (2) no. 2 PfandBG		
based in: Germany	175.0	315.0
Thereof exposure in covered bonds according to Article 129 Regulation (EU) no. 575/2013	20.0	0.0

Information according to Section 28 (1) sentence 1 no. 8 PfandBG

€m	2014	2013
Cover pool assets that exceed the limits of Section 20 (2) PfandBG	0.0	0.0

Fixed interest cover pool assets and Pandbriefe

Fixed interest assets as a % of total amounts	Total		Thereof nominal value of fixed interest assets		Thereof percentage of fixed interest assets	
€m	2014	2013	2014	2013	2014	2013
Outstanding public sector Pfandbriefe	4,436.8	7,582.6	3,994.4	5,924.7	90.0	78.1
Cover pool public sector Pfandbriefe	6,940.9	11,117.6	5,003.3	8,039.6	72.1	72.3

Distribution of cover pool assets

Total nominal value of cover pool assets by country / type	Sovereign		Regional authorities		Local authorities		Other debtors		Total	
€m	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Federal Republic of Germany	98.2	139.6	1,024.8	1,653.7	503.5	477.7	4,827.5	7,925.2	6,454.0	10,196.2
Canada	0.0	0.0	70.3	61.9	0.0	0.0	40.4	35.5	110.7	97.4
Latvia	0.0	0.0	0.0	0.0	38.1	41.0	0.0	0.0	38.1	41.0
Poland	79.3	118.8	0.0	0.0	0.0	0.0	58.3	71.1	137.6	189.9
Slovakia	0.0	5.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.0
Spain	0.0	0.0	2.8	3.6	0.0	0.0	0.0	0.0	2.8	3.6
United States of America	0.0	0.0	0.0	0.0	0.0	0.0	48.8	430.5	48.8	430.5
United Kingdom of Great Britain and Northern Ireland	0.0	0.0	0.0	0.0	0.0	0.0	148.9	154.0	148.9	154.0
Total	**177.5**	**263.4**	**1,097.9**	**1,719.2**	**541.6**	**518.7**	**5,123.9**	**8,616.3**	**6,940.9**	**11,117.6**

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

Other information

41 Average number of staff

Number	2014			2013		
	Male	Female	Total	Male	Female	Total
Full-time employees	1,523	638	2,161	1,450	644	2,094
Part-time and temporary employees	82	368	450	82	335	417
	1,605	**1,006**	**2,611**	**1,532**	**979**	**2,511**

42 Remuneration of Board members

€	2014	2013
Remuneration of active Board members		
Board of Management	4,768,333	4,390,716
Administrative Board	622,583	640,167
Remuneration paid to former Board members and surviving dependants		
Board of Management	3,839,013	7,812,095
Provisions for pension commitments to these persons	52,262,644	39,812,345

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

In financial year 2014, variable remuneration elements in the amount of €3.6m (previous year: €2.7m) were committed to active and former members of the Board of Management, which are dependent on future performance. Variable remuneration components that were not paid out in the year of the commitment depend on the sustainable performance of the Deka Group and are deferred until the three years following the commitment year. The sustainable components of remuneration granted are subject to a two-year holding period and are paid out after that period has elapsed. Distributable earnings, corporate value, the economic result, payments to savings bank alliance partners, net sales performance and the individual contribution of the Board Members are used to determine sustainability. The short-term benefits include deferred variable remuneration components from active members of the Board of Management in the amount of €1.7m and due to previous members of the Board of Management in the amount of €0.2m. Active members of the Board of Management are to receive €0.8m for financial year 2013, €0.3m for financial year 2012, €0.4m for financial year 2011 and €0.2m for financial year 2010.

43 Loans to Board members

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

Seats on supervisory bodies

44 Notes to seats on supervisory bodies (as at 03.02.2015)

Michael Rüdiger (Chairman of the Board of Management)		
Member of the Supervisory Board	Evonik Industries AG	Essen
Chairman of the Administrative Board	Liquiditäts-Konsortialbank GmbH i.L.	Frankfurt/Main
Member of the Supervisory Board (until 30.09.2014)	Gesellschaft für Mittelstandskreditfonds der Sparkassen-Finanzgruppe mbH	Frankfurt/Main
Member of the Supervisory Board (from 01.01.2014 to 14.01.2014) Deputy Chairman of the Supervisory Board (from 15.01.2014 to 11.12.2014) Chairman of the Supervisory Board (from 12.12.2014)	Deka Investment GmbH	Frankfurt/Main
Member of the Supervisory Board (from 01.01.2014 to 24.02.2014) Deputy Chairman of the Supervisory Board (from 25.02.2014 to 31.12.2014)	Deka Immobilien Investment GmbH	Frankfurt/Main
Member of the Supervisory Board (from 01.01.2014 to 24.02.2014) Deputy Chairman of the Supervisory Board (from 25.02.2014 to 31.12.2014)	WestInvest Gesellschaft für Investmentfonds mbH	Düsseldorf
Member of the Administrative Board (from 01.01.2014)	DekaBank Deutsche Girozentrale Luxembourg S.A.	Luxembourg
Member of the Supervisory Board (from 01.01.2014 to 18.03.2014) Deputy Chairman of the Supervisory Board (from 19.03.2014 to 02.12.2014) Chairman of the Supervisory Board (from 03.12.2014)	Landesbank Berlin Investment GmbH	Berlin
Member of the Supervisory Board (from 01.01.2014)	Deka Immobilien GmbH	Frankfurt/Main

Oliver Behrens (Deputy Chairman of the Board of Management)		
Chairman of the Supervisory Board (until 24.11.2014)	Deka Investment GmbH	Frankfurt/Main
Chairman of the Supervisory Board (until 31.12.2014)	Sparkassen Pensionsfonds AG	Cologne
Chairman of the Administrative Board (until 24.11.2014)	DekaBank Deutsche Girozentrale Luxembourg S.A.	Luxembourg
Chairman of the Administrative Board (until 31.12.2014)	ExFin AG in Liquidation (from 01.07.2014) (17.06.2014 – 30.06.2014: ExFin AG; 18.12.2013 – 17.06.2014: Deka(Swiss) Finanz AG; (to 17.12.2013: Deka(Swiss) Privatbank AG)	Zurich, Switzerland
Deputy Chairman of the Supervisory Board (until 24.11.2014)	S PensionsManagement GmbH	Cologne
Deputy Chairman of the Supervisory Board (until 31.12.2014)	Sparkassen Pensionskasse AG	Cologne
Deputy Chairman of the Supervisory Board (until 31.12.2014)	S Broker AG & Co. KG	Wiesbaden
Deputy Chairman of the Supervisory Board (until 31.12.2014)	S Broker Management AG	Wiesbaden
Member of the Supervisory Board (from 01.01.2014 to 18.03.2014) Chairman of the Supervisory Board (from 19.03.2014 to 24.11.2014)	Landesbank Berlin Investment GmbH	Berlin
Member of the Shareholder Committee (until 24.11.2014)	Dealis Fund Operations GmbH	Frankfurt/Main
Managing Director	OncamB Vermögensverwaltungsgesellschaft mbH	Bad Soden am Taunus

Dr. Matthias Danne (Member of the Board of Management)		
Chairman of the Supervisory Board	Deka Immobilien Investment GmbH	Frankfurt/Main
Chairman of the Supervisory Board	WestInvest Gesellschaft für Investmentfonds mbH	Düsseldorf
Chairman of the Supervisory Board	Deka Immobilien GmbH	Frankfurt/Main
Chairman of the Supervisory Board (until 30.07.2014)	STIER Immobilien AG	Frankfurt/Main
Deputy Chairman of the Administrative Board	DekaBank Deutsche Girozentrale Luxembourg S.A.	Luxembourg
Member of the Supervisory Board (from 31.03.2014)	Sparkassen Rating und Risikosysteme GmbH	Berlin
Member of the Supervisory Board (from 08.01.2015)	S PensionsManagement GmbH	Cologne
Member of the Supervisory Board (from 09.01.2015)	Sparkassen Pensionsfonds AG	Cologne
Member of the Supervisory Board (from 09.01.2015)	Sparkassen Pensionskasse AG	Cologne
Managing Director	Deka Treuhand Erwerbsgesellschaft mbH	Frankfurt/Main

Martin K. Müller (Member of the Board of Management)		
Member of the Supervisory Board (from 01.01.2014)	Landesbank Berlin Investment GmbH	Berlin
Member of the Supervisory Board (from 01.01.2014)	SIZ GmbH (formerly: SIZ Informatikzentrum der Sparkassenorganisation GmbH)	Bonn
Member of the Shareholder Committee (from 01.01.2014)	Dealis Fund Operations GmbH	Frankfurt/Main
Managing Director (from 01.01.2014)	Deka Treuhand Erwerbsgesellschaft mbH	Frankfurt/Main

Dr. Georg Stocker (Member of the Board of Management)		
Deputy Chairman of the Supervisory Board	Deka Immobilien GmbH	Frankfurt/Main
Member of the Supervisory Board (from 25.11.2014 to 11.12.2014) Deputy Chairman of the Supervisory Board (from 12.12.2014)	Deka Investment GmbH	Frankfurt/Main
Member of the Supervisory Board (from 25.11.2014 to 02.12.2014) Deputy Chairman (from 03.12.2014)	Landesbank Berlin Investment GmbH	Berlin
Member of the Supervisory Board (from 01.01.2015 to 21.01.2015) Deputy Chairman of the Supervisory Board (from 22.01.2015)	Deka Immobilien Investment GmbH	Frankfurt/Main
Member of the Supervisory Board (from 01.01.2015 to 21.01.2015) Deputy Member of the Supervisory Board (from 22.01.2015)	WestInvest Gesellschaft für Investmentfonds mbH	Düsseldorf
Member of the Supervisory Board	S Broker AG & Co. KG	Wiesbaden
Member of the Supervisory Board (until 31.12.2014)	S PensionsManagement GmbH	Cologne
Member of the Supervisory Board (until 31.12.2014)	Sparkassen Pensionsfonds AG	Cologne
Member of the Supervisory Board (until 31.12.2014)	Sparkassen Pensionskasse AG	Cologne
Member of the Administrative Board (until 31.12.2014)	ExFin AG in Liquidation (ab 01.07.2014) (17.06.2014 – 30.06.2014: ExFin AG; 18.12.2013 – 17.06.2014: Deka(Swiss) Finanz AG; bis 17.12.2013: Deka(Swiss) Privatbank AG)	Zurich, Switzerland

Board members of DekaBank Deutsche Girozentrale

45 Notes to the Board members of DekaBank Deutsche Girozentrale (as at 31.01.2015)

Board of Management

Michael Rüdiger
Chairman of the Board of Management

Oliver Behrens
Deputy Chairman of the Board of Management
(until 24.11.2014)

Dr. Matthias Danne
Member of the Board of Management

Martin K. Müller
Member of the Board of Management

Dr. Georg Stocker
Member of the Board of Management

Administrative Board

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

Helmut Schleweis
First Deputy Chairman
(from 16.01.2014)
Member (from 01.01.2014 to 15.01.2014)
Chairman of the Management Board
of Sparkasse Heidelberg

Thomas Mang
Second Deputy Chairman
(from 16.01.2014)
Member (ab 01.01.2014 bis 15.01.2014)
President of the Savings Banks Association
of Lower Saxony

Additional representatives elected by the Shareholders' Meeting

Reinhard Boll
(until 31.12.2014)
President of the Savings Banks and Giro Association of
Schleswig-Holstein

Michael Bräuer
(from 01.01.2014)
Chairman of Sparkasse Oberlausitz-Niederschlesien

Michael Breuer
President of the Rhineland Savings Banks
and Giro Association

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

Carsten Claus
Chairman of the Management Board
of Kreissparkasse Böblingen

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

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

Volker Goldmann
(until 30.06.2014)
Chairman of the Management Board
of Sparkasse Bochum

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

Hans-Heinrich Hahne
(from 01.01.2015)
Chairman of the Managment Board of Sparkasse
Schaumburg

Walter Kleine
(until 31.08.2014)
Chairman of the Management Board
of Sparkasse Hanover

Dr. Christoph Krämer
(from 01.10.2014)
Chairman of the Management Board of Sparkasse Iserlohn

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

Dr. Ulrich Netzer
(from 01.05.2014)
President of the Savings Banks Associaton Bavaria

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

Peter Schneider
President of the Savings Banks Association
Baden-Württemberg

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

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

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

Johannes Werner
(until 30.11.2014)
Chairman of the Management Board
of Mittelbrandenburgischen Sparkasse
in Potsdam

Alexander Wüerst
Chairman of the Management Board
of Kreissparkasse Cologne

Theo Zellner
(until 30.04.2014)
President of the Savings Banks Association Bavaria

Employee representatives appointed by the Staff Committee

Michael Dörr
Chairman of the Staff Committee
of DekaBank Deutsche Girozentrale

Erika Ringel
(from 01.01.2014)
Member of the Staff Committee
of DekaBank Deutsche Girozentrale

Representatives appointed by the Federal Organisation of Central Municipal Organisations

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

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

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

Assurance of the Board of Management

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

Frankfurt/Main, 20 February, 2015

DekaBank
Deutsche Girozentrale

The Board of Management

Rüdiger

Dr. Danne

Müller

Dr. Stocker

Auditor's Report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of the DekaBank Deutsche Girozentrale AöR, Berlin/Frankfurt for the business year from January 1, 2014 to December 31, 2014. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

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

Our audit has not led to any reservations.

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

Frankfurt/Main, 23 February, 2015

KPMG AG
Wirtschaftsprüfungsgesellschaft

Pukropski	Fox
Wirtschaftsprüfer	Wirtschaftsprüfer

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.

Internet website
The Annual financial statements of DekaBank can be found on our website, including as an interactive online version, at www.dekabank.de under "Investor Relations/Reports" in German and English. Previous versions of our annual and interim reports are also available for download here.

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Gender clause
In this report, words in the masculine include words in the feminine; in parts of the report, the masculine form has solely been used to make the document easier to read.

Disclaimer
The Management Report as well as the Annual financial statements 2014 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 DekaBank Annual financial statements is provided for convenience only. The German original is definitive.

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